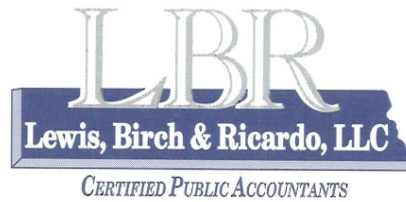


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THE CHILDREN'S HOME

Combined Financial Statements, Supplementary Financial
Information and Reports as Required by the
Comptroller General of the United States and
Office of Management and Budget Circular A-133

June 30, 2011 and 2010

THE CHILDREN'S HOME

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AUDITED FINANCIAL STATEMENTS

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**Independent Auditors' Report on Combined Basic Financial
Statements and Supplementary Financial Information**

The Boards of Directors
The Children's Home:

We have audited the accompanying combined statements of financial position of The Children's Home (collectively the "Organization") as of June 30, 2011 and 2010, and the related combined statements of unrestricted support and revenue, expenses and other changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended, and the related combined statement of functional expenses for the year ended June 30, 2011. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. The prior year summarized comparative information included in the combined statement of functional expenses has been derived from the Organization's 2010 financial statements and, in our report dated November 2, 2010, we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Children's Home as of June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, and their functional expenses for the year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2011 on our consideration of The Children's Home's internal control over financial reporting and our tests of their 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 read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the combined financial statements of The Children's Home taken as a whole. The supplementary financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. 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 Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and by Chapter 10.650, Rules of the State of Florida Auditor General, and is also not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined 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 combined financial statements taken as a whole.

Hennis, Birch & Ricardo, LLC

Clearwater, Florida
October 25, 2011

THE CHILDREN'S HOME

Combined Statements of Financial Position

June 30, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash (note 9)	\$ 47,814	185,909
Receivables:		
Grants and contracts (note 9)	779,378	972,871
Medicaid	57,315	60,556
Accrued interest	24,272	27,118
Contributions (note 4)	594,748	1,919,586
Contribution of use of School facility (note 4)	1,945,434	1,983,856
Investments (notes 2, 5 and 17)	12,328,991	11,037,185
Prepaid expenses and other assets	137,775	141,359
Cash surrender value of life insurance (note 17)	61,395	77,339
Beneficial interest in perpetual trust (note 10)	1,247,621	-
Net property and equipment (note 3)	<u>4,516,416</u>	<u>4,877,743</u>
	<u>\$ 21,741,159</u>	<u>21,283,522</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Line of credit (note 5)	\$ 50,000	250,000
Accounts payable	178,087	328,466
Deferred lease incentive and accrued rent expense (note 6)	157,467	230,197
Other accrued expenses	401,370	566,933
Deferred revenue	36,624	-
Estimated third-party payor liabilities (note 16)	22,881	22,881
Annuities payable (notes 15 and 17)	75,892	83,707
Capital lease obligations (note 6)	<u>8,285</u>	<u>13,431</u>
Total liabilities	<u>930,606</u>	<u>1,495,615</u>
Net assets (note 11):		
Unrestricted -		
Undesignated	4,109,539	4,344,784
Designated for long-term investment	<u>8,135,415</u>	<u>6,868,879</u>
	<u>12,244,954</u>	<u>11,213,663</u>
Temporarily restricted (note 10)	3,205,409	4,462,675
Permanently restricted for endowment (note 10)	<u>5,360,190</u>	<u>4,111,569</u>
Total net assets	<u>20,810,553</u>	<u>19,787,907</u>
	<u>\$ 21,741,159</u>	<u>21,283,522</u>

See accompanying notes to combined financial statements.

THE CHILDREN'S HOME

Combined Statements of Unrestricted Support and Revenue, Expenses and
Other Changes in Unrestricted Net Assets

Years ended June 30, 2011 and 2010

	2011	2010
Operating Support and Revenue:		
<i>Public support:</i>		
Special event revenue	\$ 556,495	442,496
Less special event costs	(371,222)	(280,447)
Net revenue from special events	185,273	162,049
United Way	163,902	228,589
Contributions	965,028	868,536
Bequests	630,531	370,884
Government fees and grants (note 9)	7,982,593	8,453,261
	9,927,327	10,083,319
<i>Revenue:</i>		
Investment return designated for current operations (note 2)	1,000,000	455,000
Medicaid	652,351	715,608
Program service fees	9,137	10,095
Thrift store sales	141,928	264,598
In-kind (note 8)	472,512	430,181
Other	5,127	53,931
	2,281,055	1,929,413
<i>Net assets released from restrictions:</i>		
Expiration of time restrictions on United Way funding	99,343	120,443
Expiration of time restrictions on bequests	181,640	200,789
Satisfaction of donor restrictions	375,057	238,121
	656,040	559,353
Total operating support and revenue	12,864,422	12,572,085
Operating Expenses:		
<i>Program services:</i>		
Residential Treatment	3,405,223	3,488,513
Clinical Services	644,662	595,343
S.E.A.R.C.H.	564,048	702,314
Family Support Center	3,700,743	3,545,307
Community Based Care	1,676,834	2,323,469
	9,991,510	10,654,946
<i>Supporting services:</i>		
Management and general	1,660,772	1,536,905
Development and public information	984,468	1,083,790
	2,645,240	2,620,695
Total operating expenses	12,636,750	13,275,641
Increase (decrease) in unrestricted net assets from operations	227,672	(703,556)
Other Changes:		
Increase in fair value of investment portfolio over amounts designated for current operations (note 2)	791,423	710,852
Change in value of split-interest agreements	(10,915)	(18,188)
Loss on sale of equipment	(9,933)	-
Donated capital assets	33,044	-
Increase (decrease) in unrestricted net assets	\$ 1,031,291	(10,892)

See accompanying notes to combined financial statements.

THE CHILDREN'S HOME

Combined Statements of Changes in Net Assets

Years ended June 30, 2011 and 2010

	2011	2010
Unrestricted net assets:		
Total unrestricted operating support and revenue	\$ 12,208,382	12,012,732
Total unrestricted operating expenses	(12,636,750)	(13,275,641)
Increase in fair value of investment portfolio over amounts designated for current operations	791,423	710,852
Change in value of split-interest agreements	(10,915)	(18,188)
Loss on sale of equipment	(9,933)	-
Donated capital assets	33,044	-
Net assets released from restrictions	656,040	559,353
Increase (decrease) in unrestricted net assets	1,031,291	(10,892)
Temporarily restricted net assets:		
United Way allocations	45,219	99,343
Contributions	184,120	333,687
Bequests	117,493	420,709
Imagination Center contribution	-	948,058
Imagination Center pledge forgiven	(948,058)	-
Community Development Block Grant	-	109,827
Net assets released from restrictions	(656,040)	(559,353)
Increase (decrease) in temporarily restricted net assets	(1,257,266)	1,352,271
Permanently restricted net assets:		
Contributions and bequests	1,248,621	-
Increase in permanently restricted net assets	1,248,621	-
Increase in net assets	1,022,646	1,341,379
Net assets at beginning of year	19,787,907	18,446,528
Net assets at end of year	\$ 20,810,553	19,787,907

See accompanying notes to combined financial statements.

