

**BETTER WAY OF MIAMI, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

September 30, 2011 and 2010

BETTER WAY OF MIAMI, INC.  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
September 30, 2011 and 2010

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# FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Better Way of Miami, Inc.  
Miami, Florida

We have audited the accompanying statements of financial position of Better Way of Miami, Inc. (a not-for-profit organization) ("Better Way") as of September 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Better Way's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide 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 Better Way as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years 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 our report dated February 22, 2012 on our consideration of Better Way's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act, and is not a required part of the financial statements. Further, the schedules of program/cost center actual expenses and revenues and state earnings are also presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Keefe, McCullough & Co., LLP*  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
February 22, 2012

**BETTER WAY OF MIAMI, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2011 and 2010

**A S S E T S**

|                             | <u>2011</u>             | <u>2010</u>             |
|-----------------------------|-------------------------|-------------------------|
| <b>ASSETS:</b>              |                         |                         |
| Cash and cash equivalents   | \$ 361,481              | \$ 123,803              |
| Investments                 | 762,664                 | 860,587                 |
| Grants receivable           | 276,590                 | 413,423                 |
| Accounts receivable, net    | 70,113                  | 98,917                  |
| Inventory                   | <u>23,023</u>           | <u>29,714</u>           |
| <br>Total current assets    | <br><u>1,493,871</u>    | <br><u>1,526,444</u>    |
| <br>Other assets            | <br>30,908              | <br>23,745              |
| Property and equipment, net | <u>2,214,926</u>        | <u>2,191,531</u>        |
| <br>Total assets            | <br><u>\$ 3,739,705</u> | <br><u>\$ 3,741,720</u> |

**L I A B I L I T I E S   A N D   N E T   A S S E T S**

|   |                         |                         |
|---|-------------------------|-------------------------|
| <b>LIABILITIES:</b>                         |                         |                         |
| Current liabilities:                        |                         |                         |
| Accounts payable and accrued expenses       | \$ 75,566               | \$ 110,173              |
| Accrued payroll and employee leave benefits | 230,228                 | 206,248                 |
| Accrued interest                            | 110,623                 | 104,754                 |
| Lease payable, current portion              | 11,070                  | 4,980                   |
| Mortgages payable, current portion          | <u>115,000</u>          | <u>132,500</u>          |
| <br>Total current liabilities               | <br><u>542,487</u>      | <br><u>558,655</u>      |
| Long-term liabilities:                      |                         |                         |
| Lease payable, less current portion         | 24,548                  | 4,297                   |
| Mortgages payable, less current portion     | <u>1,058,084</u>        | <u>1,111,834</u>        |
| <br>Total liabilities                       | <br><u>1,625,119</u>    | <br><u>1,674,786</u>    |
| <br><b>COMMITMENTS AND CONTINGENCIES</b>    |                         |                         |
| (Notes 6, 12 and 13)                        | -                       | -                       |
| <br><b>NET ASSETS:</b>                      |                         |                         |
| Unrestricted                                | <u>2,114,586</u>        | <u>2,066,934</u>        |
| <br>Total net assets                        | <br><u>2,114,586</u>    | <br><u>2,066,934</u>    |
| <br>Total liabilities and net assets        | <br><u>\$ 3,739,705</u> | <br><u>\$ 3,741,720</u> |

The accompanying notes to financial statements are an integral part of these statements.

**BETTER WAY OF MIAMI, INC.**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended September 30, 2011 and 2010

|  | 2011         | 2010         |
|--|--------------|--------------|
| <b>PUBLIC SUPPORT AND REVENUE:</b>             |              |              |
| Grant revenue                                  | \$ 3,517,504 | \$ 3,449,013 |
| Donated goods, services and facilities         | 611,419      | 625,647      |
| Program fees                                   | 306,976      | 374,008      |
| Other revenue                                  | 159,726      | 210,573      |
| Other contributions                            | 10,035       | 1,495        |
| Total public support and revenue               | 4,605,660    | 4,660,736    |
| <b>EXPENSES:</b>                               |              |              |
| Program services:                              |              |              |
| Level II Residential Substance Abuse           | 2,702,938    | 2,918,781    |
| Single Room Apartment - Supportive Services    | 390,542      | 359,024      |
| Scattered Site Sponsor-Based Rental Assistance | 280,683      | 275,504      |
| Warehouse                                      | 224,613      | 203,713      |
| Single Room Occupancy - Better Way West        | 219,627      | 158,033      |
| Intensive Outpatient                           | 148,914      | 142,602      |
| Better Way Apartments                          | 32,555       | 18,676       |
| Total program services                         | 3,999,872    | 4,076,333    |
| Supporting services:                           |              |              |
| Management and general                         | 558,136      | 579,332      |
| Total supporting services                      | 558,136      | 579,332      |
| Total operating expenses                       | 4,558,008    | 4,655,665    |
| Change in net assets                           | 47,652       | 5,071        |
| NET ASSETS, beginning of year                  | 2,066,934    | 2,061,863    |
| NET ASSETS, end of year                        | \$ 2,114,586 | \$ 2,066,934 |

The accompanying notes to financial statements are an integral part of these statements.

**BETTER WAY OF MIAMI, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended September 30, 2011

Program Services

|   | Level II Residential Substance Abuse |                   |                  |                     |                     | Single<br>Room<br>Apartment -<br>Supportive<br>Services |
|---|--------------------------------------|-------------------|------------------|---------------------|---------------------|---|
|   | Residential                          | Day/<br>Night     | Outpatient       | Medical<br>Services | Total               |   |
|   |                                      |                   |                  |                     |                     |   |
| <b>PERSONNEL EXPENSES:</b>  |                                      |                   |                  |                     |                     |   |
| Salaries  | \$ 713,377                           | \$ 155,436        | \$ 553           | \$ 91,010           | \$ 960,376          | \$ 140,297  |
| Payroll taxes   | 51,930                               | 12,723            | -                | 6,389               | 71,042              | 10,084  |
| Fringe - workers compensation,<br>pension and health insurance              | 89,500                               | 14,110            | 2,252            | 10,165              | 116,027             | 14,507  |
| Total personnel expenses  | <u>854,807</u>                       | <u>182,269</u>    | <u>2,805</u>     | <u>107,564</u>      | <u>1,147,445</u>    | <u>164,888</u>  |
| <b>OPERATING EXPENSES:</b>  |                                      |                   |                  |                     |                     |   |
| Building occupancy, including<br>donated facilities of \$ 550,400           | 424,983                              | 65,502            | 4,857            | 577                 | 495,919             | 70,945  |
| Professional services   | -                                    | -                 | -                | 34,500              | 34,500              | -   |
| Travel  | 1,949                                | 465               | -                | -                   | 2,414               | 30  |
| Equipment costs   | 9,473                                | 191               | 92               | 500                 | 10,256              | 1,204   |
| Food services, including in-kind<br>donations of \$ 28,766                  | -                                    | -                 | -                | -                   | -                   | -   |
| Medical and pharmacy  | 8,834                                | -                 | -                | 29,418              | 38,252              | -   |
| Subcontracted services  | 3,380                                | -                 | -                | 2,000               | 5,380               | -   |
| Insurance   | -                                    | -                 | -                | -                   | -                   | -   |
| Interest, including imputed<br>interest of \$ 12,946                        | -                                    | -                 | -                | -                   | -                   | -   |
| Operating supplies and expenses,<br>including donated supplies of \$ 32,253 | 21,769                               | 9,816             | -                | 159                 | 31,744              | 13,254  |
| Other   | 3,705                                | 1,032             | 39               | 270                 | 5,046               | 809   |
| Donated items   | -                                    | -                 | -                | -                   | -                   | -   |
| Total operating expenses  | <u>474,093</u>                       | <u>77,006</u>     | <u>4,988</u>     | <u>67,424</u>       | <u>623,511</u>      | <u>86,242</u>   |
| Total personnel and expenses  | <u>1,328,900</u>                     | <u>259,275</u>    | <u>7,793</u>     | <u>174,988</u>      | <u>1,770,956</u>    | <u>251,130</u>  |
| <b>INDIRECT EXPENSES:</b>   |                                      |                   |                  |                     |                     |   |
| Provision for uncollectible accounts  | 26,202                               | 2,580             | -                | -                   | 28,782              | -   |
| Provision for depreciation  | 82,260                               | 12,655            | 1,308            | -                   | 96,223              | 24,934  |
| Total indirect expenses   | <u>108,462</u>                       | <u>15,235</u>     | <u>1,308</u>     | <u>-</u>            | <u>125,005</u>      | <u>24,934</u>   |
| Allocation of management and<br>general expenses                            | 605,464                              | 118,191           | 3,552            | 79,770              | 806,977             | 114,478   |
| Total expenses  | <u>\$ 2,042,826</u>                  | <u>\$ 392,701</u> | <u>\$ 12,653</u> | <u>\$ 254,758</u>   | <u>\$ 2,702,938</u> | <u>\$ 390,542</u>                                       |

