

**CHILD AND FAMILY CONNECTIONS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

**CHILD AND FAMILY CONNECTIONS, INC.  
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JUNE 30, 2011 AND 2010**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Child and Family Connections, Inc.:

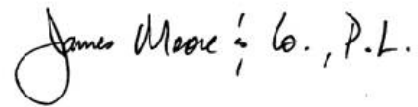
We have audited the accompanying statements of financial position of Child and Family Connections, Inc. (the "Organization") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Child and Family Connections, Inc. as of June 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 November 29, 2011, on our consideration of Child and Family Connections, Inc.'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large initial "J" and a stylized "M".

Daytona Beach, Florida  
November 29, 2011

**CHILD AND FAMILY CONNECTIONS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,680,830	\$ 3,019,496
Other accounts receivable	3,863	17,223
Prepaid expenses	152,883	82,690
Total current assets	3,837,576	3,119,409
<b>Deposits</b>	55,387	55,137
<b>Other assets</b>	46,000	46,000
<b>Restricted client trust funds</b>		
Cash and cash equivalents	175,754	144,416
Investments	198,729	197,840
Total restricted client trust funds	374,483	342,256
<b>Property and equipment, net</b>	104,778	195,788
<b>Total Assets</b>	\$ 4,418,224	\$ 3,758,590
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,108,405	\$ 2,150,981
Accrued expenses	372,355	311,070
Deferred revenue	1,102,331	543,430
Total current liabilities	3,583,091	3,005,481
<b>Client trust funds</b>	374,483	342,256
<b>Total liabilities</b>	3,957,574	3,347,737
<b>Net assets</b>		
Unrestricted	451,992	403,007
Temporarily restricted	8,658	7,846
Total net assets	460,650	410,853
<b>Total Liabilities and Net Assets</b>	\$ 4,418,224	\$ 3,758,590

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

**CHILD AND FAMILY CONNECTIONS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue</b>						
Public support - government grants	\$ 37,953,570	\$ -	\$ 37,953,570	\$ 37,252,780	\$ -	\$ 37,252,780
Private support	89,048	9,029	98,077	236,836	8,725	245,561
Net assets released from restrictions:						
Satisfaction of purpose restrictions	8,217	(8,217)	-	7,927	(7,927)	-
Total support and revenue	<u>38,050,835</u>	<u>812</u>	<u>38,051,647</u>	<u>37,497,543</u>	<u>798</u>	<u>37,498,341</u>
<b>Expenses</b>						
Purchased program services	32,158,316	-	32,158,316	31,645,518	-	31,645,518
Professional fees and insurance	362,184	-	362,184	255,175	-	255,175
Salaries and benefits	3,647,328	-	3,647,328	3,455,218	-	3,455,218
Occupancy	1,034,099	-	1,034,099	1,030,227	-	1,030,227
General and administrative	697,711	-	697,711	888,891	-	888,891
Depreciation expense	101,044	-	101,044	87,975	-	87,975
Loss on disposal of property and equipment	1,168	-	1,168	-	-	-
Total expenses	<u>38,001,850</u>	<u>-</u>	<u>38,001,850</u>	<u>37,363,004</u>	<u>-</u>	<u>37,363,004</u>
<b>Increase in net assets</b>	<u>48,985</u>	<u>812</u>	<u>49,797</u>	<u>134,539</u>	<u>798</u>	<u>135,337</u>
<b>Net assets, beginning of year</b>	403,007	7,846	410,853	268,468	7,048	275,516
<b>Net assets, end of year</b>	<u>\$ 451,992</u>	<u>\$ 8,658</u>	<u>\$ 460,650</u>	<u>\$ 403,007</u>	<u>\$ 7,846</u>	<u>\$ 410,853</u>