THE CHILDREN'S HOME

Combined Statement of Functional Expenses

Year ended June 30, 2011
(With Comparative Totals for 2010)

	Program Services					Supporting Services			Total expenses		
	Residential Treatment	Clinical Services	S.E.A.R.C.H.	Family Support Center	Community Based Care	Total	Management and General	Development and Public Information	Total	2011	2010
Awards, grants, and assistance:											
Awards, grants and assistance to individuals	\$ 68,750	-	210,698	42,354	(1,826)	319,976	-	-	-	319,976	412,177
	<u>68,750</u>	<u>-</u>	<u>210,698</u>	<u>42,354</u>	<u>(1,826)</u>	<u>319,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,976</u>	<u>412,177</u>
Salaries and related expenses:											
Salaries	1,711,544	359,133	227,955	1,684,213	996,015	4,978,860	959,079	389,576	1,348,655	6,327,515	6,853,136
Payroll taxes	149,461	30,624	19,620	141,892	85,662	427,259	76,677	31,986	108,663	535,922	542,977
Employee benefits	228,091	26,591	19,752	229,427	136,190	640,051	91,802	33,381	125,183	765,234	838,953
	<u>2,089,096</u>	<u>416,348</u>	<u>267,327</u>	<u>2,055,532</u>	<u>1,217,867</u>	<u>6,046,170</u>	<u>1,127,558</u>	<u>454,943</u>	<u>1,582,501</u>	<u>7,628,671</u>	<u>8,235,066</u>
Other operating expenses:											
Professional fees	2,538	76,120	10,784	17,425	23,340	130,207	264,897	69,391	334,288	464,495	486,848
Subcontractors	-	72,379	3,529	1,166,673	30,331	1,272,912	-	-	-	1,272,912	1,084,646
Supplies and materials	139,700	3,231	3,197	62,192	8,310	216,630	13,529	17,785	31,314	247,944	279,798
Electronic communications	12,772	3,644	2,621	44,916	3,269	67,222	7,778	6,351	14,129	81,351	91,618
Postage and shipping	1,081	802	33	2,421	5,260	9,597	6,565	45,405	51,970	61,567	61,898
Occupancy	289,496	17,755	7,655	102,617	202,208	619,731	36,297	73,418	109,715	729,446	876,670
Repairs, maintenance and rentals	35,439	338	354	1,178	1,575	38,884	20,230	5,319	25,549	64,433	78,166
Copying and printing	1,298	5,817	5,145	10,545	-	22,805	7,726	30,487	38,213	61,018	71,533
Travel and vehicle	26,085	2,006	9,855	106,612	80,195	224,753	9,181	3,068	12,249	237,002	271,791
Financing expense	-	-	-	-	-	-	5,443	1,085	6,528	6,528	7,829
Insurance	85,182	16,337	7,873	67,400	34,928	211,720	28,125	9,853	37,978	249,698	265,997
Organization and staff development	5,464	4,372	1,553	10,569	6,473	28,431	35,705	4,267	39,972	68,403	79,131
In-kind	472,512	-	-	-	-	472,512	-	-	-	472,512	430,181
Bad debt expense	-	-	-	-	-	-	-	192,185	192,185	192,185	53,402
Other	871	-	207	66	14,442	15,586	3,590	37,543	41,133	56,719	37,245
	<u>1,072,438</u>	<u>202,801</u>	<u>52,806</u>	<u>1,592,614</u>	<u>410,331</u>	<u>3,330,990</u>	<u>439,066</u>	<u>496,157</u>	<u>935,223</u>	<u>4,266,213</u>	<u>4,176,753</u>
Depreciation and amortization	174,939	25,513	33,217	10,243	50,462	294,374	94,148	33,368	127,516	421,890	451,645
Total expenses before allocation of management and general	3,405,223	644,662	564,048	3,700,743	1,676,834	9,991,510	1,660,772	984,468	2,645,240	12,636,750	13,275,641
Allocation of management and general	564,977	106,959	93,584	453,702	278,212	1,497,434	(1,660,772)	163,338	(1,497,434)	-	-
	<u>\$ 3,970,200</u>	<u>751,621</u>	<u>657,632</u>	<u>4,154,445</u>	<u>1,955,046</u>	<u>11,488,944</u>	<u>-</u>	<u>1,147,806</u>	<u>1,147,806</u>	<u>12,636,750</u>	<u>13,275,641</u>

See accompanying notes to combined financial statements.

THE CHILDREN'S HOME

Combined Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 1,022,646	1,341,379
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	421,890	451,645
Loss on sale of equipment	9,933	-
Net realized and unrealized gains on investments	(1,536,218)	(885,361)
Noncash contribution of beneficial interest in perpetual trust	(1,247,621)	-
Donated equipment	(33,044)	-
Imagination Center pledge forgiven	948,058	-
Contributions restricted for long-term investment	(1,000)	(111,827)
Decrease (increase) in receivables	614,782	(883,948)
Decrease in prepaid expenses and other assets	3,584	95,987
Decrease in cash surrender value of life insurance	15,944	214
Decrease in accounts payable and other liabilities	(352,048)	(207,993)
Net cash used in operating activities	(133,094)	(199,904)
Cash flows from investing activities:		
Capital expenditures	(52,152)	(180,623)
Proceeds from sale of equipment	14,700	-
Purchase of investment securities	(1,318,727)	(5,172,934)
Proceeds from sale of investment securities	1,563,139	5,363,674
Net cash provided by investing activities	206,960	10,117
Cash flows from financing activities:		
Net repayments under line of credit	(200,000)	-
Proceeds from contributions restricted for long-term investment	1,000	111,827
Principal payments on annuities payable	(7,815)	(3,332)
Principal payments on capital lease obligations	(5,146)	(5,264)
Net cash provided by (used in) financing activities	(211,961)	103,231
Net decrease in cash	(138,095)	(86,556)
Cash at beginning of year	185,909	272,465
Cash at end of year	\$ 47,814	185,909
Supplemental disclosure of cash flow information-		
Cash paid during the year for interest	\$ 6,528	7,829

See accompanying notes to combined financial statements.

THE CHILDREN'S HOME

Notes to Combined Financial Statements

June 30, 2011 and 2010

(1) Description of Organization and Summary of Significant Accounting Policies

(a) Description of Organization

The Children's Home (collectively the "Organization") consists of three not-for-profit entities that provide services to abused children and at-risk families. The Boards of Directors set policy and oversee the financial affairs of the Organization which is funded primarily by the State of Florida Department of Children and Families, Hillsborough Kids, Inc. (HKI) and other lead agencies, United Way of Tampa Bay, Inc., The Children's Board of Hillsborough County, the Juvenile Welfare Board of Pinellas County, investment earnings and private contributions.