The accompanying notes to financial statements are an integral part of these statements.

| Program Services      |  |   |                      |                   |                        | Support Service        |                     |
|-----------------------|--|---|----------------------|-------------------|------------------------|------------------------|---------------------|
| Better Way Apartments | Scattered Site Sponsor-Based Rental Assistance | Single Room Occupancy - Better Way West | Intensive Outpatient | Warehouse         | Total Program Services | Management and General | Total               |
| \$ 7,664              | \$ 41,821                                      | \$ 72,347                               | \$ 60,449            | \$ 68,192         | \$ 1,351,146           | \$ 725,488             | \$ 2,076,634        |
| 434                   | 3,167  | 5,482                                   | 5,080                | 3,713             | 99,002                 | 53,634                 | 152,636             |
| <u>397</u>            | <u>5,049</u>                                   | <u>3,213</u>                            | <u>3,002</u>         | <u>7,166</u>      | <u>149,361</u>         | <u>79,258</u>          | <u>228,619</u>      |
| <u>8,495</u>          | <u>50,037</u>                                  | <u>81,042</u>                           | <u>68,531</u>        | <u>79,071</u>     | <u>1,599,509</u>       | <u>858,380</u>         | <u>2,457,889</u>    |
| 3,105                 | 909  | 44,364                                  | 19,693               | 55,072            | 690,007                | 196,746                | 886,753             |
| 235                   | -  | -                                       | -                    | -                 | 34,735                 | 109,605                | 144,340             |
| -                     | 1,924  | -                                       | 280                  | -                 | 4,648                  | 1,679                  | 6,327               |
| <u>3,850</u>          | <u>-</u>                                       | <u>9,941</u>                            | <u>2,102</u>         | <u>6,148</u>      | <u>33,501</u>          | <u>19,563</u>          | <u>53,064</u>       |
| -                     | -  | -                                       | -                    | -                 | -                      | 224,706                | 224,706             |
| -                     | 1,181  | 195                                     | -                    | -                 | 39,628                 | -                      | 39,628              |
| -                     | -  | -                                       | -                    | -                 | 5,380                  | -                      | 5,380               |
| -                     | -  | -                                       | -                    | -                 | -                      | 78,264                 | 78,264              |
| -                     | -  | -                                       | -                    | -                 | -                      | 26,270                 | 26,270              |
| 2,795                 | -  | 6,881                                   | 3,475                | 13,619            | 71,768                 | 107,396                | 179,164             |
| 359                   | 138,745  | 351                                     | 287                  | 373               | 145,970                | 42,730                 | 188,700             |
| <u>-</u>              | <u>-</u>                                       | <u>-</u>                                | <u>-</u>             | <u>-</u>          | <u>-</u>               | <u>42,431</u>          | <u>42,431</u>       |
| <u>10,344</u>         | <u>142,759</u>                                 | <u>61,732</u>                           | <u>25,837</u>        | <u>75,212</u>     | <u>1,025,637</u>       | <u>849,390</u>         | <u>1,875,027</u>    |
| <u>18,839</u>         | <u>192,796</u>                                 | <u>142,774</u>                          | <u>94,368</u>        | <u>154,283</u>    | <u>2,625,146</u>       | <u>1,707,770</u>       | <u>4,332,916</u>    |
| -                     | -  | -                                       | 11,529               | -                 | 40,311                 | 15,088                 | 55,399              |
| <u>5,128</u>          | <u>-</u>                                       | <u>11,770</u>                           | <u>-</u>             | <u>-</u>          | <u>138,055</u>         | <u>31,638</u>          | <u>169,693</u>      |
| <u>5,128</u>          | <u>-</u>                                       | <u>11,770</u>                           | <u>11,529</u>        | <u>-</u>          | <u>178,366</u>         | <u>46,726</u>          | <u>225,092</u>      |
| <u>8,588</u>          | <u>87,887</u>                                  | <u>65,083</u>                           | <u>43,017</u>        | <u>70,330</u>     | <u>1,196,360</u>       | <u>(1,196,360)</u>     | <u>-</u>            |
| <u>\$ 32,555</u>      | <u>\$ 280,683</u>                              | <u>\$ 219,627</u>                       | <u>\$ 148,914</u>    | <u>\$ 224,613</u> | <u>\$ 3,999,872</u>    | <u>\$ 558,136</u>      | <u>\$ 4,558,008</u> |

**BETTER WAY OF MIAMI, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended September 30, 2010

|   | Program Services                     |                   |                  |                     |                     |   |
|---|--------------------------------------|-------------------|------------------|---------------------|---------------------|---|
|   | Level II Residential Substance Abuse |                   |                  |                     |                     | Single<br>Room<br>Apartment -<br>Supportive<br>Services |
|   | Residential                          | Day/<br>Night     | Outpatient       | Medical<br>Services | Total               |   |
| <b>PERSONNEL EXPENSES:</b>  |                                      |                   |                  |                     |                     |   |
| Salaries  | \$ 829,528                           | \$ 87,207         | \$ 1,274         | \$ 123,763          | \$ 1,041,772        | \$ 128,925  |
| Payroll taxes   | 63,159                               | 6,969             | 129              | 9,315               | 79,572              | 9,041   |
| Fringe - workers compensation,<br>pension and health insurance              | 90,927                               | 12,689            | 2,275            | 9,522               | 115,413             | 14,083  |
| Total personnel expenses  | <u>983,614</u>                       | <u>106,865</u>    | <u>3,678</u>     | <u>142,600</u>      | <u>1,236,757</u>    | <u>152,049</u>  |
| <b>OPERATING EXPENSES:</b>  |                                      |                   |                  |                     |                     |   |
| Building occupancy, including<br>donated facilities of \$ 552,696           | 428,429                              | 66,337            | 4,473            | 718                 | 499,957             | 70,204  |
| Professional services   | -                                    | -                 | -                | 34,500              | 34,500              | -   |
| Travel  | 2,511                                | 846               | -                | -                   | 3,357               | -   |
| Equipment costs   | 8,958                                | 779               | 88               | -                   | 9,825               | 2,373   |
| Food services, including in-kind<br>donations of \$ 18,455                  | 15                                   | -                 | -                | -                   | 15                  | 35  |
| Medical and pharmacy  | 11,045                               | -                 | -                | 31,797              | 42,842              | -   |
| Subcontracted services  | 2,720                                | -                 | -                | 2,050               | 4,770               | -   |
| Insurance   | -                                    | -                 | -                | -                   | -                   | -   |
| Interest, including imputed<br>interest of \$ 13,677                        | 137                                  | -                 | -                | -                   | 137                 | -   |
| Operating supplies and expenses,<br>including donated supplies of \$ 54,496 | 26,551                               | 16,928            | -                | 95                  | 43,574              | 4,191   |
| Other   | 33,503                               | 11,612            | -                | 5,365               | 50,480              | 744   |
| Donated items   | -                                    | -                 | -                | -                   | -                   | -   |
| Total operating expenses  | <u>513,869</u>                       | <u>96,502</u>     | <u>4,561</u>     | <u>74,525</u>       | <u>689,457</u>      | <u>77,547</u>   |
| Total personnel and expenses  | <u>1,497,483</u>                     | <u>203,367</u>    | <u>8,239</u>     | <u>217,125</u>      | <u>1,926,214</u>    | <u>229,596</u>  |
| <b>INDIRECT EXPENSES:</b>   |                                      |                   |                  |                     |                     |   |
| Provision for uncollectible accounts  | 22,490                               | 52,476            | -                | -                   | 74,966              | -   |
| Provision for depreciation  | 67,892                               | 10,503            | 1,376            | -                   | 79,771              | 29,562  |
| Total indirect expenses   | <u>90,382</u>                        | <u>62,979</u>     | <u>1,376</u>     | <u>-</u>            | <u>154,737</u>      | <u>29,562</u>   |
| Allocation of management and<br>general expenses                            | 651,349                              | 88,457            | 3,584            | 94,440              | 837,830             | 99,866  |
| Total expenses  | <u>\$ 2,239,214</u>                  | <u>\$ 354,803</u> | <u>\$ 13,199</u> | <u>\$ 311,565</u>   | <u>\$ 2,918,781</u> | <u>\$ 359,024</u>                                       |

