

THE ARC NATURE COAST, INC.

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended SEPTEMBER 30, 2011

KING & WALKER, CPAs, PL

Certified Public Accountants

ARC NATURE COAST, INC.

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
The Arc Nature Coast, Inc.
Brooksville, Florida

We have audited the accompanying statement of financial position of the Arc Nature Coast, Inc. (Association) a non-profit organization as of and for the year ended September 30, 2011, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arc Nature Coast, Inc. as of September 30, 2011, and the changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2011, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Association. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



December 9, 2011
Lutz, Florida

THE ARC NATURE COAST, INC.
STATEMENT OF FINANCIAL POSITION
At September 30, 2011

ASSETS

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and Cash Equivalents (Unrestricted)	\$ 120,080	\$ 313,657
Cash and Cash Equivalents (Temporarily Restricted)	1,833	165,518
Accounts Receivable	395,191	327,189
Beneficial Interest in Assets Held by Foundation	88,256	108,289
Allowance for Doubtful Accounts	(3,207)	(5,000)
Total Current Assets	<u>602,153</u>	<u>909,653</u>
Property and Equipment, net of accumulated depreciation	3,333,699	2,094,994
Other Assets:		
Other Assets	58,486	43,417
Total Other Assets	<u>58,486</u>	<u>43,417</u>
TOTAL ASSETS	<u>\$ 3,994,338</u>	<u>\$ 3,048,064</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	\$ 180,385	\$ 348,514
Line of Credit	150,000	-
Notes Payable	37,512	84,325
Capital Leases Payable	15,107	5,514
Total Current Liabilities	<u>383,004</u>	<u>438,353</u>
Long-Term Liabilities:		
Notes Payable	\$ 1,114,338	\$ 610,483
Capital Leases Payable	19,135	14,435
Total Long-Term Liabilities	<u>1,133,473</u>	<u>624,918</u>
Net Assets:		
Temporarily Restricted	1,833	165,518
Unrestricted	2,476,028	1,819,275
Total Net Assets	<u>2,477,861</u>	<u>1,984,793</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,994,338</u>	<u>\$ 3,048,064</u>

The Notes are an integral part of these financial statements.

THE ARC NATURE COAST, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

	2011	2010
SUPPORT AND REVENUE:		
Grants & Contracts	\$ 3,292,458	\$ 2,997,361
Private Pay	193,335	181,785
Contributions	182,881	106,682
Other	109,946	104,308
Investment Income	2,169	3,378
Sales	3,656	5,481
TOTAL SUPPORT AND REVENUE	3,784,445	3,398,995
EXPENSES:		
Residential Group Homes	896,387	1,008,317
Adult Day Training	300,045	731,935
Transportation	79,280	423,342
Industrial Enclave Janitorial	140,774	318,533
In-Home Supports	30,892	139,084
Employment	130,329	132,459
Community Supports	118,610	136,100
Industrial Enclave Micro-Matic	977,251	70,829
Industrial Enclave Walmart	131,920	130,550
Industrial Enclave Alumi-Guard	485,889	-
TOTAL EXPENSES	3,291,377	3,091,149
INCREASE (DECREASE) IN NET ASSETS	493,068	307,846
NET ASSETS—BEGINNING OF YEAR	1,984,793	1,676,947
NET ASSETS—END OF YEAR	\$ 2,477,861	\$ 1,984,793

The Notes are an integral part of these financial statements.

THE ARC NATURE COAST, INC.
STATEMENT OF CASH FLOWS
Year Ended September 30, 2011

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 493,068	\$ 307,846
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	148,645	114,814
(Increase)/decrease in:		
Accounts Receivable	(69,795)	(48,452)
Other Assets	(15,069)	(1,631)
Increase/(decrease) in:		
Accounts Payable	(168,129)	267,732
Deferred Revenue	-	(129,765)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>388,720</u>	<u>510,544</u>
INVESTING ACTIVITIES:		
Capital Assets	(1,387,350)	(803,945)
Investments	20,033	(8,284)
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,367,317)</u>	<u>(812,229)</u>
FINANCING ACTIVITIES:		
Notes Payable	457,042	216,319
Capital Leases Payable	14,293	(4,780)
Line of Credit	150,000	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>621,335</u>	<u>211,539</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(357,262)	(90,146)
CASH AND CASH EQUIVALENTS, beginning of year	<u>479,175</u>	<u>569,321</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 121,913</u>	<u>\$ 479,175</u>

The Notes are an integral part of these financial statements.