In July 2009, the Boards of Directors approved a restructuring of the Organization. At the center of this structure, *The Children's Home, Inc.* continues to accomplish its historic mission through an intensive residential treatment program; foster care, kinship care, and adoption services; and a wide range of community-based early intervention programs. The activities previously conducted by *The Children's Home Community Based Care, Inc.* and *The Children's Home CommUnity, Inc.* were consolidated under *The Children's Home, Inc.* in an effort to create efficiencies in the coordination and reporting for program services. The remaining entities supporting these activities are as follows:

The Children's Home Foundation, Inc. holds and invests the Organization's endowment and other funds designated by the Boards of Directors for long-term investment to preserve capital and generate income to finance the delivery of services to abused children and at-risk families.

The Children's Home Properties, Inc. manages and maintains the real estate, facilities and improvements that are integral to the safe, efficient and effective delivery of services to abused children and at-risk families.

These entities are under common control and therefore their financial statements are combined for purposes of financial reporting. All significant interorganization balances and transactions have been eliminated in combination.

Since 2002, the Children's Home, Inc. has been accredited by the Council on Accreditation. In June 2010, a site visit was completed, including a thorough review of all programs and services, resulting in the Organization's successful re-accreditation through 2014.

(Continued)

THE CHILDREN'S HOME

Notes to Combined Financial Statements

(b) Financial Statement Presentation

The Organization reports 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. In addition, the Organization is required to present a statement of cash flows.

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

(c) Financial Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and nonauthoritative - and making the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance, which was incorporated into ASC Topic 105 - *Generally Accepted Accounting Principles*, was effective for interim and annual periods ending after September 15, 2009. The adoption changed certain disclosure references to U.S. GAAP, but did not have any other impact on the Organization's financial statements.

(d) Contributions

The Organization accounts for contributions as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

(e) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the Organization's balance sheet. Unrealized gains and losses are included in the change in net assets in the accompanying financial statements. Restrictions on investment earnings are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the earnings are recognized.

(Continued)

THE CHILDREN'S HOME

Notes to Combined Financial Statements

(f) Property and Equipment

Depreciation of property and equipment is computed principally by the straight-line method over the estimated useful lives of the related assets. Expenditures for property and equipment are stated at cost, and those in excess of \$1,000 are capitalized. Similarly, property and equipment donated with a fair market value in excess of \$1,000 as of the date of receipt is capitalized. The estimated useful lives of related asset classes are as follows:

Buildings and improvements	5 to 40 years
Furniture and equipment	3 to 10 years
Transportation equipment	3 to 5 years

(g) Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience, third-party contracts, and other circumstances, which may affect the ability of payors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

(h) Annuities Payable

Annuities payable are stated at the actuarial present value of future cash flows expected to be paid to donors, or in certain cases donors' spouses, in the event of a donor's death. Discount rates used in computing present values range from 5.8% to 8%.

(i) Reclassifications

Certain amounts in the 2010 combined financial statements have been reclassified to conform to the presentation of the 2011 combined financial statements.

(j) Income Taxes

Each of the entities included in the combined financial statements has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. Income earned in furtherance of the Organization's tax-exempt purpose is exempt from Federal and State income taxes. The Organization is treated as a publicly supported organization, and not as a private foundation. The Organization has adopted the provisions of ASC Topic 740 relating to "Accounting for Uncertainty in Income Taxes" and does not believe it has any material income tax exposure relating to uncertain tax positions. The Organization's income tax filings for periods after the fiscal year ended June 30, 2007 remain subject to examination.

(Continued)

THE CHILDREN'S HOME

Notes to Combined Financial Statements

(k) Estimates in Combined Financial Statements

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

(l) Fair Value Measurements

The Organization has adopted FASB guidance relating to *Fair Value Measurements* which requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3). The carrying amount reported in the combined balance sheet for cash, accounts receivable, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

(2) Investments

At June 30, 2011 and 2010, the cost and market value of investments were as follows:

	2011		2010	
	Cost	Market	Cost	Market
<i><u>Annuity Funds</u></i>				
Money market funds	\$ 4,217	4,217	7,822	7,822
Fixed income mutual funds	42,467	44,013	43,513	45,281
Equity mutual funds	47,538	57,049	45,283	45,878
	94,222	105,279	96,618	98,981
<i><u>Endowments</u></i>				
Money market funds	590,924	590,924	1,756,199	1,756,199
U.S. Government and Agency obligations	428,984	357,410	360,240	336,685
Corporate obligations	1,934,959	1,949,300	1,840,413	1,899,173
Common stock	1,172,836	1,222,816	-	-
Hedge Funds	134,981	109,591	344,886	280,118
Mutual funds	6,211,758	7,993,671	6,135,264	6,666,029
	10,474,442	12,223,712	10,437,002	10,938,204
	\$ 10,568,664	12,328,991	10,533,620	11,037,185

(Continued)

THE CHILDREN'S HOME

Notes to Combined Financial Statements

The Organization's investments in common stock, equity mutual funds and corporate obligations are not concentrated in a single entity or in a few entities, nor are there any specific industry concentrations. Investments include amounts which have been permanently restricted by donors for endowment purposes and temporarily restricted for the acquisition of property and equipment, as more fully described in Note 10.

The following schedule summarizes investment return for the years ended June 30, 2011 and 2010:

	2011	2010
Interest and dividends	\$ 298,070	332,660
Net realized and unrealized gains	1,536,218	885,361
Investment management fees	(42,865)	(52,169)
Total net investment return	1,791,423	1,165,852
Investment return designated for current operations	(1,000,000)	(455,000)
Increase in fair value of investment portfolio over amounts designated for current operations	\$ 791,423	710,852

(3) Property and Equipment

Property and equipment at June 30, 2011 and 2010 consists of the following:

	2011	2010
Land and improvements	\$ 805,444	805,853
Buildings and improvements	6,709,227	6,498,093
Construction in progress	-	13,854
Furniture and equipment	1,451,263	1,506,234
Computer software	276,259	266,680
Leasehold improvements	-	246,400
Transportation equipment	254,716	290,283
	9,496,909	9,627,397
Less accumulated depreciation and amortization	4,980,493	4,749,654
	\$ 4,516,416	4,877,743

Depreciation expense for the years ended June 30, 2011 and 2010 was \$421,890 and \$451,645, respectively.

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THE CHILDREN'S HOME

Notes to Combined Financial Statements

The Organization obtained funding from Hillsborough County to fund the renovation of residential cottages. In connection with this agreement, the Organization entered into a land use restriction agreement whereby the Organization must continue to use the cottages for the benefit of abandoned, abused and/or neglected children for a period of forty years.