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

**CHILD AND FAMILY CONNECTIONS, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>			<b>2010</b>		
	<b>Program Services</b>	<b>Supporting Services</b>		<b>Program Services</b>	<b>Supporting Services</b>	
	<b>Child Services</b>	<b>Administrative Services</b>	<b>Total</b>	<b>Child Services</b>	<b>Administrative Services</b>	<b>Total</b>
Purchased program services:						
Case management	\$ 7,903,633	\$ -	\$ 7,903,633	\$ 8,009,513	\$ -	\$ 8,009,513
Foster home licensing and recruiting	1,207,241	-	1,207,241	1,111,312	-	1,111,312
Mental health services	898,138	-	898,138	1,054,029	-	1,054,029
Maintenance adoption services	8,464,890	-	8,464,890	8,288,153	-	8,288,153
Residential and therapeutic care	9,266,466	-	9,266,466	9,093,733	-	9,093,733
Prevention and support services	963,863	-	963,863	1,005,924	-	1,005,924
Independent living and transitional support services	3,421,161	-	3,421,161	3,034,253	-	3,034,253
Other	32,924	-	32,924	48,601	-	48,601
Total purchased program services	<u>32,158,316</u>	<u>-</u>	<u>32,158,316</u>	<u>31,645,518</u>	<u>-</u>	<u>31,645,518</u>
Salaries and benefits	2,663,362	983,966	3,647,328	2,539,925	915,293	3,455,218
General and administrative	340,248	357,463	697,711	588,674	300,217	888,891
Professional fees and insurance	279,544	82,640	362,184	120,072	135,103	255,175
Occupancy	934,199	99,900	1,034,099	949,157	81,070	1,030,227
Depreciation	75,783	25,261	101,044	65,981	21,994	87,975
Loss on disposal of property and equipment	-	1,168	1,168	-	-	-
<b>Total expenses</b>	<u>\$ 36,451,452</u>	<u>\$ 1,550,398</u>	<u>\$ 38,001,850</u>	<u>\$ 35,909,327</u>	<u>\$ 1,453,677</u>	<u>\$ 37,363,004</u>

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

**CHILD AND FAMILY CONNECTIONS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>		
Net increase in net assets	\$ 49,797	\$ 135,337
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
In kind donation of equipment	-	(145,897)
Depreciation	101,044	87,975
Loss on disposal of property and equipment	1,168	-
Decrease (increase) in other accounts receivable	13,360	(1,585)
Increase in prepaid expenses and deposits	(70,443)	(18,741)
Increase (decrease) in accounts payable	(42,576)	204,095
Increase in accrued expenses	61,285	51,533
Increase (decrease) in deferred revenue	558,901	(53,649)
Increase in restricted cash and cash equivalents - client trust funds	(32,227)	(63,029)
Decrease in client trust funds	32,227	63,029
Net cash provided by operating activities	672,536	259,068
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(11,202)	(6,661)
Redemption of certificate of deposit	-	250,000
Net cash provided by (used in) investing activities	(11,202)	243,339
<b>Net increase in cash and cash equivalents</b>	661,334	502,407
<b>Cash and cash equivalents, beginning of year</b>	3,019,496	2,517,089
<b>Cash and cash equivalents, end of year</b>	\$ 3,680,830	\$ 3,019,496
<b>Supplemental disclosure of cash flow information:</b>		
In kind donation of equipment	\$ -	\$ 145,897

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

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

(1) **Summary of Significant Accounting Policies:**

(a) **General**—Child and Family Connections, Inc., (the Organization) is a Florida nonprofit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization was organized as a corporation under the laws of the State of Florida in December 1999, for the purpose of administering, integrating, coordinating, and assuring the delivery of child protection services, emergency shelter, in-home protective services, relative care placements, foster care, foster care supervision, permanent foster care, intensive residential treatment, independent living, family reunification, and family prevention, adoption and appropriate related services in Palm Beach County, Florida.

The Organization's primary source of funding is from the State of Florida's Department of Children and Families (DCF). As of July 1, 2009, a contract in the amount of \$108,555,459 was entered into which will expire on June 30, 2012. Amendment No. 6 effective March 17, 2011 increased the amount of the contract to \$111,955,557. The contract can be terminated without cause by either the Organization or DCF with 30 calendar days notice. In the event funding is unavailable, the contract with DCF can be terminated with 24 hours notice.

(b) **Basis of financial reporting**—The Organization's financial statements have been prepared on an accrual basis. The Organization is required to report information regarding its financial position and activities in according to three classes of net assets:

**Unrestricted net assets**—Net assets that are not subject to donor-imposed restrictions.

**Temporarily restricted net assets**—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

**Permanently restricted net assets**—Net assets subject to donor-imposed stipulations that will not be met by either actions of the Organization or the passage of time. As of June 30, 2011 and 2010, there were no permanently restricted net assets.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

(c) **Contributions**—Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. The Organization records all revenues and gains that are spent in the same fiscal year as unrestricted revenue. Any amounts not spent are recorded as either temporarily restricted or permanently restricted revenue if donor restrictions exist

(d) **Cash and cash equivalents**—The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(e) **Prepaid expenses**—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Income taxes**—The Organization is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified as a publicly supported organization that is not a private foundation under Section 509 (1) of the Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. The Organization had no net unrelated business income for the years ended June 30, 2011 and 2010.