The accompanying notes to financial statements are an integral part of these statements.

| Program Services      |  |   |                      |            |                        | Support Service        |              |
|-----------------------|--|---|----------------------|------------|------------------------|------------------------|--------------|
| Better Way Apartments | Scattered Site Sponsor-Based Rental Assistance | Single Room Occupancy - Better Way West | Intensive Outpatient | Warehouse  | Total Program Services | Management and General | Total        |
| \$ 4,593              | \$ 41,480                                      | \$ 48,083                               | \$ 64,619            | \$ 59,779  | \$ 1,389,251           | \$ 735,132             | \$ 2,124,383 |
| 417                   | 3,297  | 3,543                                   | 5,432                | 3,796      | 105,098                | 58,738                 | 163,836      |
| 60                    | 5,367  | 2,633                                   | 2,105                | 7,410      | 147,071                | 86,021                 | 233,092      |
| 5,070                 | 50,144   | 54,259                                  | 72,156               | 70,985     | 1,641,420              | 879,891                | 2,521,311    |
| 3,500                 | 1,075  | 40,079                                  | 19,084               | 60,844     | 694,743                | 203,196                | 897,939      |
| -                     | -  | -                                       | -                    | -          | 34,500                 | 127,236                | 161,736      |
| -                     | 1,958  | -                                       | -                    | 495        | 5,810                  | 5,348                  | 11,158       |
| -                     | -  | 5,167                                   | 74                   | 5,781      | 23,220                 | 21,608                 | 44,828       |
| -                     | -  | -                                       | -                    | -          | 50                     | 170,592                | 170,642      |
| -                     | -  | -                                       | -                    | -          | 42,842                 | 304                    | 43,146       |
| -                     | -  | -                                       | -                    | -          | 4,770                  | -                      | 4,770        |
| -                     | -  | -                                       | -                    | -          | -                      | 83,282                 | 83,282       |
| -                     | -  | -                                       | -                    | -          | 137                    | 27,520                 | 27,657       |
| 872                   | -  | 1,996                                   | 7,676                | 2,986      | 61,295                 | 106,058                | 167,353      |
| -                     | 138,817  | -                                       | 387                  | 780        | 191,208                | 47,203                 | 238,411      |
| -                     | -  | -                                       | -                    | -          | -                      | 54,496                 | 54,496       |
| 4,372                 | 141,850  | 47,242                                  | 27,221               | 70,886     | 1,058,575              | 846,843                | 1,905,418    |
| 9,442                 | 191,994  | 101,501                                 | 99,377               | 141,871    | 2,699,995              | 1,726,734              | 4,426,729    |
| -                     | -  | -                                       | -                    | -          | 74,966                 | -                      | 74,966       |
| 5,128                 | -  | 12,383                                  | -                    | 133        | 126,977                | 26,993                 | 153,970      |
| 5,128                 | -  | 12,383                                  | -                    | 133        | 201,943                | 26,993                 | 228,936      |
| 4,106                 | 83,510   | 44,149                                  | 43,225               | 61,709     | 1,174,395              | (1,174,395)            | -            |
| \$ 18,676             | \$ 275,504                                     | \$ 158,033                              | \$ 142,602           | \$ 203,713 | \$ 4,076,333           | \$ 579,332             | \$ 4,655,665 |

**BETTER WAY OF MIAMI, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended September 30, 2011 and 2010

|  | 2011       | 2010       |
|--|------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |            |            |
| Change in net assets   | \$ 47,652  | \$ 5,071   |
| <b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b> |            |            |
| Provision for depreciation   | 169,693    | 153,970    |
| Provision for uncollectible accounts   | 55,399     | 74,966     |
| Loss on disposal of property and equipment   | 716        | -          |
| Forgiveness of accrued interest  | (6,074)    | -          |
| Forgiveness of debt  | (61,250)   | (35,000)   |
| <b>CHANGES IN OPERATING ASSETS AND LIABILITIES:</b>  |            |            |
| (Increase) decrease in grants receivable   | 136,833    | (64,382)   |
| (Increase) decrease in accounts receivable   | (26,595)   | (114,243)  |
| (Increase) decrease in inventory   | 6,691      | (9,265)    |
| (Increase) decrease in other assets  | (7,163)    | 9,844      |
| Increase (decrease) in accounts payable and accrued expenses                                       | (34,607)   | 28,738     |
| Increase (decrease) in accrued payroll and employee leave benefits                                 | 23,980     | 3,811      |
| Increase (decrease) in accrued interest  | 11,943     | 12,378     |
| Net cash provided by operating activities  | 317,218    | 65,888     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |            |            |
| Purchases and sales of investments, net  | 97,923     | (107,074)  |
| Purchases of property and equipment  | (153,113)  | (190,605)  |
| Net cash used in investing activities  | (55,190)   | (297,679)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |            |            |
| Payments on mortgage notes   | (10,000)   | (10,000)   |
| Payments on capital lease obligations  | (14,350)   | (5,657)    |
| Payments on line of credit   | -          | (30,000)   |
| Proceeds from line of credit   | -          | 30,000     |
| Net cash used in financing activities  | (24,350)   | (15,657)   |
| Net increase (decrease) in cash and cash equivalents   | 237,678    | (247,448)  |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | 123,803    | 371,251    |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | \$ 361,481 | \$ 123,803 |

The accompanying notes to financial statements are an integral part of these statements.

**BETTER WAY OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011 and 2010

**NOTE 1 - ORGANIZATION AND OPERATIONS**

Better Way of Miami, Inc. ("Better Way") was incorporated in Florida in May 1984 as a not-for-profit corporation to provide direct treatment and housing services for individuals suffering from the disease of chemical and co-dependencies, to establish and operate treatment and housing programs that meet the needs of the community for the care of indigent and homeless persons with the purpose of helping individuals become productive, clean, sober and self-sufficient members of society.

Better Way occupies a two-story facility at 800 and 820 N.W. 28th Street in Miami, Florida, leased and financed (Note 8) from the City of Miami with two adjacent buildings. The three buildings occupy a total of 35,000 square feet. Among other things the lease agreement (Note 6) requires that Better Way bear the costs of re-zoning and renovation of the buildings. Better Way subleases one (the center) building on the complex to the Greater Miami Service Corps. ("GMSC").

In May 1995, Better Way acquired a fully renovated apartment complex with 56 efficiency units to provide affordable permanent housing to homeless, low income individuals. The property known as "Better Way Apartments" is located at 665 N.W. 17th Street in Miami, Florida. The building is currently financed by means of two separate mortgages (Note 8). Better Way started renting these units in July 1995.

In October 2002, Better Way acquired another apartment complex to provide affordable housing to homeless, low income individuals. The property known as "Better Way North" is located at 989 N.W. 28th Street in Miami, Florida.

In March 2007, Better Way acquired a two story four bedroom apartment complex located at 1405 N.W. 60th Street, Miami, Florida. This complex was acquired to provide low-income homeless families primarily from Liberty City with rental assistance housing. This property was acquired by the Affordable Housing Trust Fund (City of Miami) and has a note payable that will be forgiven at the end of 20 years based on Better Way's satisfaction of certain conditions (Note 8).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of presentation:

The financial statements are prepared on the accrual basis of accounting in accordance with the AICPA Industry Audit Guide, *Audits of Certain Non-Profit Organizations*. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958 *Not-for-Profit Entities*. Under ASC No. 958, Better Way is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Better Way had no temporarily or permanently restricted net assets at September 30, 2011 and 2010.

BETTER WAY OF MIAMI, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes:

Better Way is a not-for-profit corporation exempt from Federal income taxes under Internal Revenue Code 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature or any donor restrictions. Noncash contributions are recorded at their fair value on the date received.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Better Way had no unconditional or conditional promises to give at September 30, 2011 and 2010.

Concentration of credit risk:

Financial instruments which potentially subject Better Way to concentration of credit risk include accounts receivable. Accounts receivable are comprised of amounts due from clients and tenants. These accounts receivable are unsecured and generally remain outstanding for periods greater than 90 days.