THE ARC NATURE COAST, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Year Ended September 30, 2011**

	Adult Day Training	Industrial Enclave Janitorial	Industrial Enclave Micro-Matic	Industrial Enclave Walmart	Industrial Enclave Alumi-Guard	Employment
Salaries and Payroll Taxes	\$ 419,404	\$ 195,382	\$ 56,106	\$ 107,742	\$ 15,712	\$ 53,106
Employee Benefits	92,452	36,964	10,891	15,610	1,739	19,508
Bank Charges	2,573	476	4	-	-	1,662
Depreciation	45,427	383	-	-	-	8,244
Dues and Subscriptions	3,486	416	11	332	5	661
Fuel and Oil	22,596	-	-	-	-	2,101
Insurance	18,631	1,000	1,000	500	141	3,411
Professional Services	38,620	3,399	656	1,152	2,310	10,278
Seminars and Training	1,373	249	25	35	40	47
Office & Occupancy	51,734	161	123	123	-	3,653
Repairs and Maintenance	5,493	361	-	19	-	341
Supplies	20,230	1,520	-	198	-	924
Taxes and Licenses	1,706	-	-	-	-	43
Telephone and Utilities	36,243	856	128	232	50	1,196
Contract Services	-	12,305	-	-	-	2,500
Travel & Per Diem	114	963	-	-	-	1,323
Equipment	314	1,498	-	-	-	-
Allocated Maintenance	45,443	10,896	-	-	-	826
Allocated Fund Development	29,055	8,803	2,421	4,843	2,092	6,053
Allocated Administration	61,493	24,413	7,915	9,988	8,803	14,452
Total Expenses	\$ 896,387	\$ 300,045	\$ 79,280	\$ 140,774	\$ 30,892	\$ 130,329

The Notes are an integral part of these financial statements.

THE ARC NATURE COAST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Year Ended September 30, 2011

	Community Supports	Residential Group Homes	In-Home Supports	Transportation	Maintenance	Fund Development	Administration	Total
Salaries and Payroll Taxes	\$ 60,368	\$ 465,816	\$ 40,056	\$ 182,002	\$ 53,032	\$ 61,065	\$ 207,965	\$ 1,917,756
Employee Benefits	17,048	157,060	10,658	46,568	17,125	23,494	38,084	487,201
Bank Charges	1,419	7,558	-	1,435	81	3,641	1,889	20,738
Depreciation	4,020	21,852	-	52,954	5,774	4,329	5,662	148,645
Dues and Subscriptions	821	5,921	579	1,993	62	2,213	1,780	18,280
Fuel and Oil	2,300	6,445	-	74,539	4,031	1,929	2,696	116,637
Insurance	3,661	10,120	1,142	26,131	1,964	1,931	3,783	73,415
Professional Services	1,922	24,834	2,197	15,725	1,850	10,354	5,689	118,986
Seminars and Training	133	1,537	167	565	-	194	103	4,468
Office & Occupancy	218	32,383	10,975	505	36	2,087	594	102,592
Repairs and Maintenance	698	11,140	920	23,410	3,990	158	740	47,270
Supplies	732	54,077	-	301	391	1,739	2,198	82,310
Taxes and Licenses	93	592	-	1,141	271	118	355	4,319
Telephone and Utilities	2,746	22,444	3,806	2,743	2,352	1,972	5,871	80,639
Contract Services	-	368	41,697	1,050	-	-	-	57,920
Travel & Per Diem	697	289	501	-	-	647	2,086	6,620
Equipment	-	1,190	-	-	468	-	111	3,581
Allocated Maintenance	1,652	26,440	-	826	(91,427)	826	4,518	-
Allocated Fund Development	6,053	38,741	6,053	16,949	-	(121,063)	-	-
Allocated Administration	14,029	88,444	13,169	37,052	-	4,366	(284,124)	-
Total Expenses	\$ 118,610	\$ 977,251	\$ 131,920	\$ 485,889	\$ -	\$ -	\$ -	\$ 3,291,377

The Notes are an integral part of these financial statements.

THE ARC NATURE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

1. DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Arc Nature Coast, Inc. (Association) was incorporated February 7, 1973, and operates as a Florida non-profit corporation in accordance with Section 501(c)(3), of the Internal Revenue Code of 1986.

The Association has been established to provide training, advocacy, and support services to individuals and families with disabilities-related challenges in order to facilitate their self-determination and inclusion in community life.