The Organization files income tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2007. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

(g) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

(h) **Property and equipment**—Furniture and equipment acquired by the Organization is considered to be owned by the Organization. However, funding sources may maintain an equitable interest in the assets purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State of Florida has a reversionary interest in those assets purchased with its funds that have a cost of \$1,000 or more and an estimated useful life of at least one year. The Federal Government has a reversionary interest in those assets purchased with its funds that have a cost of \$5,000 or more and an estimated useful life of at least one year.

Furniture and equipment with a value greater than \$1,000 and an estimated useful life of at least one year is recorded at cost when purchased or at estimated fair market value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to seven years. Repairs and maintenance are expensed as incurred.

(i) **Other accounts receivable**—Other accounts receivable are stated at the amount management expects to collect from balances at year-end. Based on management's assessment of the current relationship and credit worthiness of entities having balances with the Organization, it has concluded that the realization of losses on balances outstanding at year-end will be immaterial.

(j) **Deferred revenue**—Deferred revenue primarily consists of advances received for contracted programs that apply to future periods.

(k) **Restricted client trust funds**—Restricted client trust funds consist of cash and cash equivalents in the amount of \$175,754 and \$144,416 and investments in the Florida Treasury Investment Pool – Special Purpose Investment Account (SPIA) in the amount of \$198,729 and \$197,840 at June 30, 2011 and 2010, respectively. These funds are managed by the Organization and represent client's personal funds. The cash and cash equivalents are held in demand deposits with two federally insured banks which were fully covered by the Federal Deposit Insurance Corporation at June 30, 2011 and 2010.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

(1) **Summary of Significant Accounting Policies:** (Continued)

The Organization's investments in the SPIA consist of ownership of shares of the Florida Treasury Investment Pool, not the underlying securities. These investments are stated at fair value based on other significant observable inputs either directly or indirectly (including quoted prices for similar securities, interest rates, yield curves, credit risk, etc.) – Level 2. At June 30, 2011 and 2010, the fair value factor for the SPIA was 1.0099 and 1.0116, respectively. The credit rating as of June 30, 2011 and 2010, as determined by Standard and Poor's, was Af. The effective duration of the SPIA as of June 30, 2011 and 2010 was 2.13 years and 1.81 years, respectively. Additional valuation information is available at the State of Florida's Comprehensive Annual Financial Report, which can be obtained through their website, [www.myfloridacfo.com](http://www.myfloridacfo.com).

(l) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(m) **Reclassification**—Certain 2010 amounts have been reclassified to conform with the 2011 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

(n) **Subsequent events**—The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 29, 2011, which is the date that the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(2) **Significant Funding Source:**

The Organization receives a substantial amount of its funding (approximately 99% for the years ended June 30, 2011 and 2010) from the U.S. Department of Health and Human Services that is passed through the State of Florida and the Department of Children and Families. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the Organization's programs and activities.

(3) **Concentration of Credit Risk:**

Significant concentrations of credit risk for cash and cash equivalents owned by the Organization for the years ended June 30, 2011 and 2010 are as follows:

**Cash in bank**—The Organization maintains demand deposits with one federally insured bank. At times, the balance in this account was in excess of federally insured limits. At June 30, 2011 and 2010, the account balance exceeded federally insured limits by \$4,751,180 and \$3,908,846, respectively. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

(4) **Property and Equipment:**

Property and equipment consist of the following as of June 30, 2011 and 2010:

	<b>2011</b>	<b>2010</b>
Furniture and equipment	\$ 353,047	\$ 343,463
Less: Accumulated depreciation	248,269	147,675
	<b>\$ 104,778</b>	<b>\$ 195,788</b>

DCF holds a reversionary interest in all non-expendable tangible personal property acquired with funds received from DCF. Depreciation expense for the years ended June 30, 2011 and 2010 was \$101,044 and \$87,975, respectively.