Inventory:

Inventory consists of purchased and donated food and furniture. Donations are stated at estimated fair value. Purchased inventory is stated at current replacement cost and the resulting carrying amounts are not significantly different from that which would result if the lower of cost (first-in, first-out method) or market were used.

**BETTER WAY OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011 and 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investments:

In accordance with Accounting Standards Codification No. 958-320 and 325, *Not-for-Profit Entities, Investments*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are recorded and included in the change in net assets. Investments include money market funds and certificates of deposits with an original maturity of more than four (4) months.

Accounts receivable:

Accounts receivable are recorded on the accrual basis of accounting based on services provided, net of allowance for doubtful accounts. At September 30, 2011 and 2010, accounts receivable are recorded net of allowance for doubtful accounts of \$ 162,970 and \$ 107,571, respectively.

Grant revenue / receivable:

Grant revenue is recognized when the allowable costs as defined by the individual grants are incurred and/or the units of services have been provided. Grants receivable at year end represent units of services performed and/or allowable expenditures, which have not yet been reimbursed by the granting agency.

Cash and cash equivalents:

Better Way considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Better Way maintains its cash balances in financial institutions located in Florida, which at times, have exceeded Federally insured limits. Amounts are maintained with what management believes to be qualified financial institutions.

Property and equipment:

Acquisitions greater than \$ 1,000 with a useful life longer than one (1) year are capitalized. Property and equipment are stated at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Lease obligations for which Better Way assumes all property rights and risks of ownership are capitalized. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs of minor units of property are charged to expense when incurred. Depreciation of property and equipment is provided using the straight line method, at rates based on the estimated useful lives of the property and equipment which range from 3 to 39 years.

Accrued employee leave benefits:

Better Way's policies provide for granting of a specific number of days of paid time off (PTO) with pay. In addition, these policies provide for paying an employee for unused PTO upon termination. Accrued employee leave benefits are accrued when earned and are calculated at current salary rates.

**BETTER WAY OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011 and 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Refundable advance:

Better Way's policy is to record a restricted grant award as a refundable advance until it is expended for the purpose of the grant, at which time it becomes unconditional and is recognized as revenue. There were no unexpended grant awards as of September 30, 2011 and 2010.

Support and revenue recognition:

A substantial amount of Better Way's support is derived from Federal, state, and local government grants and public contributions. Grant revenue is recognized as support in the period in which the reimbursable costs are incurred and/or the units of services have been provided. Contributions are recognized as support in the period which they are received. Program service fees are recognized as revenue in the period in which the services are rendered.

Donated services:

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets and (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased.

Donated goods and facilities:

Better Way records the value of donated goods and facilities when there is an objective basis available to measure the value. Donated facilities, materials and furniture/equipment are reflected as support in the accompanying statements of activities at their estimated fair value at date of receipt.

Allocation of supporting services expenses:

Expenses directly related to program services, where administrative personnel are infrequently associated, are charged directly to program services. Indirect expenses of administrative overhead are allocated according to the Simplified Allocation Method described in OMB Circular A-122 using total direct costs as the distribution base.

Imputed interest:

Noninterest bearing loans have interest imputed using average balances and at current interest rates. The interest rate used for the years ended September 30, 2011 and 2010 was Prime at 3.25%.

Date of management review:

Subsequent events were evaluated by management through February 22, 2012, which is the date the financial statements were available for issuance.

**BETTER WAY OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011 and 2010

**NOTE 3 - GRANTS RECEIVABLE**

The grants receivable balance was comprised as follows for the years ended September 30:

|   | <u>2011</u>                 | <u>2010</u>                 |
|---|-----------------------------|-----------------------------|
| Miami Dade County, Florida,<br>Homeless Trust -<br>Supportive Housing Program | \$ 110,944                  | \$ 159,224                  |
| Ryan White Title 1  | 42,125                      | 104,530                     |
| South Florida Behavioral Health<br>Network, Inc.                              | 54,548                      | 57,745                      |
| Other receivables   | 68,973                      | 54,056                      |
| State of Florida Department of<br>Corrections                                 | -                           | 37,868                      |
|   | <u>                    </u> | <u>                    </u> |
| Total   | \$ <u><u>276,590</u></u>    | \$ <u><u>413,423</u></u>    |

**NOTE 4 - INVESTMENTS**

Investments at September 30 are stated at fair market value as follows:

| <u>Asset Class</u>      | <u>2011</u>              | <u>2010</u>              |
|-------------------------|--------------------------|--------------------------|
| Money market funds      | \$ 503,361               | \$ 601,629               |
| Certificates of deposit | <u>259,303</u>           | <u>258,958</u>           |
|                         | \$ <u><u>762,664</u></u> | \$ <u><u>860,587</u></u> |

**NOTE 5 - FAIR VALUE MEASUREMENTS**

ASC No. 820, *Fair Value Measurements and Disclosures* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). Better Way uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets.

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that Better Way has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly (e.g. quoted prices in actual markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 inputs are that unobservable inputs for the investments (e.g. information about assumptions, including risk, market participations would use in pricing a security).

**BETTER WAY OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011 and 2010

**NOTE 5 - FAIR VALUE MEASUREMENTS (continued)**

The level in the fair value hierarchy within a fair measurement in its entirety falls is based on lowest level input that is significant to the fair value measurement in its entirety. The input or methodology used for valuing securities is not necessarily an indicator of risk associated with investing in those securities. At September 30, 2011 and 2010, the fair value of investments by type was as follows:

| <u>Asset Class</u>      | <u>Level 1</u> | <u>Level 2</u>    | <u>Level 3</u> | <u>Total<br/>2011</u> | <u>Total<br/>2010</u> |
|-------------------------|----------------|-------------------|----------------|-----------------------|-----------------------|
| Money market funds      | \$ -           | \$ 503,361        | \$ -           | \$ 503,361            | \$ 601,629            |
| Certificates of deposit | -              | 259,303           | -              | 259,303               | 258,958               |
|                         | <u>\$ -</u>    | <u>\$ 762,664</u> | <u>\$ -</u>    | <u>\$ 762,664</u>     | <u>\$ 860,587</u> *   |

\* classified as Level 2 investments

**NOTE 6 - OPERATING LEASES**

Better Way leases certain facilities from the City of Miami, Florida under an operating lease agreement which started in February 1992. The lessor reserves the right to cancel this lease by giving a forty-five (45) day notice to vacate but only in the event that the lessor decides that the leased property is needed for a specific public purpose and if the lessor pays Better Way certain costs and expenses. The operating lease agreement terminates in December 2016. The agreement is silent as to renewals, escalation clauses, or purchase options. The lessee may not sublease or assign any part of the leased property without the authorization of the City of Miami and after approval by the City of Miami Commission. The annual rental for the building is \$ 1 per year (Note 1). During the years ended September 30, 2011 and 2010, donated facilities (Note 10) amounted to approximately \$ 550,400 and \$ 552,700, respectively.

Better Way leases certain office equipment under non-cancellable agreements accounted for as operating leases. The leases require monthly payments of approximately \$ 270 through April 2013.

The future minimum lease payments relative to the operating leases at September 30, 2011 are approximately as follows:

| <u>Year Ending<br/>September 30,</u> |                 |
|--------------------------------------|-----------------|
| 2012                                 | \$ 3,200        |
| 2013                                 | <u>1,800</u>    |
|                                      | <u>\$ 5,000</u> |

Rent expense under the above operating lease agreements, and other expired arrangements, charged to operations for the years ended September 30, 2011 and 2010 were approximately \$ 61,400 and \$ 70,800, respectively.

**BETTER WAY OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011 and 2010

**NOTE 7 - PROPERTY AND EQUIPMENT**

Property and equipment as of September 30, consists of the following:

|                               | 2011         | 2010         |
|-------------------------------|--------------|--------------|
| Building and improvements     | \$ 2,624,961 | \$ 2,500,287 |
| Equipment                     | 707,116      | 639,418      |
| Vehicles                      | 240,433      | 240,433      |
|                               | 3,572,510    | 3,380,138    |
| Less accumulated depreciation | 1,546,584    | 1,377,607    |
|                               | 2,025,926    | 2,002,531    |
| Land                          | 189,000      | 189,000      |
|                               | \$ 2,214,926 | \$ 2,191,531 |

Depreciation expense was approximately \$ 170,000 and \$ 154,000 for the years ending September 30, 2011 and 2010, respectively.