(4) Contributions Receivable

Contributions receivable at June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
United Way allocations	\$ 45,219	99,343
Bequests	356,562	420,709
Pledges	<u>217,839</u>	<u>1,489,875</u>
Total contributions receivable	619,620	2,009,927
Less allowance for doubtful collections	20,000	20,000
Less unamortized discount	<u>4,872</u>	<u>70,341</u>
Net contributions receivable	<u>\$ 594,748</u>	<u>1,919,586</u>
Amounts due in:		
Less than one year	\$ 294,995	785,533
One to five years	<u>324,625</u>	<u>1,224,394</u>
	<u>\$ 619,620</u>	<u>2,009,927</u>

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 1.7% to 3.3%.

In fiscal 2004, the Organization entered into an agreement with the Hillsborough County School Board (School Board) for the purpose of transferring title to certain real property to the School Board in return for the exclusive use of a building (the Parkhill School replacement facility) constructed on the property, which is located adjacent to the Organization's main campus, for a period of thirty years. The Organization's right to use the building for thirty years has been treated as a temporarily restricted contribution from the School Board and is reflected as an asset in the accompanying balance sheet at June 30, 2011 and 2010.

(5) Line of Credit

At June 30, 2011 and 2010, the Organization has a revolving line of credit from a commercial bank that allows the Organization to borrow up to \$750,000 at one month LIBOR plus 2.75% (3% at June 30, 2011). The loan is secured by an investment account with a fair market value of \$2,335,369 and \$2,244,465 as of June 30, 2011 and 2010, respectively. The outstanding balance on the line of credit at June 30, 2011 and 2010 was \$50,000 and \$250,000, respectively.

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Notes to Combined Financial Statements

(6) Leases

The Organization is obligated under a capital lease for certain office equipment and several noncancellable operating leases, primarily for office space, that expire over the next six years. Security deposits related to such leases are included in other assets. Rental expense on operating leases was approximately \$758,000 and \$820,000 for the years ended June 30, 2011 and 2010, respectively. Rental income under sublease agreements totaled approximately \$422,000 and \$392,000 for the years ended June 30, 2011 and 2010, respectively, and has been recorded as a reduction of rent expense in the accompanying financial statements.

At June 30, 2011, the gross amount of office equipment and related accumulated amortization recorded under the capital lease were \$23,868 and \$18,398, respectively. At June 30, 2010, the gross amount of office equipment and related accumulated amortization recorded under the capital lease were \$23,868 and \$12,431, respectively. Amortization of assets held under the capital lease is included in depreciation expense.

In connection with a lease renewal for office space in fiscal 2008, the Organization received an incentive from the lessor in the form of leasehold improvements which amounted to \$246,400. The incentive is being amortized as a reduction of rent expense over the term of the related lease. Effective January 2011, the lease was terminated and the unamortized balances of the deferred lease incentive and leasehold improvements were written off.

Future minimum lease payments under noncancellable operating leases and the present value of future minimum capital lease payments as of June 30, 2011 are as follows:

	Capital Lease	Operating Leases	Total
<u>Year ending June 30:</u>			
2012	\$ 8,820	632,915	641,735
2013	-	643,118	643,118
2014	-	21,048	21,048
2015	-	21,048	21,048
2016	-	21,048	21,048
Thereafter	-	1,045	1,045
Total minimum lease payments	8,820	1,340,222	1,349,042
Less amount representing interest	535		
Present value of minimum capital lease payments	\$ 8,285		

(Continued)

THE CHILDREN'S HOME

Notes to Combined Financial Statements

(7) **Retirement Plan**

The Organization sponsors a defined contribution retirement plan which covers all employees with one year's service who have attained the age of 21. The plan, subject to minimum funding standards, requires contributions in the amount of 2% of each participant's gross wages for fiscal 2011 and 2010, which are paid to the plan in monthly installments. Organization contributions to the plan were \$110,915 and \$106,271 for the years ended June 30, 2011 and 2010, respectively. For the years ended June 30, 2011 and 2010, the Organization recognized pension forfeiture income totaling \$39,792 and \$27,931, respectively, which is netted against employee benefits in the accompanying statement of functional expenses.

(8) **Donated Services and Materials**

A substantial number of volunteers have donated significant amounts of time in different projects for the Organization. In addition, materials are donated to the Organization on a periodic basis. For the years ended June 30, 2011 and 2010, total in-kind support was \$696,157 and \$573,842, respectively, of which \$223,645 and \$143,661 are included in special event revenue and expense. For the years ended June 30, 2011 and 2010, contributed services totaled \$136,084 and \$154,249, respectively, and consisted of a variety of services utilized in the Organization's residential treatment program. For the years ended June 30, 2011 and 2010, donated materials totaled \$560,073 and \$419,593, respectively. For the years ended June 30, 2011 and 2010, donated fixed assets totaled \$33,044 and \$0, respectively.

(9) **Credit and Funding Concentrations**

The Organization maintains several deposit accounts with what management believes to be high credit quality financial institutions and a large commercial brokerage. The total balances of these accounts were covered by federal deposit insurance at June 30, 2011 and 2010. The Organization has no financial instruments which subject it to off-balance-sheet risk.

The Organization relies to a significant extent on the State of Florida as a source of funding. Funding from the State of Florida represented approximately 47% and 51% of total operating support and revenue before investment return for the years ended June 30, 2011 and 2010, respectively. At June 30, 2011 and 2010, total receivables including grants, contracts and Medicaid billings were comprised of approximately 45% and 60%, respectively, of funding provided by the State of Florida.

(Continued)

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Notes to Combined Financial Statements

(10) Temporary and Permanent Restrictions on Net Assets

Temporary restrictions on net assets as of June 30, 2011 and 2010 relate to the following:

	2011	2010
Charitable gift annuities	\$ 104,848	112,495
United Way Funding	45,219	99,343
Contributions restricted for future periods	537,399	731,347
Imagination Center	-	948,058
Contributed use of school facility	1,945,434	1,983,856
Facilities subject to time restrictions	572,509	587,576
	\$ 3,205,409	4,462,675

Permanent restrictions on net assets include the Organization's beneficial interest in a perpetual trust and assets contributed by donors as endowments to be held in perpetuity. Earnings on these endowments are unrestricted in most cases. Restrictions on earnings are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the earnings are recognized.

At June 30, 2011 and 2010, permanently restricted net assets consist of the following:

	2011	2010
Beneficial interest in a perpetual trust	\$ 1,247,621	-
Donor restricted endowments	4,112,569	4,111,569
	\$ 5,360,190	4,111,569

(11) Endowment Funds

The Organization's endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Boards of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

THE CHILDREN'S HOME

Notes to Combined Financial Statements

The Boards of Directors have interpreted the wishes of donors and state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets.