(5) **Line of Credit:**

On July 10, 2006, the Organization executed a line of credit, with a financial institution that allows borrowings up to \$1,000,000, with an interest rate equal to the Wall Street Journal Prime Rate. The interest rate at June 30, 2011 was 3.25%. There were no advances from this line of credit during June 30, 2011 and 2010 and as of June 30, 2011 and 2010, no amounts were outstanding on the line of credit. The line of credit is collateralized by the Organization's accounts receivable. The line of credit will expire on January 28, 2012.

(6) **Employee Leasing Company:**

The Organization utilizes the service of an employee leasing service for staffing purposes. The employee leasing service provides employee benefits, including health insurance and 401(k) plan participation. All expenses associated with the services provided by the employee leasing service are shown as salaries and benefits on the Statement of Functional Expenses. The Organization's 401(k) matching contribution was 4% for years ended June 30, 2011 and 2010. For the years ended June 30, 2011 and 2010, the Organization made retirement contributions totaling \$38,926 and \$29,369, respectively.

(7) **Grants and Match Requirements:**

The Organization has an agreement with and receives a substantial portion of its support from the State of Florida Department of Children and Families and the U.S. Department of Health and Human Services. The agreement with DCF has a requirement that a specified amount of the grant be funded by matching funds from specified sources. The Organization is subject to audit by the granting agencies and, if these audits are unfavorable, the agencies can require a refund of a portion of the contracts. It is management's opinion that the terms of the agreement have been substantially met and costs submitted for reimbursements are allowable under the agreement. Management believes that the matching requirements were met during the years ended June 30, 2011 and 2010.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

(8) **Operating Leases:**

The Organization leases certain office space under agreements classified as operating leases. Office space leases expire at various dates through June 2015. Total rent expense for the years ended June 30, 2011 and 2010, was approximately \$1,034,000 and \$1,030,000, respectively. Future minimum lease payments under all such leases having initial non-cancelable terms in excess of one year for each of the next five years are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2012	\$ 1,038,246
2013	811,144
2014	275,758
2015	169,384
2016	175,313

(9) **Contingencies:**

Amounts received or receivable from governmental agencies are subject to audit and adjustment by grantor agencies, principally federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

(10) **Other Asset – Child Welfare Trust:**

In 2009, the limited partners of The Community Based Care Partnership, Ltd. formed the Child Welfare Trust (the “Trust”) which is a risk pool formed to provide assets to meet the obligations of the prepaid mental health program. Each partner made an initial contribution to the Trust of \$45,000. The balance at June 30, 2011 and 2010 was \$46,000. The Organization shares in this risk pool based on their respective ownership percentage. The Organization may be required to fund the risk pool on an annual basis based on the medical loss ratio. Quarterly, the General Partner makes a determination whether the assets held in the risk pool are sufficient to meet the obligations of the prepaid mental health program in the Organization’s service areas. If funding of the risk pool is required, the Organization may be required to utilize unrestricted funds as it is not a chargeable expense under the grant agreement with the State of Florida, Department of Children and Families as discussed in Note 1(a). During the years ended June 30, 2011 and 2010, the Organization was not required to make any additional contributions to the Trust.