Certain real estate property has been pledged as collateral for amounts due on mortgages payable.

**NOTE 8 - MORTGAGES PAYABLE**

The following is a summary of mortgages payable at September 30:

|  | 2011       | 2010       |
|--|------------|------------|
| Mortgage note payable to Miami-Dade County, Florida, (through the Miami-Dade County Homeless Trust) secured by a mortgage on the property located at 665 N.W. 17th Street, Miami, Florida. Although this note bears interest at the rate of 1 % per annum, no interest payments or repayment of principal will be made for the 20 year term of this note if the Better Way has complied with all of the conditions and requirements contained within the security documents. In which case, all outstanding principal and interest payments will be forgiven at the rate of 20% each year, through May 2016. | \$ 481,250 | \$ 525,000 |
| Mortgage note payable to City of Miami, Florida (through Affordable Housing Trust Fund) secured by a mortgage on the property located at 1405 N.W. 60th Street, Miami, Florida. This note bears interest at the rate of 0% per annum, no interest payments or repayment of principal will be made for the 20 year term of this note if the Better Way has complied with all of the conditions and requirements contained within the security documents. In which case, all outstanding principal and interest payments will be forgiven in July 2027.  | 200,000    | 200,000    |

BETTER WAY OF MIAMI, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011 and 2010

NOTE 8 – MORTGAGES PAYABLE (continued)

|   | 2011                       | 2010                       |
|---|----------------------------|----------------------------|
| <p>Mortgage note payable to Miami-Dade County, Florida secured by a mortgage on the property located at 800 and 820 N.W. 28th Street, Miami, Florida. This note bears interest at 3% per annum. Upon completion of construction, principal and interest payments are due, subject to available cash flow, for the next thirty years. All principal and interest payments not made during a fiscal year shall be deferred and become due and payable on the maturity date, June 2028.</p>  | 196,000                    | 196,000                    |
| <p>Non-interest-bearing mortgage note payable to the City of Miami, Florida secured by a second mortgage on the property located at 800 and 820 N.W. 28th Street, Miami, Florida. This note is payable in 120 equal installments of \$ 833 with a balloon payment due November 1, 2018.</p>   | 170,834                    | 180,834                    |
| <p>Mortgage note payable to Miami-Dade County, Florida (through Affordable Housing Trust Fund) secured by a mortgage on the property located at 800 and 820 N.W. 28th Street, Miami, Florida. This note bears interest at the rate of 1% per annum, no interest payments or repayment of principal will be made for the 20 year term of this note if Better Way has complied with all of the conditions and requirements contained within the security documents. In which case, starting June 2014, all outstanding principal and interest payments will be forgiven at a rate of 20% each year through June 2018.</p>   | 125,000                    | 125,000                    |
| <p>Mortgage note payable to a financial institution under the Affordable Housing Program Direct Subsidy Grant of the Federal Reserve Bank of Atlanta, Georgia dated August 1996. The note is secured by a mortgage on the property located at 665 N.W. 17th Street, Miami, Florida. This note bears no interest and, in accordance with the terms of the agreement, the financial institution has agreed to forgive on an annual basis 1/15th of the original outstanding obligation secured by the mortgage. Better Way must comply with the various requirements of the agreement otherwise interest could be charged at rates not exceeding the rates allowed by applicable law.</p> | --                         | 17,500                     |
| <p>Total mortgages payable</p>  | <p>\$ <u>1,173,084</u></p> | <p>\$ <u>1,244,334</u></p> |

**BETTER WAY OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011 and 2010

**NOTE 8 - MORTGAGES PAYABLE (continued)**

Future estimated aggregate maturities of mortgages note payable, including forgivable mortgages, are approximately as follows:

| <u>Year Ending</u><br><u>September 30.</u> |                     |
|--|---------------------|
| 2012                                       | 115,000             |
| 2013                                       | 115,000             |
| 2014                                       | 123,300             |
| 2015                                       | 140,000             |
| 2016                                       | 96,300              |
| Thereafter                                 | <u>583,500</u>      |
|  | 1,173,100           |
| Current portion                            | <u>(115,000)</u>    |
|  | <u>\$ 1,058,100</u> |

For the years ended September 30, 2011 and 2010, interest costs were incurred totaling \$ 26,270 (including imputed interest of \$ 12,946) and \$ 27,657 (including imputed interest of \$ 13,677), respectively.

**NOTE 9 - CAPITAL LEASE**

Better Way leases certain office equipment under a capital lease requiring monthly payments of \$ 552 through October 2012. The asset under this lease was recorded at the lower of the present value of the future minimum lease payments or the fair value of the asset and is included with property and equipment on the accompanying statements of financial position.

During the year ended September 30, 2011, Better Way entered into a capital lease arrangement for additional office equipment. The lease requires monthly payments of \$ 690 through December 2015.

At September 30, 2011, future aggregated minimum payments required under these capital leases are as follows:

| <u>Year Ending</u><br><u>September 30.</u> |                  |
|--|------------------|
| 2012                                       | \$ 11,927        |
| 2013                                       | 7,751            |
| 2014                                       | 7,751            |
| 2015                                       | 7,751            |
| 2016                                       | <u>1,295</u>     |
|  | 36,475           |
| Less: Amount<br>representing interest      | <u>(857)</u>     |
| Present value of<br>minimum lease payments | 35,618           |
| Less current portion                       | <u>(11,070)</u>  |
|  | <u>\$ 24,548</u> |

**BETTER WAY OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011 and 2010

**NOTE 10 - DONATED GOODS, SERVICES AND FACILITIES**

As discussed in Notes 1 and 6, Better Way rents certain facilities from the City of Miami, Florida for a nominal amount. The fair market value of the donated rent is recorded as contributions and a corresponding expense. During the years ended September 30, 2011 and 2010, Better Way recorded \$ 550,400 and \$ 552,696, respectively for donated rent. Donated supplies are recorded as contributions and a corresponding expense at their estimated fair value at the date of donation. During the years ended September 30, 2011 and 2010, Better Way recorded \$ 32,253 and \$ 54,496, respectively, in such donations, primarily consisting of supplies and furnishing and allocated to several of Better Way's programs. Donated food is recorded as contributions and a corresponding expense at their estimated fair value at the date of donation. During the years ended September 30, 2011 and 2010, Better Way recorded \$ 28,766 and \$ 18,455, respectively, in such donations, which is allocated to several of Better Way's programs.

During the years ended September 30, 2011 and 2010, the value of contributed services meeting requirements for recognition in the financial statements was not material and is not recorded. Better Way pays for most service requiring specific expertise. However, individuals volunteer and perform a variety of tasks that assist with specific programs, administrative functions and various committee assignments.

**NOTE 11 - RETIREMENT PLAN**

Better Way has available a 401(k) Retirement Plan (the "Plan") covering all employees with over one year of full-time service (1,000 hours) and attaining the age of 21 years. At the discretion of the Board of Directors, Better Way may make matching contributions to the plan of an amount up to 100% percent of the participants elected deferrals not to exceed 2.5% of each individual amount of compensation. Total matching contributions allocated to the plan were approximately \$ 21,000 and \$ 24,000 for the years ended September 30, 2011 and 2010, respectively.

**NOTE 12 - CONTINGENCIES**

Better Way receives a significant portion of its funding from public grants, a significant reduction in the level of this funding, if this were to occur, could have a material effect on Better Way's ability to carry out its programs and activities.

A portion of Better Way's real property was originally acquired and/or improved with funds provided under contracts with Miami-Dade County, Florida, and other funders. Certain "special provisions" of these contracts require that the real property be used for specified purposes during a period of time. If these properties are no longer necessary for regular operations, Better Way must obtain approval from Miami-Dade County, Florida to use these properties for other purposes. Miami-Dade County's claim to these properties are evidenced by recorded mortgages.

**NOTE 13 - GRANTS FOR OPERATIONS**

Funding agreements for services to be provided are principally entered into on an annual basis. The release of funds is subjected to monies made available by the Federal government, the State of Florida, local municipalities and other grantor agencies. Certain of the agreements may be terminated by either party upon thirty days written notice. However, such an event would be unlikely if contract performance continues to be satisfactory and grantors' annual budgets are authorized by each respective governing body.