Investment Return Objectives, Risk Parameters, and Strategies. The Organization has adopted investment and spending policies, approved by the Boards of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and fixed-income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of no more than 4.5% to 7.0% (depending on the nature of the endowment), while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% net of fees over a full market cycle. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating for distribution each year no more than 4.5% to 7.0% of its endowment fund's fair market value at the end of the calendar year that precedes the start of the organization's Fiscal Year. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a real after-inflation growth rate of 0.5% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

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THE CHILDREN'S HOME

Notes to Combined Financial Statements

The Organization's endowment funds contain certain temporarily restricted net assets that are not subject to general spending policies. Endowment net asset composition by type of fund as of June 30, 2011 and 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
2011:				
Board-designated endowments	\$ 8,135,415	-	-	8,135,415
Donor-restricted endowments	431	104,848	4,112,569	4,217,848
	<u>\$ 8,135,846</u>	<u>104,848</u>	<u>4,112,569</u>	<u>12,353,263</u>
2010:				
Board-designated endowments	\$ 6,853,753	-	-	6,853,753
Donor-restricted endowments	(13,514)	112,495	4,111,569	4,210,550
	<u>\$ 6,840,239</u>	<u>112,495</u>	<u>4,111,569</u>	<u>11,064,303</u>

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Balance, June 30, 2010	\$ 6,840,239	112,495	4,111,569	11,064,303
Contributions	506,595	-	1,000	507,595
Net investment income	250,747	4,400	-	255,147
Net appreciation	1,524,320	11,898	-	1,536,218
Reclassifications	13,945	(13,945)	-	-
Withdrawals	(1,000,000)	(10,000)	-	(1,010,000)
Balance, June 30, 2011	<u>\$ 8,135,846</u>	<u>104,848</u>	<u>4,112,569</u>	<u>12,353,263</u>

(Continued)

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Notes to Combined Financial Statements

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Balance, June 30, 2009	\$ 6,128,372	112,495	4,111,569	10,352,436
Contributions	2,500	-	-	2,500
Net investment income	269,387	1,992	-	271,379
Net appreciation	883,370	9,618	-	892,988
Reclassifications	11,610	(11,610)	-	-
Withdrawals	(455,000)	-	-	(455,000)
Balance, June 30, 2010	<u>\$ 6,840,239</u>	<u>112,495</u>	<u>4,111,569</u>	<u>11,064,303</u>

(12) Funds Held by Community Foundation

In 1992, the Organization established an account at the Community Foundation of Tampa Bay (Foundation) with a payment of \$25,000. This amount is considered an asset (beneficial interest in assets held by others) of the Organization and is included in other assets in the accompanying balance sheet. Earnings on this account are earmarked to be distributed on a periodic basis to the Organization. The Foundation has been granted variance power over these funds which provides the Foundation the unilateral power to redirect the use of the funds to other beneficiaries. Because the Foundation has been granted variance power, funds contributed to the Foundation on behalf of the Organization are not considered to be an asset. The Foundation did not distribute any earnings to the Organization for the years ended June 30, 2011 or 2010.

(13) Assets Held in Trust By Others

The Organization is currently the sole income beneficiary of the Mary W. Wiggins trust, a perpetual trust established for the Organization's benefit. The trustee directs investment of the principal assets in the trust. Income received by the Organization from the trust was \$20,342 and \$26,245 for the years ended June 30, 2011 and 2010, respectively. The market value of the investments held in the trust was approximately \$510,000 and \$452,000 at June 30, 2011 and 2010, respectively.

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Notes to Combined Financial Statements

(14) Letter of Credit

The Organization obtained an irrevocable standby letter of credit for \$175,000 which expired on June 30, 2011. The letter of credit was issued by a commercial bank for the benefit of Hillsborough Kids, Inc. and had not been utilized to any extent at June 30, 2011.

(15) Split-Interest Gifts

The Organization is certified by the State of Florida to market and manage charitable gift annuity contracts. Under these contracts, a donor transfers assets to the Organization at the beginning of the contract and the Organization makes predetermined quarterly or semi-annual payments to the donor over their remaining lifetime. Upon the donors' death, the remaining assets are available for the Organization's use. State law requires that the Organization limit the manner in which the Organization invests these assets and that the Organization maintain a reserve fund equal to a minimum of 110% of the actuarial present value of the related annuity obligations. At June 30, 2011, the Organization was in compliance with this requirement.

(16) Contingencies

The Organization is involved in various legal actions arising during the ordinary course of its operations. The potential loss under these claims is not determinable at this time. Management believes any potential loss would be expected to fall within the Organization's insurance policy limits. The only anticipated financial exposure would be payment of the insurance deductible, a nominal amount. In the opinion of management, no material liability exists with respect to these claims.

The Organization routinely enters into grant agreements and contracts with governmental agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Organization's program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Organization's financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying combined financial statements.

The Organization is also subject to Medicaid audits. As of June 30, 2011 and 2010, the Organization has included a provision for any potential third party payor liabilities in the amount of \$22,881. The effect of an adjustment, if any, resulting from future audits cannot be determined at this time and no provision above the \$22,881 reserve has been made for any such adjustment in the accompanying combined financial statements. Management's estimate of the provision is subject to a significant degree of uncertainty and actual third party payor liabilities may differ from management's estimate in the near term.

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Notes to Combined Financial Statements

(17) Fair Value Measurements

Financial instruments measured at fair value are classified and disclosed in the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are cash, money market mutual funds, fixed income mutual funds, equity mutual funds, corporate and government bonds, and mortgage backed securities.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Valuation is based on unobservable inputs. The Organization's investments in equity hedge funds, international equity funds, and partnerships are considered to be Level 3 since the Organization's ownership interest and investment value is based on an allocation of the underlying securities, investment income and expenses. The Organization's cash surrender value of life insurance is considered a financial asset subject to the valuation hierarchy and has been classified as Level 3 since observable inputs are minimal. Fair values for annuities payable are determined by calculating the present value of expected cash flows over the term of the underlying agreements.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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Notes to Combined Financial Statements

Fair value of assets and liabilities measured on a recurring basis at June 30, 2011 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>Assets:</i>				
<i>Fixed Income Securities:</i>				
Corporate obligations	\$ 1,949,300	1,949,300	-	-
U.S. government and Agency obligations	357,410	357,410	-	-
Intermediate bonds	309,769	309,769	-	-
Inflation-protected bonds	59,274	59,274	-	-
Other bonds	24,045	24,045	-	-
<i>Mutual Funds:</i>				
Multi-sector bond funds	629,282	629,282	-	-
Growth and income funds	2,588,036	2,588,036	-	-
International funds	1,239,122	1,239,122	-	-
Long-short funds	603,901	603,901	-	-
Large cap funds	1,265,535	1,265,535	-	-
Small/mid cap funds	1,364,425	1,364,425	-	-
Other funds	11,345	11,345	-	-
<i>Corporate Stock:</i>				
Consumer discretionary	102,895	102,895	-	-
Consumer staples	41,010	41,010	-	-
Energy	194,195	194,195	-	-
Financials	344,091	344,091	-	-
Health Care	183,317	183,317	-	-
Industrial	82,925	82,925	-	-
Information technology	167,538	167,538	-	-
Materials	90,474	90,474	-	-
Utilities	16,370	16,370	-	-
<i>Money market funds</i>	595,141	595,141	-	-
<i>Cash Surrender Value:</i>				
Life Insurance	61,395	-	-	61,395
<i>Beneficial interest in perpetual trust</i>				
	1,247,621	-	1,247,621	-
<i>Low volatility hedge fund</i>				
	109,591	-	-	109,591
	<u>\$ 13,638,007</u>	<u>12,219,400</u>	<u>1,247,621</u>	<u>170,986</u>