**CHILD AND FAMILY CONNECTIONS, INC.**

**ADDITIONAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2011**

**CHILD AND FAMILY CONNECTIONS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Program/Federal Agency/State Agency, Pass-Through Entity, State Project</b>	<b>CFDA/ CSFA Number</b>	<b>Grantor's Contract Number</b>	<b>Expenditures</b>
<b>FEDERAL AWARDS</b>			
<b>U.S. Department of Health and Human Services</b>			
Passed through State of Florida			
Department of Children and Families:			
Temporary Assistance for Needy Families (TANF)	93.558	IJ701	\$ 2,604,944
Access and Visitation Program	93.597	IJ701	43,475
Chafee Education and Training Vouchers Program	93.599	IJ701	125,931
Stephanie Tubbs Jones Child Welfare Services Program	93.645	IJ701	358,646
Promoting Safe and Stable Families	93.556	IJ701	594,869
Promoting Safe and Stable Families	93.556	IJ701	54,580
			<u>649,449</u>
Title IV-E Foster Care	93.658	IJ701	7,417,599
ARRA - Title IV-E Foster Care	93.658	IJ701	501,125
			<u>7,918,724</u>
Adoption Assistance	93.659	IJ701	4,273,876
ARRA - Adoption Assistance	93.659	IJ701	411,138
			<u>4,685,014</u>
Social Services Block Grant	93.667	IJ701	2,998,673
Child Abuse and Neglect Grant	93.669	IJ701	28,228
Chafee Foster Care Independence Program	93.674	IJ701	320,941
Medical Assistance Program - Medicaid Cluster	93.778	IJ701	75,514
Adoption Incentive Payments	93.603	IJ701	279,054
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 20,088,593</u></b>
<b>STATE FINANCIAL ASSISTANCE</b>			
<b>Department of Children and Families</b>			
Community Based Care Supports	60.094	IJ701	\$ 13,827,615
<b>Total Expenditures of State Financial Assistance</b>			<b><u>\$ 13,827,615</u></b>
<b>STATE MATCHING OF FEDERAL AWARDS</b>			
<b>Department of Children and Families</b>			
Chafee Education and Training Vouchers Program	93.599	IJ701	\$ 31,483
Stephanie Tubbs Jones Child Welfare Services Program	93.645	IJ701	119,548
Adoption Assistance	93.659	IJ701	3,042,968
ARRA - Adoption Assistance	93.659	IJ701	215,131
Chafee Foster Care Independence Program	93.674	IJ701	80,237
Medical Assistance Program	93.778	IJ701	75,513
Block Grants for Community Mental Health Services	93.958	IJ701	454,289
Promoting Safe and Stable Families	93.556	IJ701	18,193
<b>Total Expenditures of State Matching of Federal Awards</b>			<b><u>\$ 4,037,362</u></b>
<b>Total Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards</b>			<b><u>\$ 37,953,570</u></b>

See accompanying notes to the Schedule of Expenditures of Federal Awards,  
State Financial Assistance, and State Matching of Federal Awards.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**(1) Basis of Accounting**

The Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards (the Schedule) is prepared on the accrual basis of accounting.

**(2) Service Provided Contracts**

Only revenues earned in accordance with the contract terms are reported as expenditures on the Schedule.

**(3) Sub-recipients**

Of the expenditures presented in the accompanying Schedule Child and Family Connections, Inc. provided federal awards, state financial assistance, and state matching of Federal Award under contract number IJ700 to the following sub-recipients:

4Kids of South Florida	\$ 130,715
Alpha House	17,339
Alternate Family Care	82,118
Camelot Community Care	99,789
Children's Home Society	4,995,210
Choices Children & Families Consortium	184,032
Eckerd Youth Alternatives	3,814,619
Family Preservation	70,291
Father Flanagan's Boys Home	449,878
Florida Baptist Children Home	39,690
Foster Adoptive Parent Association	97,239
Grandma's Place	380,981
Kids in Distress	436,847
Miracles Outreach	22,344
Parent Child Center	426,520
Place of Hope	1,801,160
TCHPS	1,099,562
The 12 for Children	10,950
The Haven	753,331
VisionQuest Life Corp	466,759
Vita Nova	735,617
Total payments to sub-recipients	<u>\$ 16,114,991</u>

JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**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 of  
Child and Family Connections, Inc.:

We have audited the financial statements of Child and Family Connections, Inc., (the Organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

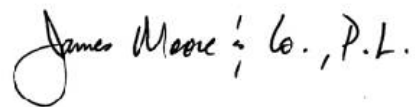
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

We noted certain matters that we reported to management of the Organization in a separate letter dated November 29, 2011.

This report is intended solely for the information and use of management of Child and Family Connections, Inc., others within the entity, the Board of Directors, and 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida  
November 29, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL  
PROGRAM AND STATE FINANCIAL ASSISTANCE 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 of  
Child and Family Connections, Inc.:

**Compliance**

We have audited Child and Family Connections, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs and state financial assistance projects for the year ended June 30, 2011. The Organization's major federal programs and state projects 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 projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization'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 financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization 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 financial assistance projects for the year ended June 30, 2011.

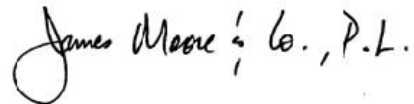
## Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or 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 the Organization'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 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 a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, others within the Organization, Board of Directors, and 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida  
November 29, 2011

**CHILD AND FAMILY CONNECTIONS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS**  
**PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**I. Summary of Auditors' Results:**

**Financial Statements:**

- Type of auditors' report issued: *Unqualified*

**Internal control over financial reporting:**

- No significant deficiencies or material weaknesses were reported related to internal control over financial reporting.
- No instances of noncompliance material to the financial statements were noted.