**BETTER WAY OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011 and 2010

**NOTE 13 – GRANTS FOR OPERATIONS (continued)**

Cost reflected in the accompanying financial statements relating to government funded programs are subject to audit by the grantor agency. The possible disallowance by the grantor agency of any item charged to the program, if any, cannot be determined at this time. No provision for a liability that may result has been made by management in the financial statements.

Certain funding arrangements require Better Way to provide additional services on a specified matching basis. In all such contract arrangements, Better Way has met its matching requirements.

Matching requirements fulfilled for the year ended September 30, 2011 are as follows:

| <u>Grantor Agency</u>   | <u>Contract Number</u> | <u>Matching Requirement</u> |
|---|------------------------|-----------------------------|
| State of Florida Department of Children and Families and South Florida Behavioral Network, Inc. | KD228-23               | \$ 148,672                  |
| Lutherian Services Florida, Inc., Access Program  | FL0168B4D000802        | \$ 10,074                   |
| Lutherian Services Florida, Inc., Partner Program   | FL0218B4D000802        | \$ 14,388                   |
| Miami-Dade County, Florida Homeless Trust - Supportive Housing Program                          | FL0229B4D000802        | \$ 46,094                   |
| Miami-Dade County, Florida Homeless Trust - Supportive Housing Program                          | FL0230B4D000802        | \$ 43,791                   |
| Miami-Dade County, Florida Homeless Trust - Supportive Housing Program                          | FL0240B4D000802        | \$ 87,195                   |

**NOTE 14 – SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental Disclosure of Other Cash Flow Information:

|  | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|
| Cash paid during the year for - Interest expense | \$ 1,381    | \$ 1,591    |

**BETTER WAY OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011 and 2010

NOTE 14 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

Noncash Investing and Financing Activities:

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Acquisition of property and equipment -  |                   |                   |
| Cost of property and equipment           | \$ 193,804        | \$ 205,539        |
| Less: debt/lease issued                  | <u>40,691</u>     | <u>14,934</u>     |
| Cash paid for property and equipment     | <u>\$ 153,113</u> | <u>\$ 190,605</u> |
|  |                   |                   |
|  | <u>2011</u>       | <u>2010</u>       |
| Payments on debt forgiven                | <u>\$ 61,250</u>  | <u>\$ 35,000</u>  |
| Forgiveness of interest on debt forgiven | <u>\$ 6,074</u>   | <u>\$ -</u>       |
| Imputed interest                         | <u>\$ 12,946</u>  | <u>\$ 13,677</u>  |

# SUPPLEMENTAL INFORMATION

BETTER WAY OF MIAMI, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
For the Year Ended September 30, 2011

| Federal Agency,<br>Pass-through Entity,<br>Federal Program/State Project  | CFDA<br>Number | Contract/<br>Grant Number   | Expenditures     |
|---|----------------|---|------------------|
| FEDERAL AGENCY NAME:  |                |   |                  |
| Indirect Programs:  |                |   |                  |
| U.S. Department of Health and Human Services -  |                |   |                  |
| Passed through Miami-Dade County, Florida -   |                |   |                  |
| HIV Emergency Relief Project Grant (Ryan White Title I)   |                |   |                  |
|   | * 93.914       | H89HA00005  | \$ 588,007       |
| Passed through State of Florida Department of Children and Families and South Florida Behavioral Health Network, Inc. - |                |   |                  |
| Block Grants for Prevention and Treatment of Substance Abuse  |                |   |                  |
|   | 93.959         | KD228-23  | <u>429,947</u>   |
| Total U.S. Department of Health and Human Services  |                |   | <u>1,017,954</u> |
| U.S. Department of Housing and Urban Development -  |                |   |                  |
| Passed through Miami-Dade County, Florida, Homeless Trust   |                |   |                  |
| Supportive Housing Program  |                |   |                  |
|   | 14.235         | FL0229B4D000801,<br>FL0229B4D000802,<br>FL0230B4D000801, and<br>FL0240B4D000802 | 625,087          |
| Passed through Lutheran Services Florida, Inc. -  |                |   |                  |
| Supportive Housing Program - Access Program   |                |   |                  |
|   | 14.235         | FL0168B4D000802<br>and FL14B800031  | 49,367           |
| Supportive Housing Program - Partners Program   |                |   |                  |
|   | 14.235         | FL0218B4D000802<br>and FL14B80002   | 158,040          |
| Passed through Miami-Dade County Florida, Homeless Trust -  |                |   |                  |
| Shelter Plus Care   |                |   |                  |
|   | * 14.238       | --  | 424,020          |

BETTER WAY OF MIAMI, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
For the Year Ended September 30, 2011  
(continued)

| Federal Agency,<br>Pass-through Entity,<br>Federal Program/State Project   | CFDA<br>Number | Contract/<br>Grant Number | Expenditures        |
|--|----------------|---------------------------|---------------------|
| Indirect Programs (continued):   |                |                           |                     |
| Passed through Miami-Dade County,<br>Florida, Homeless Trust -<br>Mortgage Insurance for<br>Single Room Occupancy (SRO)<br>Projects  | 14.184         | --                        | 222,136             |
| Community Development Block<br>Grant (CDBG)/Entitlement Grants -<br>Better Way East and West<br>Renovation Project Building  | 14.218         | CD534B03CI<br>CD535B01CI  | <u>130,062</u>      |
| Total U.S. Department of<br>Housing and Urban Development  |                |                           | <u>1,608,712</u>    |
| U.S. Department of Agriculture -<br>Supplemental Nutrition Assistance<br>Program   | 10.551         | --                        | <u>270,217</u>      |
| Total expenditures of Federal<br>Awards  |                |                           | <u>\$ 2,896,883</u> |
| STATE AGENCY NAME:   |                |                           |                     |
| Direct Projects:   |                |                           |                     |
| State of Florida Department of Children<br>and Families and South Florida<br>Behavioral Health Network, Inc. -<br>Substance Abuse Treatment and<br>Aftercare Services for Adults | 60.033         | KD228-23                  | \$ 185,930          |
| Adult Community Mental Health -<br>Community Support Services  | 60.053         | KD228-23                  | 74,912              |
| State of Florida Department of<br>Corrections -<br>Substance Abuse Services  | * 70.016       | C2218                     | <u>312,955</u>      |
| Total expenditures of State<br>Financial Assistance  |                |                           | <u>\$ 573,797</u>   |

\* Denotes a major program/project

**BETTER WAY OF MIAMI, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS AND STATE FINANCIAL ASSISTANCE**  
September 30, 2011

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the grant activity of Better Way and are presented on the accrual basis of accounting. The information in the Schedule of Expenditures of Federal Awards and State Financial Assistance is presented in accordance with the requirements of by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the financial statements.

**NOTE 2 – CONTINGENCY**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of Better Way. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal and state laws and regulations.

**BETTER WAY OF MIAMI, INC.**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**  
For the Year Ended June 30, 2011

| <u>FUNDING SOURCES &amp; REVENUES</u> | <u>Adult Substance Abuse</u> |                   |                   | <u>Adult Mental Health</u> |                     |
|---------------------------------------|------------------------------|-------------------|-------------------|----------------------------|---------------------|
|                                       | <u>Residential</u>           | <u>Day/Night</u>  | <u>Outpatient</u> | <u>Medical</u>             | <u>Intervention</u> |
| <b>STATE SAMH FUNDING:</b>            |                              |                   |                   |                            |                     |
| 100610 Adult substance abuse (19M17)  | \$ -                         | \$ -              | \$ -              | \$ 68,924                  | \$ -                |
| 100618 Adult substance abuse (270G7)  | 240,525                      | 152,510           | -                 | -                          | -                   |
| 100618 Adult substance abuse (27HIV)  | -                            | -                 | -                 | 15,653                     | 60,072              |
| 100618 Adult substance abuse (27ME7)  | 82,020                       | 69,364            | -                 | 1,481                      | -                   |
| Total State SAMH Funding              | <u>322,545</u>               | <u>221,874</u>    | <u>-</u>          | <u>86,058</u>              | <u>60,072</u>       |
| <b>OTHER GOVERNMENT FUNDING:</b>      |                              |                   |                   |                            |                     |
| Other state agency funding            | 149,304                      | 254,219           | -                 | -                          | -                   |
| Medicaid                              | -                            | -                 | 939               | 26,984                     | -                   |
| Federal grants and contracts          | 736,114                      | 189,480           | 37,045            | -                          | -                   |
| In-kind from local government only    | 275,200                      | 55,040            | -                 | -                          | 27,520              |
| Total other government funding        | <u>1,160,618</u>             | <u>498,739</u>    | <u>37,984</u>     | <u>26,984</u>              | <u>27,520</u>       |
| <b>ALL OTHER REVENUES:</b>            |                              |                   |                   |                            |                     |
| First and second party payments       | 27,568                       | 63,736            | 2,801             | -                          | -                   |
| Contributions and donations           | -                            | -                 | -                 | -                          | -                   |
| Other                                 | 955                          | -                 | -                 | -                          | -                   |
| Total all other revenues              | <u>28,523</u>                | <u>63,736</u>     | <u>2,801</u>      | <u>-</u>                   | <u>-</u>            |
| Total funding                         | <u>\$ 1,511,686</u>          | <u>\$ 784,349</u> | <u>4 40,785</u>   | <u>\$ 113,042</u>          | <u>\$ 87,592</u>    |