(Continued)

THE CHILDREN'S HOME

Notes to Combined Financial Statements

Liabilities:

Annuities payable	\$ <u>75,892</u>	<u>-</u>	<u>-</u>	<u>75,892</u>
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Fair value of assets and liabilities measured on a recurring basis at June 30, 2010 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Assets:</u>				
<i>Fixed Income Securities:</i>				
Corporate Obligations	\$ 1,899,173	1,899,173	-	-
U.S. Government and Agency	336,685	336,685	-	-
Intermediate Bond	316,277	316,277	-	-
Inflation-Protected Bond	46,379	46,379	-	-
Other	24,044	24,044	-	-
<i>Mutual Funds:</i>				
Multi-Sector Bonds	541,267	541,267	-	-
Growth & Income	1,863,558	1,863,558	-	-
International	935,464	935,464	-	-
Long/Short	434,785	434,785	-	-
Large Cap	1,787,479	1,787,479	-	-
Small/Mid Cap	801,192	801,192	-	-
Other	6,742	6,742	-	-
<i>Money market funds</i>	1,764,022	1,764,022	-	-
<i>Cash Surrender Value:</i>				
Life Insurance	77,339	-	-	77,339
<i>Hedge Funds:</i>				
Low Volatility	280,118	-	-	280,118
	<u>\$ 11,114,524</u>	<u>10,757,067</u>	<u>-</u>	<u>357,457</u>
<u>Liabilities:</u>				
Annuities payable	\$ <u>83,707</u>	<u>-</u>	<u>-</u>	<u>83,707</u>

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Notes to Combined Financial Statements

The following table sets forth a summary of changes in fair value of assets and liabilities using significant unobservable inputs (Level 3) for the years ended June 30, 2011 and 2010:

	<u>Hedge Funds</u>	<u>Cash Surrender Value</u>	<u>Annuities Payable</u>
Balances at June 30, 2009	\$ 1,733,667	77,553	87,039
Purchases, sales, and settlements (net)	(1,597,132)	-	(3,332)
Change in fair value due to change in available market data and certain assumptions	<u>143,583</u>	<u>(214)</u>	<u>-</u>
Balances at June 30, 2010	280,118	77,339	83,707
Purchases, sales and settlements (net)	(170,320)	(18,331)	(7,815)
Change in fair value due to change in available market data and certain assumptions	<u>(207)</u>	<u>2,387</u>	<u>-</u>
Balances at June 30, 2011	<u>\$ 109,591</u>	<u>61,395</u>	<u>75,892</u>

(18) Subsequent Events

For purposes of disclosure, the Organization evaluated events occurring between the end of its most recent fiscal year (June 30, 2011) and October 25, 2011, the date the financial statements were available for issuance.

SUPPLEMENTARY FINANCIAL INFORMATION

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Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2011

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Federal/State Agency Pass-through Entity Federal Program	CFDA/ CSFA No.	Contract Grant No.	Expenditures	Transfers To Subrecipients
<i>U.S. Department of Agriculture</i>				
Passed-through State of Florida Department of Education:				
National School Breakfast Program	10.553	01-0131	\$ 27,965	-
National School Lunch Program	10.555	01-0131	18,281	-
			<u>46,246</u>	<u>-</u>
Passed-through State of Florida Department of Agriculture :				
Food Donation Program	10.550	24042	1,551	-
Subtotal - U.S. Department of Agriculture			<u>47,797</u>	<u>-</u>
<i>U.S. Department of Education</i>				
Passed-through State of Florida Department of Education:				
State Fiscal Stabilization Fund	84.397	n/a	5,053	-
Subtotal - U.S. Department of Education			<u>5,053</u>	<u>-</u>
<i>U.S. Department of Health and Human Services</i>				
Passed-through Hillsborough Kids, Inc.:				
Promoting Safe and Stable Families	93.556	HKII106/HKII146 HKII53	6,856	-
Temporary Assistance to Needy Families	93.558		230,580	-
Child Welfare Services_State Grants	93.645		45,050	-
Foster Care_Title IV-E - American Recovery and Reinvestment Act	93.658		62,849	-
Foster Care_Title IV-E	93.658		1,012,734	-
Adoption Assistance	93.659		84,534	-
Social Services Block Grant	93.667		460,932	-
			<u>1,903,535</u>	<u>-</u>
Passed-through Sarasota Family YMCA:				
Foster Care_Title IV-E	93.658		28,845	-
Social Services Block Grant	93.667	R1132	29,566	-
			<u>58,411</u>	<u>-</u>
Passed-through Heartland for Children Inc.:				
Foster Care_Title IV-E	93.658	GC101	167,828	-
Social Services Block Grant	93.667		133,624	-
			<u>301,452</u>	<u>-</u>
Passed-through Healthy Start Coalition of Hillsborough County, Inc.:				
Temporary Assistance to Needy Families	93.558	HF-10-11-2	62,470	-
			<u>62,470</u>	<u>-</u>

THE CHILDREN'S HOME

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2011

(Page 2 of 2)

Federal/State Agency Pass-through Entity Federal Program	CFDA/ CSFA No.	Contract Grant No.	Expenditures	Transfers To Subrecipients
Passed-through Eckerd Youth Alternatives, Inc.:		ECA-OOHC-TCH		
Foster Care_Title IV-E	93.658	FY11	\$ 26,293	-
Social Services Block Grant	93.667		22,064	-
Child Abuse and Neglect Grants	93.669		3,503	-
			<u>51,860</u>	<u>-</u>
Subtotal - U.S. Department of Health and Human Services			<u>2,377,728</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>2,430,578</u>	<u>-</u>
Passed-through Hillsborough Kids, Inc.:		HKII106/HKII146		
Community Based Care Supports	60.094	HKII53	\$ 970,088	-
Passed-through Eckerd Youth Alternatives, Inc.:		ECA-OOHC-TCH		
Community Based Care Supports	60.094	FY11	44,647	-
Passed-through Sarasota Family YMCA:				
Community Based Care Supports	60.094	R1132	<u>13,701</u>	<u>-</u>
Subtotal - Department of Children and Families			<u>1,028,436</u>	<u>-</u>
Total State Financial Assistance			\$ <u>1,028,436</u>	<u>-</u>

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

THE CHILDREN'S HOME

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2011

(Page 1 of 2)

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal and state grant activity of The Children's Home under programs of the federal government and state grant activity of the State of Florida for the year ended June 30, 2011. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of The Children's Home, it is not intended to and does not present the combined financial position, changes in net assets, or cash flows of The Children's Home.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed and totaled \$1,551.