Descriptions of programs currently provided by the Association are as follows:

Community Supports

Services to assist adults with disabilities to secure and maintain their own residences. Ongoing support allows the individuals to live in the community.

Industrial Enclave Janitorial

Provides community based habilitation and participation in janitorial services for adults with disabilities.

Industrial Enclave Wal-Mart

Provides community based habilitation and participation in material sorting activities for adults with disabilities.

Industrial Enclave Micro-Matic

Provides community based habilitation and participation in product assembly activities for adults with disabilities.

Industrial Enclave Alumi-Guard

Provides community based habilitation and participation in material sorting and product assembly activities for adults with disabilities.

Adult Day Training

Provides support in the acquisition and/or improvement of socialization and adaptive skills to individuals with disabilities in order for them to participate in daily valued routines of the community.

Transportation

Transportation to and from home is provided for individuals in the Adult Day Training Program, Industrial Enclave Programs, and Teams-Community Services.

Residential Group Homes

A residential service that provides 24-hour supervision in a small home within a neighborhood setting. This service is available on a long-term permanent basis.

In-Home Supports

This is a residential service that offers companionship, personal care and supervision to individuals residing in their own home. This service is available on a long-term basis or as a transitional basis leading to independent living.

THE ARC NATURE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Employment

Provides job placement and supported employment services, including training and assistance, to support individuals with disabilities in sustaining paid employment.

Fund Development

Fund Development is a cost center of the Association established to account for the costs of public relations and fund raising activities.

➤ **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

➤ **Basis of Presentation**

The accompanying financial statements have been prepared in accordance with the provisions of Statement of Financial Accounting Standards No. 117 (SFAS 117), Financial Statements of Not-for-Profit Organizations. SFAS 117 focuses on the entity as a whole and requires classification of assets as unrestricted, temporarily restricted, or permanently restricted. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations, including restricted contributions whose restrictions are met in the same reporting period.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes.

➤ **Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

THE ARC NATURE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

➤ **Contributions and Pledges**

Contributions and pledges are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional and the contributions and pledges will be collected within 60 days after the fiscal year end. Contributions and pledges that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions and pledges are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

➤ **In-Kind Contributions and Contributed Services**

In accordance with SFAS 116, the Association recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

➤ **Cash and Cash Equivalents**

Cash deposits are held in a local financial institution at year-end and throughout the year. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Association considers all resources invested in money market funds, certificates of deposit and highly liquid debt instruments issued with a maturity of three months or less to be cash equivalents. Permanently restricted cash and cash equivalents are excluded from the statement of cash flows.

➤ **Property and Equipment**

Property and equipment acquisitions are recorded at cost and donated equipment is recorded at fair market value at the date of donation. Depreciation is provided over the estimated useful lives of the assets and computed on the straight-line method. Tangible property such as works of art are considered as collections and are not depreciated.

➤ **Income Tax**

The Association has been granted tax-exempt status under Section 501 of the Internal Revenue Code as an entity described in Section 501(c)(3). Therefore, no provision has been made for income taxes in the accompanying financial statements.

➤ **Functional Allocation of Expenses**

The administration and maintenance costs of providing the Association's programs have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting benefit.

THE ARC NATURE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

2. BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION OF TAMPA BAY, INC.

Amounts reported in the statement of financial position as beneficial interest in assets held by the Community Foundation of Tampa Bay, Inc. (Foundation) represent the transfer of \$100,000 by the Association to the Foundation, as well as a net reduction of \$11,744 thereon, leaving a balance of \$88,256 at September 30, 2011. The Foundation holds and invests the funds on behalf of the Association. The Foundation has no variance power over the funds. Instead, the funds are distributed to the Center upon request to the Foundation.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of September 30, 2011:

Florida Agency for Health Care Admin. Waiver	\$ 281,471
Florida Association of Rehab Facilities (RESPECT)	30,326
Alternative Education Program	8,550
HEART Adult Literacy	17,683
Agency for Persons with Disabilities	6,343
Pasco Hernando Workforce Board	5,000
WalMart	6,500
Division of Vocational Rehab	14,930
Micromatic	4,074
Alumi-Guard	5,422
Other	14,892
Total	<u><u>\$ 395,191</u></u>

The allowance for doubtful accounts is \$3,207.