**BETTER WAY OF MIAMI, INC.**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**  
For the Year Ended June 30, 2011  
(continued)

| <u>FUNDING SOURCES &amp; REVENUES</u> | <u>Total for<br/>State SAMH-<br/>Funded Cost<br/>Centers</u> | <u>Total for<br/>Non-State-<br/>Funded SAMH<br/>Cost Centers</u> | <u>Total for all<br/>State-<br/>Designated<br/>SAMH<br/>Cost Centers</u> | <u>Non-SAMH<br/>Cost<br/>Centers</u> | <u>Other<br/>Support</u> | <u>Administration</u> | <u>Total<br/>Funding</u> |
|---------------------------------------|--|--|--|--------------------------------------|--------------------------|-----------------------|--------------------------|
| <b>STATE SAMH FUNDING:</b>            |  |  |  |                                      |                          |                       |                          |
| 100610 Adult substance abuse (19M17)  | \$ 68,924  | \$ -   | \$ 68,924  | \$ -                                 | \$ -                     | \$ -                  | \$ 68,924                |
| 100618 Adult substance abuse (27OG7)  | 393,035  | -  | 393,035  | -                                    | -                        | -                     | 393,035                  |
| 100618 Adult substance abuse (27HIV)  | 75,725   | -  | 75,725   | -                                    | -                        | -                     | 75,725                   |
| 100618 Adult substance abuse (27ME7)  | <u>152,865</u>   | <u>-</u>   | <u>152,865</u>   | <u>-</u>                             | <u>-</u>                 | <u>-</u>              | <u>152,865</u>           |
| Total State SAMH Funding              | <u>690,549</u>   | <u>-</u>   | <u>690,549</u>   | <u>-</u>                             | <u>-</u>                 | <u>-</u>              | <u>690,549</u>           |
| <b>OTHER GOVERNMENT FUNDING:</b>      |  |  |  |                                      |                          |                       |                          |
| Other state agency funding            | 403,523  | -  | 403,523  | -                                    | -                        | -                     | 403,523                  |
| Medicaid                              | 27,923   | -  | 27,923   | -                                    | -                        | -                     | 27,923                   |
| Federal grants and contracts          | 962,639  | 355,584  | 1,318,223  | 850,375                              | 283,943                  | -                     | 2,452,541                |
| In-kind from local government only    | <u>357,760</u>   | <u>55,040</u>  | <u>412,800</u>   | <u>-</u>                             | <u>110,080</u>           | <u>27,520</u>         | <u>550,400</u>           |
| Total other government funding        | <u>1,751,845</u>   | <u>410,624</u>   | <u>2,162,469</u>   | <u>850,375</u>                       | <u>394,023</u>           | <u>27,520</u>         | <u>3,434,387</u>         |
| <b>ALL OTHER REVENUES:</b>            |  |  |  |                                      |                          |                       |                          |
| First and second party payments       | 94,105   | 8,373  | 102,478  | 215,477                              | -                        | -                     | 317,955                  |
| Contributions and donations           | -  | -  | -  | 8,258                                | 55,706                   | 6,096                 | 70,060                   |
| Other                                 | <u>955</u>   | <u>-</u>   | <u>955</u>   | <u>4,881</u>                         | <u>2,313</u>             | <u>30,881</u>         | <u>39,030</u>            |
| Total all other revenues              | <u>95,060</u>  | <u>8,373</u>   | <u>103,433</u>   | <u>228,616</u>                       | <u>58,019</u>            | <u>36,977</u>         | <u>427,045</u>           |
| Total funding                         | <u>\$ 2,537,454</u>  | <u>\$ 418,997</u>  | <u>\$ 2,956,451</u>  | <u>\$ 1,078,991</u>                  | <u>\$ 452,042</u>        | <u>\$ 64,497</u>      | <u>\$ 4,551,981</u>      |

**BETTER WAY OF MIAMI, INC.**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**  
For the Year Ended June 30, 2011  
(continued)

| EXPENSE CATEGORIES                 | Adult Substance Abuse |            |            | Adult Mental Health |              |
|------------------------------------|-----------------------|------------|------------|---------------------|--------------|
|                                    | Residential           | Day/Night  | Outpatient | Medical             | Intervention |
| <b>PERSONNEL EXPENSES:</b>         |                       |            |            |                     |              |
| Salaries                           | \$ 642,009            | \$ 128,854 | \$ 528     | \$ 107,782          | \$ 20,088    |
| Fringe benefits                    | 124,834               | 23,992     | 2,204      | 17,738              | 5,036        |
| Total personnel expenses           | 766,843               | 152,846    | 2,732      | 125,520             | 25,124       |
| <b>OTHER EXPENSES:</b>             |                       |            |            |                     |              |
| Building occupancy                 | 328,468               | 65,757     | 5,009      | 653                 | 32,399       |
| Professional services              | 640                   | -          | -          | 37,350              | -            |
| Travel                             | 2,278                 | 846        | -          | -                   | -            |
| Equipment                          | 5,699                 | 801        | 69         | -                   | 71           |
| Food services                      | -                     | -          | -          | -                   | -            |
| Medical and pharmacy               | 9,716                 | -          | -          | 33,750              | -            |
| Subcontracted services             | 2,640                 | -          | -          | 1,550               | -            |
| Insurance                          | -                     | -          | -          | -                   | -            |
| Interest                           | -                     | -          | -          | -                   | -            |
| Operating supplies and expenses    | 18,594                | 10,524     | -          | 145                 | -            |
| Other                              | 93,139                | 69,724     | 1,358      | 1,447               | 8,141        |
| Donated items                      | -                     | -          | -          | -                   | -            |
| Total other expenses               | 461,174               | 147,652    | 6,436      | 74,895              | 40,611       |
| Total personnel and other expenses | 1,228,017             | 300,498    | 9,168      | 200,415             | 65,735       |
| <b>DISTRIBUTED INDIRECT COSTS:</b> |                       |            |            |                     |              |
| Other support costs                | 346,853               | 84,875     | 2,589      | 56,607              | 18,567       |
| Administration                     | 507,519               | 124,191    | 3,789      | 82,828              | 27,167       |
| Total distributed indirect costs   | 854,372               | 209,066    | 6,378      | 139,435             | 45,734       |
| Total actual expenses              | 2,082,389             | 509,564    | 15,546     | 339,850             | 111,469      |
| <b>UNALLOWABLE COSTS:</b>          |                       |            |            |                     |              |
| Total allowable expenses           | \$ 2,082,389          | \$ 509,564 | \$ 15,546  | \$ 339,850          | \$ 111,469   |
| <b>CAPITAL EXPENDITURES</b>        | \$ -                  | \$ -       | \$ -       | \$ -                | \$ -         |