**Federal Awards:**

- No significant deficiencies or material weaknesses were identified related to internal control over major programs.
- Type of auditors' report issued on compliance for major programs: *Unqualified*
- The audit disclosed no audit findings, which are required to be reported in accordance with Section 510(a) of Circular A-133.
- Identification of Major programs:
  - CFDA No. 93.556 – Promoting Safe and Stable Families.
  - CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF).
  - CFDA No. 93.659 – ARRA – Adoption Assistance.
  - CFDA No. 93.667 – Social Services Block Grant.
- Dollar threshold used to distinguish between Type A and Type B programs was \$602,658.
- Auditee is considered to be a low risk auditee pursuant to OMB Circular A-133.

**State Financial Assistance:**

- No significant deficiencies or material weaknesses were reported related to internal control over major projects.
- Type of auditors' report issued on compliance for major projects: *Unqualified*
- The audit disclosed no audit findings, which are required to be reported in accordance with Rules of the Auditor General, Chapter 10.650.
- Identification of Major projects:
  - CSFA No. 60.094 – Community Based Care Supports.
- Dollar threshold used to distinguish between Type A and Type B projects was \$414,828.

**CHILD AND FAMILY CONNECTIONS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS**  
**PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

(Continued)

**II. Financial Statement Findings:**

None

**II. Findings and Questioned Costs Major Federal Programs and State Projects:**

None

**IV. Prior Year Audit Findings:**

**2010-01 Eligibility Determination:** Corrective action taken.

**2006-05 Eligibility Documentation:** Corrective action taken.

**V. Corrective Action Plans:**

Not required as there were no findings related to the year ended June 30, 2011.

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS'  
REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

To the Board of Directors  
Child and Family Connections, Inc.:

We have audited the financial statements of Child and Family Connections, Inc. (the Organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 29, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 29, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, the following matters are required to be disclosed:

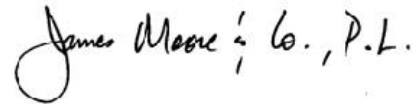
**Recording and Reconciling Pooled Cash Accounts to the Financial Statements:**

The Organization manages funds which represent client's personal funds. These funds are recorded as restricted cash and cash equivalents with a corresponding liability for client trust funds. A portion of these funds are held in pooled cash accounts with the State of Florida. During a test of compliance over client trust funds, we discovered the Organization had not included the reconciled balances of the client trust funds held in pooled cash accounts with the State of Florida or the associated liability in the trial balance as of June 30, 2011 and 2010. These funds had been accounted for in a separate ledger in QuickBooks and were not posted to the Organization's main trial balance for inclusion in the financial statements. The adjustment required to record the asset and liability for these funds as of June 30, 2011 and 2010 was approximately \$200,000. We recommend all accounts of the Organization be included in the main trial balance so the financial statements properly reflect all assets and liabilities of the Organization.

In addition, we noted monthly bank reconciliations are being performed only on the client trust funds with cash held in the Organization's name. We recommend the Organization also perform full bank reconciliations on the client trust funds in pooled cash with the State of Florida in order to determine the amount of cash per the general ledger is appropriately accounted for.

The Organization's response to the finding identified in our audit is included on Page 23. We did not audit the Organization's response and, accordingly, we express no opinion on the response.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "James Moore & Co., P.L." The signature is written in dark ink and is positioned to the right of the date and location text.

Daytona Beach, Florida  
November 29, 2011



November 29, 2011

James Halleran  
James Moore and Co.  
Daytona Beach, FL

Re: Response to Management Letter Finding FY10-11

Management's Response: As a result of the comment in the Management Letter related to the recording and reconciling of pooled cash accounts changes have been made to the internal processes as they relate to the client trust funds referred to in this comment. The monthly reconciliation now includes all funds, those kept in local bank accounts as well as though invested in the Special Purpose Investment Accounts through the Florida State Treasurer. In addition, the full amount of the cash held in trust for these clients will be recorded as an asset and a liability in the main general ledger.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Judith Karim', written in a cursive style.

Judith Karim  
Chief Executive Officer