4. PLEDGES RECEIVABLE

Pledges receivable are considered fully collectible and are due to the Association within various time periods based on the individual pledge. Pledges are not reported as receivable unless they are expected to be collected within 60 days after the fiscal year end. During the 2009-2010 fiscal year the Association began a fund raising campaign to assist in the construction of the Education Center & Regional Hurricane Shelter to be located at 6495 Mariner Blvd., Spring Hill, Florida (the Shelter). As of September 30, 2011, individual donor pledges promised to the Shelter fund raising campaign and to be paid in the future amounted to \$72,971. These pledges made are not required to be paid within the 60 day requirement and accordingly the pledges made are not reported as receivable in the financial statements.

THE ARC NATURE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

5. *PROPERTY, PLANT AND EQUIPMENT*

Property, plant and equipment at September 30, 2011, are shown below:

Depreciable Assets:	
Buildings	\$ 2,902,335
Transportation Equipment	727,791
Furniture and Equipment	265,972
Improvements	<u>153,496</u>
Total Depreciable Assets	4,049,594
<i>less:</i> Accumulated Depreciation	<u>(1,241,845)</u>
Net Depreciable Assets	2,807,749
Nondepreciable Assets:	
Land	<u>525,950</u>
Total Property, Plant and Equipment	<u><u>\$ 3,333,699</u></u>

Depreciation expense for the year ended September 30, 2011, was \$148,645.

6. *CAPITAL LEASES*

The class and amounts of property being acquired under capital leases are as follows:

	<u>Asset Balance</u>
Copier Equipment	\$ 56,752
Computer Server	<u>27,039</u>
Total	<u><u>\$ 83,791</u></u>

Future minimum capital lease payments and the present value of the minimum lease payments as of September 30 are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Total</u>
2012	\$ 15,107
2013	17,932
2014	<u>1,203</u>
Total Minimum Lease Payments	<u><u>\$ 34,242</u></u>

THE ARC NATURE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

7. NOTES PAYABLE

Notes payable consisted of the following:

<u>CenterState Bank</u>	<u>Balance at 9-30-11</u>
<p>\$71,000, Borrowed 2-17-2004, to refinance a note for a Residential Group Home. Interest Rate of 6.25 Percent for Five Years, Adjustable Rate Each Year Thereafter until satisfied on 3-31-2034. The mortgage has a payable on demand feature. The Bank has stated that no demand for payment will be made unless the loan falls under the default provision of the note. The current principal and interest payment is \$398.40 per month for the next 12 months.</p>	<p>\$ 64,895</p>
<p>\$120,000, Borrowed 2-17-2004, to refinance a note for a Residential Group Home. Interest Rate of 6.25 Percent for Five Years, Adjustable Rate Each Year Thereafter until satisfied on 3-31-2034. The mortgage has a payable on demand feature. The Bank has stated that no demand for payment will be made unless the loan falls under the default provision of the note. The current principal and interest payment is \$663.95 per month for the next 12 months.</p>	<p>110,104</p>
<p>\$190,000, Borrowed 8-30-05, to purchase a Residential Group Home. Interest Rate of 7.50 Percent for Five Years, Adjustable Rate Each Year Thereafter until satisfied on 9-1-2035. The mortgage has a payable on demand feature. The Bank has stated that no demand for payment will be made unless the loan falls under the default provision of the note. The current principal and interest payment is \$1,129.16 per month for the next 12 months.</p>	<p>176,434</p>
<u>Florida Traditions Bank</u>	
<p>\$120,000, Borrowed 6-23-09, to purchase a Residential Group Home. Interest Rate of 7 Percent for Five Years, Adjustable Rate Each Year Thereafter until satisfied on 6-23-2024. The mortgage has a payable on demand feature. The Bank has stated that no demand for payment will be made unless the loan falls under the default provision of the note. The current principal and interest payment is \$1,085.47 per month for the next 12 months.</p>	<p>109,072</p>
<p>\$500,000 Shelter Mortgage A, opened 5-20-10, to construct the new Educational Center and Hurricane Shelter in Hernando County. The current Variable Interest Rate is 7 Percent and remains at that rate until May 20, 2015. On May 20, 2015, this note will be subject to a variable rate of interest based on the Federal 5 Year SWAP Index Rate in effect on the Change Date plus 3.5 percentage points. The interest rate may change again on May 20, 2020, and every 60 months thereafter based on the index at those times. The interest rate will never be greater than 18 Percent or less than 6.5 Percent. The current principal and interest payment is \$4,521.37 per month for the next 12 months.</p>	<p>493,818</p>
<p>\$200,000 Shelter Mortgage B, opened 6-24-11, to construct the new Educational Center and Hurricane Shelter in Hernando County. The current Variable Interest Rate is 7 Percent and remains at that rate until May 24, 2016. On May 24, 2016, this note will be subject to a variable rate of interest based on the Federal 5 Year SWAP Index Rate in effect on the Change Date plus 3.5 percentage points. The interest rate may change again on May 24, 2021, and every 60 months thereafter based on the index at those times. The interest rate will never be greater than 18 Percent or less than 6.5 Percent. The current principal and interest payment is \$1,808.55 per month for the next 12 months.</p>	<p>197,527</p>