**BETTER WAY OF MIAMI, INC.**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**  
For the Year Ended June 30, 2011  
(continued)

| <u>EXPENSE CATEGORIES</u>          | <u>Total<br/>for State-<br/>Funded SAMH<br/>Cost Centers</u> | <u>Total for<br/>Non-State-<br/>Funded SAMH<br/>Cost Centers</u> | <u>Total for all<br/>State-Designated<br/>SAMH<br/>Cost Centers</u> | <u>Non-<br/>SAMH<br/>Cost Centers</u> | <u>Other<br/>Support<br/>Costs</u> | <u>Administration</u> | <u>Total<br/>Expenses</u> |
|------------------------------------|--|--|---|---------------------------------------|------------------------------------|-----------------------|---------------------------|
| <b>PERSONNEL EXPENSES:</b>         |  |  |   |                                       |                                    |                       |                           |
| Salaries                           | \$ 899,261   | \$ 148,358   | \$ 1,047,619  | \$ 250,039                            | \$ 346,075                         | \$ 451,316            | \$ 2,095,049              |
| Fringe benefits                    | <u>173,804</u>   | <u>20,394</u>  | <u>194,198</u>  | <u>40,684</u>                         | <u>62,250</u>                      | <u>81,122</u>         | <u>378,254</u>            |
| Total personnel expenses           | 1,073,065  | 168,752  | 1,241,817   | 290,723                               | 408,325                            | 532,438               | 2,473,303                 |
| <b>OTHER EXPENSES:</b>             |  |  |   |                                       |                                    |                       |                           |
| Building occupancy                 | 432,286  | 83,940   | 516,226   | 120,065                               | 203,926                            | 54,047                | 894,264                   |
| Professional services              | 37,990   | -  | 37,990  | 235                                   | 60                                 | 103,485               | 141,770                   |
| Travel                             | 3,124  | -  | 3,124   | 1,911                                 | 270                                | 2,064                 | 7,369                     |
| Equipment                          | 6,640  | 843  | 7,483   | 12,303                                | 17,477                             | 5,603                 | 42,866                    |
| Food services                      | -  | -  | -   | -                                     | 217,255                            | 172                   | 217,427                   |
| Medical and pharmacy               | 43,466   | 1,351  | 44,817  | 195                                   | -                                  | 73                    | 45,085                    |
| Subcontracted services             | 4,190  | -  | 4,190   | -                                     | -                                  | -                     | 4,190                     |
| Insurance                          | -  | -  | -   | -                                     | -                                  | 74,301                | 74,301                    |
| Interest                           | -  | -  | -   | -                                     | -                                  | 12,531                | 12,531                    |
| Operating supplies and expenses    | 29,263   | 9,284  | 38,547  | 20,618                                | 88,450                             | 30,519                | 178,134                   |
| Other                              | 173,809  | 26,047   | 199,856   | 166,860                               | 27,365                             | 57,116                | 451,197                   |
| Donated items                      | -  | -  | -   | -                                     | 47,845                             | -                     | 47,845                    |
| Total other expenses               | <u>730,768</u>   | <u>121,465</u>   | <u>852,233</u>  | <u>322,187</u>                        | <u>602,648</u>                     | <u>339,911</u>        | <u>2,116,979</u>          |
| Total personnel and other expenses | <u>1,803,833</u>   | <u>290,217</u>   | <u>2,094,050</u>  | <u>612,910</u>                        | <u>1,010,973</u>                   | <u>872,349</u>        | <u>4,590,282</u>          |
| <b>DISTRIBUTED INDIRECT COSTS:</b> |  |  |   |                                       |                                    |                       |                           |
| Other support costs                | 509,491  | 81,971   | 591,462   | 173,117                               | (1,010,973)                        | 246,394               | -                         |
| Administration                     | <u>745,494</u>   | <u>119,942</u>   | <u>865,436</u>  | <u>253,307</u>                        | <u>-</u>                           | <u>(1,118,743)</u>    | <u>-</u>                  |
| Total distributed indirect costs   | <u>1,254,985</u>   | <u>201,913</u>   | <u>1,456,898</u>  | <u>426,424</u>                        | <u>(1,010,973)</u>                 | <u>(872,349)</u>      | <u>-</u>                  |
| Total actual expenses              | <u>3,058,818</u>   | <u>492,130</u>   | <u>3,550,948</u>  | <u>1,039,334</u>                      | <u>-</u>                           | <u>-</u>              | <u>4,590,282</u>          |
| <b>UNALLOWABLE COSTS:</b>          |  |  |   |                                       |                                    |                       |                           |
|                                    | <u>-</u>   | <u>-</u>   | <u>-</u>  | <u>-</u>                              | <u>-</u>                           | <u>-</u>              | <u>-</u>                  |
| Total allowable expenses           | <u>\$ 3,058,818</u>  | <u>\$ 492,130</u>  | <u>\$ 3,550,948</u>   | <u>\$ 1,039,334</u>                   | <u>\$ -</u>                        | <u>\$ -</u>           | <u>\$ 4,590,282</u>       |
| <b>CAPITAL EXPENDITURES</b>        | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>   | <u>\$ -</u>                           | <u>\$ -</u>                        | <u>\$ -</u>           | <u>\$ -</u>               |

BETTER WAY OF MIAMI, INC.  
 SCHEDULE OF STATE EARNINGS  
 For the Year Ended September 30, 2011

|  |                   |
|--|-------------------|
| Total expenditures   | \$ 4,558,008      |
| Less: Other state and Federal funds                        | (2,837,905)       |
| Less: Nonmatch ADM funds                                   | (231,044)         |
| Less: Unallowable costs per 65E-14, FAC                    | (55,399)          |
| Less: Unallowable patient fees                             | <u>(306,976)</u>  |
| Total allowable expenditures                               | <u>1,126,684</u>  |
| Maximum available earnings (75% of allowable expenditures) | 845,013           |
| Amount of state funds received                             | <u>459,745</u>    |
| Amount (due) to department                                 | <u>\$ 385,268</u> |

Note: A negative amount indicates an amount due to the State up to the amount received during the year.

# INTERNAL CONTROLS AND COMPLIANCE



INDEPENDENT AUDITORS' 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  
Better Way of Miami, Inc.  
Miami, Florida

We have audited the financial statements of Better Way of Miami, Inc., (a not-for-profit organization) ("Better Way"), as of and for the year ended September 30, 2011, and have issued our report thereon dated February 22, 2012. 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, we considered Better Way'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 Better Way's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Better Way'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 and correct misstatements on a timely basis. A *material weakness* 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 the 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 Better Way of Miami, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Better Way of Miami, Inc.

This report is intended solely for the information and use of management, the Board of Directors, others within Better Way, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
February 22, 2012



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND STATE PROJECT AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors  
Better Way of Miami, Inc.  
Miami, Florida

Compliance

We have audited Better Way of Miami, Inc.'s (a not-for-profit organization) ("Better Way") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of Better Way's major Federal programs and state project for the year ended September 30, 2011. Better Way's major Federal programs and state project are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and state project is the responsibility of Better Way's management. Our responsibility is to express an opinion on Better Way's compliance based on our audit.

We conducted our audit of 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, 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 Federal program or state project occurred. An audit includes examining, on a test basis, evidence about Better Way'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 on Better Way of Miami, Inc.'s compliance with those requirements.

In our opinion, Better Way complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs and state project for the year ended September 30, 2011.

Internal Control over Compliance

The management of Better Way is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs and state projects. In planning and performing our audit, we considered Better Way's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program and state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, 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 Better Way's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program and state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Federal program or state project will not be prevented, or detected, 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 solely for the information and use of management, the Board of Directors, others within Better Way, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Keefe, McCullough & Co., LLP*  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
February 22, 2012

**BETTER WAY OF MIAMI, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2011

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Better Way of Miami, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of Better Way of Miami, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal programs and state project are reported in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General.
5. The auditors' report on compliance for the major Federal programs and state project for Better Way of Miami, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major Federal programs and state project for Better Way of Miami, Inc. reported in Part C of this schedule.
7. The programs/project tested as major programs/project includes the follows:

| <b>Federal Programs:</b>  | <b>Federal CFDA No.</b> |
|---|-------------------------|
| United States Department of<br>Health and Human Services:<br>HIV Emergency Relief<br>Project Grants | 93.914                  |
| United States Department of<br>Housing and Urban Development:<br>Shelter Plus Care                  | 14.238                  |
| <br>  |                         |
| <b>State Projects:</b>  | <b>State CSFA No.</b>   |
| State of Florida Department of Corrections:<br>Substance Abuse Services                             | 70.016                  |

8. The threshold for distinguishing Types A and B programs/projects was \$ 300,000 for both major Federal programs and state projects.
9. Better Way of Miami, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133.

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For the Year Ended September 30, 2011  
(continued)

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

No matters were reported.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS AUDITS**

No matters were reported.

**D. OTHER ISSUES**

1. No management letter is required because there were no findings required to be reported in the management letter.
2. A schedule of prior audit findings is not required because there were no prior audit findings related to Federal programs and state projects.
3. No corrective action plan is required because there were no findings reported under OMB Circular A-133 or the Florida Single Audit Act.