(4) Subrecipients

None of the expenditures of federal awards and state financial assistance included in the Schedule were paid or provided to subrecipients.

(5) Other

The accompanying Schedule presents federal expenditures and state financial assistance by pass-through agency. Expenditures of certain federal programs and state projects were awarded to the Children's Home by more than one pass-through agency or under more than one contract.

THE CHILDREN'S HOME

Notes to Schedule of Expenditures of Federal Awards and
State Financial Assistance

Year ended June 30, 2011

(Page 2 of 2)

Total federal expenditures by federal program for the year ended June 30, 2011 were as follows:

<u>CFDA No.</u>	<u>Federal Expenditures</u>
10.550	\$ 1,551
10.553	27,965
10.555	18,281
84.397	5,053
93.556	6,856
93.558	293,050
93.645	45,050
93.658	1,235,700
93.658 ARRA	62,849
93.659	84,534
93.667	646,186
93.669	<u>3,503</u>
	\$ <u><u>2,430,578</u></u>

THE CHILDREN'S HOME

Schedule of Local Contracts and Awards

Year ended June 30, 2011

<u>Grantor/Pass-Through</u>	<u>Grantor/ Pass-Through No.</u>	<u>Accrued Revenue at June 30, 2010</u>	<u>Cash Received</u>	<u>Revenue Recognized and/or Reimbursable Expenses</u>	<u>Accrued Revenue at June 30, 2011</u>
Healthy Start Coalition of Hillsborough County, Inc.	HF-10-11-2	\$ 95,708	830,362	818,417 *	83,763
Hillsborough Board of County Commissioners	SSRFA	9,929	92,668	90,678	7,939
Department of Children's Services of Hillsborough County	90CU0043	22,416	145,706	134,498	11,208
Hillsborough County Children's Board	-	149,674	685,908	597,896	61,662
Tampa Metropolitan Area YMCA, Inc.	-	74,026	815,779	868,274	126,521
Central Florida Behavioral Health Network	-	150,863	1,038,173	930,575	43,265
Juvenile Welfare Board of Pinellas County	-	81,525	826,683	907,873	162,715
Heartland for Children, Inc.	GC101	36,342	468,065	570,654 *	138,931
Eckerd Youth Alternatives, Inc.	ECA-OOHC-TCH	7,204	92,623	96,508 *	11,089
Hillsborough Kids, Inc.	HKII106/HKII146 HKII53	<u>330,386</u>	<u>3,167,033</u>	<u>2,936,584 *</u>	<u>99,937</u>
Total local contracts and awards		\$ <u>958,073</u>	<u>8,163,000</u>	<u>7,951,957</u>	<u>747,030</u>

* Includes federal expenditures and/or state financial assistance.

THE CHILDREN'S HOME

Combining Schedule of Statement of Financial Position Information

June 30, 2011

<u>Assets</u>	<u>The Children's</u>	<u>The</u>	<u>The Children's</u>	<u>The Children's</u>	<u>The Children's</u>	<u>The Children's</u>	<u>Eliminations</u>	<u>Combined</u>
	<u>Home</u>	<u>Children's</u>	<u>Home</u>	<u>Home</u>	<u>Home</u>	<u>Imagination</u>		
	<u>Community,</u>	<u>Home,</u>	<u>Community-</u>	<u>Properties,</u>	<u>Home</u>	<u>Center,</u>		<u>Total</u>
	<u>Inc.</u>	<u>Inc.</u>	<u>Based Care,</u>	<u>Inc.</u>	<u>Foundation,</u>	<u>Inc.</u>		
			<u>Inc.</u>		<u>Inc.</u>			
Cash	\$ -	32,534	-	-	15,280	-	-	47,814
Receivables:								
Grants and contracts	-	779,378	-	-	-	-	-	779,378
Medicaid	-	57,315	-	-	-	-	-	57,315
Accrued interest	-	-	-	-	24,272	-	-	24,272
Contributions	-	594,748	-	-	-	-	-	594,748
Contribution of use of School facility	-	1,945,434	-	-	-	-	-	1,945,434
Intercompany	670,568	-	-	3,306,554	956,224	-	(4,933,346)	-
Investments	-	105,279	-	-	12,223,712	-	-	12,328,991
Prepaid expenses and other assets	-	107,449	-	-	30,326	-	-	137,775
Cash surrender value of life insurance	-	-	-	-	61,395	-	-	61,395
Beneficial interest in a perpetual trust	-	-	-	-	1,247,621	-	-	1,247,621
Net property and equipment	-	4,095,103	-	421,313	-	-	-	4,516,416
	\$ <u>670,568</u>	<u>7,717,240</u>	<u>-</u>	<u>3,727,867</u>	<u>14,558,830</u>	<u>-</u>	<u>(4,933,346)</u>	<u>21,741,159</u>
<u>Liabilities and Net Assets (Deficit)</u>								
Liabilities:								
Line of credit	\$ -	50,000	-	-	-	-	-	50,000
Accounts payable-								
Trade	-	178,087	-	-	-	-	-	178,087
Intercompany	-	4,473,948	458,978	-	-	420	(4,933,346)	-
Deferred lease incentive and accrued rent expense	-	71,762	-	85,705	-	-	-	157,467
Other accrued expenses	-	337,191	-	64,179	-	-	-	401,370
Deferred revenue	-	36,624	-	-	-	-	-	36,624
Estimated third-party payor liabilities	-	22,881	-	-	-	-	-	22,881
Annuities payable	-	75,892	-	-	-	-	-	75,892
Capital lease obligations	-	8,285	-	-	-	-	-	8,285
Total liabilities	-	5,254,670	458,978	149,884	-	420	(4,933,346)	930,606
Net assets (deficit)	<u>670,568</u>	<u>2,462,570</u>	<u>(458,978)</u>	<u>3,577,983</u>	<u>14,558,830</u>	<u>(420)</u>	<u>-</u>	<u>20,810,553</u>
	\$ <u>670,568</u>	<u>7,717,240</u>	<u>-</u>	<u>3,727,867</u>	<u>14,558,830</u>	<u>-</u>	<u>(4,933,346)</u>	<u>21,741,159</u>

THE CHILDREN'S HOME

Combining Schedule of Unrestricted Support and Revenue, Expenses
and Other Changes in Unrestricted Net Assets