THE ARC NATURE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTES PAYABLE continued

	Balance at
	9-30-11
Total Notes Payable	1,151,850
less: Current Portion	(37,512)
Long-term Debt	\$ 1,114,338

In the event that no demand for payment is made by banks the following is an, estimated schedule of future principal payments to maturity:

Fiscal Year Ended September 30:		
2012	37,512	
2013	40,419	
2014	43,381	
2015	47,033	
2016	51,138	
Thereafter	932,367	
Total	\$ 1,151,850	

8. LINES OF CREDIT

The Association has a established line of credit with the Bank of America, N.A. The primary purpose of the line of credit is to support short-term working capital needs. The line of credit is in the amount of \$150,000 and this amount remains outstanding as of September 30, 2011. The current repayment requirement for the line of credit calls for monthly interest only payments at an annual interest rate of 10.25 percent.

9. CONCENTRATION OF REVENUE SOURCES

The Association relies on funding from various federal, state, and local government sources. Discontinuation of, or a significant reduction in the level of, this funding would directly impact the Association's activities and programs.

THE ARC NATURE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

10. REVENUES

Revenues consisted of the following for the year ended September 30, 2011:

<u>Unrestricted</u>	
Grants and Contracts:	
Florida Agency for Health Care Administration	\$ 2,047,243
Florida Agency for Persons with Disabilities	81,222
Florida Division of Emergency Management	596,884
Florida Department of Transportation	60,528
Florida Department of Education	42,539
Hernando County District School Board	158,846
Pasco-Hernando Jobs & Educational Partnership	22,500
Janitorial Contracts	207,496
WalMart	75,200
Total Grants and Contracts	<u>3,292,458</u>
Contributions:	
Individuals and Private Organizations	118,297
United Way	64,584
Total Contributions	<u>182,881</u>
Other:	
Snack Bar Sales	3,656
Investment Income	2,169
Private pay	193,335
Other	109,946
Total Other	<u>309,106</u>
Total Unrestricted Revenues	<u>\$ 3,784,445</u>

11. OTHER ASSETS

Other assets consisted of the following as of September 30, 2011:

	<u>Total</u>
Prepaid Pension Plan Expense	\$ 33,094
Prepaid Insurance	12,032
Other Prepaid Expenses	13,360
Total	<u>\$ 58,486</u>

THE ARC NATURE COAST, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

12. IN-KIND SERVICES

A substantial number of volunteers have donated significant amounts of their time to the Association; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

13. RETIREMENT PLAN

The Association sponsors The Arc Nature Coast, Inc. 401(k) Retirement Plan. The Plan was established January 1, 2001. The Association's plan is covered under Internal Revenue Code 401(k) and ERISA. There are no age or service requirements for eligibility. The Plan allows for employee deferrals of compensation and a discretionary employer contribution. The Association's contribution was \$41,295 for the year ended September 30, 2011.

14. RISK MANAGEMENT PROGRAMS

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance for employee group health and hospitalization, workers' compensation, automobile liability, and general liability are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

KING & WALKER, CPAs, PL

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
The Arc Nature Coast, Inc.
Brooksville, Florida

We have audited the financial statements of the Arc Nature Coast, Inc. (Association) a non-profit organization for the year ended September 30, 2011, and have issued our report thereon dated December 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the Association's financial statements for the fiscal year ended September 30, 2011, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other guidelines, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors of the Arc Nature Coast, Inc. and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive style with a large, stylized "K" and "W".

December 9, 2011
Lutz, Florida

KING & WALKER, CPAs, PL

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR STATE PROJECT

To the Board of Directors
The Arc Nature Coast, Inc.
Brooksville, Florida

Compliance

We have audited the Arc Nature Coast, Inc.'s (Association), a non-profit organization, compliance with the compliance requirements in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major state projects for the year ended September 30, 2011. The Association's major state project is identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs (page 21). Compliance with the requirements of laws, regulations, contracts, and grants applicable to this state project is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

We conducted our audit of the Association's compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General. Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Association's compliance with those requirements.