Year ended June 30, 2011

	<u>The Children's Home Community, Inc.</u>	<u>The Children's Home, Inc.</u>	<u>The Children's Home Community- Based Care, Inc.</u>	<u>The Children's Home Properties, Inc.</u>	<u>The Children's Home Foundation, Inc.</u>	<u>The Children's Imagination Center, Inc.</u>	<u>Eliminations</u>	<u>Combined Total</u>
Operating Support and Revenue:								
<i>Public support:</i>								
Special event revenue	\$ -	556,495	-	-	-	-	-	556,495
Less special event costs	-	(371,222)	-	-	-	-	-	(371,222)
Net revenue from special events	-	185,273	-	-	-	-	-	185,273
United Way	-	163,902	-	-	-	-	-	163,902
Contributions and bequests	-	1,608,377	-	-	(12,818)	-	-	1,595,559
Government fees and grants	-	7,982,593	-	-	-	-	-	7,982,593
	-	9,940,145	-	-	(12,818)	-	-	9,927,327
<i>Revenue:</i>								
Investment return designated for current operations	-	1,000,000	-	-	-	-	-	1,000,000
Medicaid	-	652,351	-	-	-	-	-	652,351
Program service fees	-	9,137	-	-	-	-	-	9,137
Thrift store sales	-	141,928	-	-	-	-	-	141,928
In-kind	-	472,512	-	-	-	-	-	472,512
Other	-	4,240	-	48,365	887	-	(48,365)	5,127
	-	2,280,168	-	48,365	887	-	(48,365)	2,281,055
<i>Net assets released from restrictions:</i>								
Expiration of time restrictions on United Way funding	-	99,343	-	-	-	-	-	99,343
Expiration of time restrictions on bequests	-	181,640	-	-	-	-	-	181,640
Satisfaction of donor restrictions	-	375,057	-	-	-	-	-	375,057
	-	656,040	-	-	-	-	-	656,040
Total operating support and revenue	-	12,876,353	-	48,365	(11,931)	-	(48,365)	12,864,422

Operating Expenses:

Program services	-	10,039,875	-	-	-	-	(48,365)	9,991,510
Supporting services:								
Management and general	-	1,660,100	-	-	515	157	-	1,660,772
Development and public information	-	984,468	-	-	-	-	-	984,468
	<u>-</u>	<u>2,644,568</u>	<u>-</u>	<u>-</u>	<u>515</u>	<u>157</u>	<u>-</u>	<u>2,645,240</u>
 Total operating expenses	<u>-</u>	<u>12,684,443</u>	<u>-</u>	<u>-</u>	<u>515</u>	<u>157</u>	<u>(48,365)</u>	<u>12,636,750</u>
 Increase (decrease) in unrestricted net assets from operations	-	191,910	-	48,365	(12,446)	(157)	-	227,672

Other Changes:

Increase in fair value of investment portfolio over amounts designated for current operations	-	16,213	-	-	775,068	142	-	791,423
Change in value of split-interest agreements	-	(10,915)	-	-	-	-	-	(10,915)
Loss on sale of equipment	-	(9,933)	-	-	-	-	-	(9,933)
Donated capital assets	-	33,044	-	-	-	-	-	33,044
	<u>-</u>	<u>33,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,044</u>
 Increase (decrease) in unrestricted net assets \$	<u>-</u>	<u>220,319</u>	<u>-</u>	<u>48,365</u>	<u>762,622</u>	<u>(15)</u>	<u>-</u>	<u>1,031,291</u>

INTERNAL CONTROL AND COMPLIANCE

Members:

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Betty Isler, CPA*
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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with Government Auditing Standards

The Boards of Directors
The Children's Home:

We have audited the combined financial statements of The Children's Home as of and for the year ended June 30, 2011, and have issued our report thereon dated October 25, 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 Children's Home'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 Children's Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Children's Home'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 the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Children's Home'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*.

This report is intended solely for the information and use of management, the Finance Committee, Boards of Directors, federal awarding agencies, State of Florida awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis, Birch & Ricardo, LLC

Clearwater, Florida
October 25, 2011

Members:

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**Independent Auditors' Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Federal Program
and State Project and Internal Control over Compliance in Accordance
with OMB Circular A-133 and Chapter 10.650, Rules of the State
of Florida Auditor General**

The Boards of Directors
The Children's Home:

Compliance

We have audited The Children's Home's compliance with the types of compliance requirements described in the *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 The Children's Home's major federal programs and state projects for the year ended June 30, 2011. The Children's Home's major federal programs and state projects are identified in the summary of auditor's 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 Children's Home's management. Our responsibility is to express an opinion on The Children's Home'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 State of Florida Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.650 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 The Children's Home'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 Children's Home's compliance with those requirements.

In our opinion, The Children's Home 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 projects for the year ended June 30, 2011.

Internal Control Over Compliance

Management of The Children's Home 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 The Children's Home'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, 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 Children's Home'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 or 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 a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 Finance Committee, Boards of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis, Birch & Ricardo, LLC

Clearwater, Florida
October 25, 2011

THE CHILDREN'S HOME

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(Page 1 of 2)

(A) Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the combined financial statements of The Children's Home.
2. No significant deficiencies 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 Combined Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the combined financial statements of The Children's Home were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal programs and state projects 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 State of Florida Auditor General.
5. The auditors' report on compliance for the major federal programs and state projects of The Children's Home expresses an unqualified opinion.
6. Audit findings relative to the major federal programs and state projects of The Children's Home are reported in Parts C. and D. of this schedule.
7. The programs tested as major federal programs and state projects were:
 - Temporary Assistance to Needy Families (CFDA No. 93.558)
 - Foster Care Title IV-E (CFDA No. 93.658)
 - Social Services Block Grant (CFDA No. 93.667)
 - Community Based Care Supports (CSFA No. 60.094)
8. The threshold for distinguishing Types A and B programs was \$300,000 for major federal programs and for major state projects.
9. The Children's Home was determined to be a low-risk auditee.

THE CHILDREN'S HOME

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(Page 2 of 2)

(B) Findings - Audit of Financial Statements

None.

(C) Findings and Questioned Costs - Major Federal Award Programs

None.

(D) Findings and Questioned Costs - Major State Projects

None.

(E) Other Issues

A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to a major federal program or state project.

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Management Letter

The Boards of Directors
The Children's Home:

We have audited the combined financial statements of The Children's Home as of and for the year ended June 30, 2011, and have issued our report thereon dated October 25, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States; 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 compliance and internal control over financial reporting, our independent auditors' report on compliance and internal control over compliance applicable to major federal programs and state projects, and the schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated October 25, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, *Rules of the State of Florida 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 in an amount 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 and (2) deficiencies in internal control that are not significant deficiencies. Our audit did not identify any matters that are required to be disclosed.

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 this letter is intended solely for the information and use of management, the boards of directors, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Lewis, Birch & Ricardo, LLC

Clearwater, Florida
October 25, 2011