In our opinion, the Association complied, in all material respects, with the requirements referred to above that are applicable to its major state project for the year ended September 30, 2011.

Internal Control Over Compliance

The management of the Association is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to or State projects. In planning and performing our audit, we considered the Association's internal control over compliance with requirements that could have a direct and material effect on a major State project in order to determine our auditing procedures for the

purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State project on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the Board of Directors of the Arc Nature Coast, Inc., and the Florida Department of Community Affairs, and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive style.

December 9, 2011

THE ARC NATURE COAST, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year Ended September 30, 2011

Federal & State Grantor/Pass-Through Grantor/Program Title	Catalog of Federal/State Domestic Assistance Number	Contract Grant Number	Amount of Federal Expenditures (1)	Amount of State Expenditures (1)	Total Contract Expenditures
United States Department of Labor					
Indirect:					
Florida Department of Education: Vocational Rehabilitation Grants to States	84.390	VJ918	\$ 42,539	\$ -	42,539
Pasco Hernando Jobs and Education Partnership: WIA Adult Program	17.258	PY10	22,500	-	22,500
Total United States Department of Labor			<u>65,039</u>	<u>-</u>	<u>65,039</u>
United States Department of Transportation:					
Indirect:					
Florida Department of Transportation: Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		53,803	6,725	60,528
Total United States Department of Transportation			<u>53,803</u>	<u>6,725</u>	<u>60,528</u>
Florida Department of Community Affairs					
Direct:					
Emergency Management Preparedness and Assistance Trust Fund	52.010	09-CP-64-05-37- 08-264	-	596,884	596,884
Total Florida Department of Community Affairs			<u>-</u>	<u>596,884</u>	<u>596,884</u>
Total Expenditures of Federal & State Financial Assistance			<u><u>\$ 118,842</u></u>	<u><u>\$ 603,609</u></u>	<u><u>\$ 722,451</u></u>

Note: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards and State Financial Assistance represents amounts expended from Federal and State grant programs during the 2010-2011 fiscal year as determined based on the accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the Association's accounting records from which the financial statements have been reported.

THE ARC NATURE COAST, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
SEPTEMBER 30, 2011**

SUMMARY OF AUDITOR'S RESULTS

As required by Section 215.97, Florida Statutes, *Florida Single Audit Act*, the following is a summary of the results of the audit of the Arc Nature Coast, Inc. for the year ended September 30, 2011:

<u>Financial Statements</u>	<u>Results</u>
Type of auditor's report issued	Unqualified
Internal Control Over Financial Reporting:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material	None reported
Noncompliance material to financial statements noted?	No
<u>State Awards</u>	
Internal control over major program:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material	None reported
Type of report auditor issued on compliance for major program?	Unqualified
Any reportable findings?	No
Identification of major program:	Emergency Management Preparedness & Assistance Trust Fund Grant (CSFA No. 52.010)
Dollar threshold used to distinguish between Type A and Type B programs:	\$500,000

THE ARC NATURE COAST, INC.

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEDERAL PROGRAMS AND STATE PROJECTS
For the Fiscal Year Ended September 30, 2011***

Listed below is the Association's summary of the status of prior audit findings:

<u>Audit Report No. and Federal Awards Finding No.</u>	<u>Program/Area</u>	<u>Brief Description</u>	<u>Status</u>	<u>Comments</u>
King & Walker, CPAs	No Prior Audit Findings	N/A	N/A	N/A

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors
Arc Nature Coast, Inc.
Brooksville, Florida

We have audited the financial statements of the Arc Nature Coast, Inc. (Association) a non-profit organization as of and for the year ended September 30, 2011, and have issued my report thereon dated December 9, 2011.

We have issued our Independent Auditor's Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to each Major State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 9, 2011, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States.

The Rules of the Auditor General (Section 10.654(1)(e) requires disclosure in the management letter of the following matters if not already addressed in the auditor's report on internal control and compliance: (1) violations of laws, rules, regulations, and contractual provisions that have occurred or were likely to have occurred; (2) improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (4) failures to properly record financial transactions; (5) other inaccuracies, shortages, defalcations, and instances of fraud, discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters required to be disclosed by this Rule.

This management letter is intended solely for the information and use of the Board of Directors of the Arc Nature Coast, Inc. and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

King & Walker, CPAs

December 9, 2011
Lutz, Florida