

**The Children's Advocacy Center Of
Volusia And Flagler Counties, Inc.
(A Nonprofit Corporation)**

**Financial Statements And
Independent Auditors' Reports**

June 30, 2011 And 2010

**The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
June 30, 2011 And 2010**

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INDEPENDENT AUDITORS' REPORT

Board Of Directors

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.

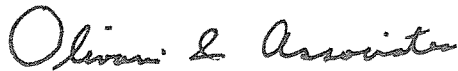
We have audited the accompanying statements of financial position of The Children's Advocacy Center Of Volusia And Flagler Counties, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 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 The Children's Advocacy Center Of Volusia And Flagler Counties, 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 March 21, 2012 on our consideration of The Children's Advocacy Center Of Volusia And Flagler Counties, 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 important for assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of The Children's Advocacy Center Of Volusia and Flagler Counties, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*," and the Florida Single Audit Act and is not a required part of the basic financial statements. Additionally, the schedule of contract and grant activity and other revenues by source is presented for the purpose of additional analysis as required by various grantor agencies, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Olivari & Associates
Certified Public Accountants And Consultants
March 21, 2012

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Statements Of Financial Position
June 30, 2011 And 2010

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents (Note 1)	\$ 43,113	\$ 34,924
Accounts receivable - Federal and State grants	388,534	436,023
Accounts receivable - other (Note 3)	76,367	56,649
Prepaid expenses	37,323	56,615
Total Current Assets	545,337	584,211
Land, Buildings, And Other Property - net (Notes 1, 2 and 4)	2,705,492	2,799,829
Other Assets		
Deposits	7,421	7,880
Cash - donor restricted (Note 2)	5,000	5,000
Intangible assets - net (Note 5)	4,690	9,806
Total Other Assets	17,111	22,686
Total Assets	\$ 3,267,940	\$ 3,406,726
Liabilities And Net Assets		
Current Liabilities		
Accounts payable	\$ 274,572	\$ 228,205
Accrued expenses	8,979	16,141
Accrued vacation pay	66,925	85,341
Deferred revenue	304,167	388,800
Current portion of long term debt (Note 6 and 18)	41,774	43,800
Total Current Liabilities	696,417	762,287
Long Term Debt (Note 6 and 18)	1,894,193	1,936,046
Total Liabilities	2,590,610	2,698,333
Net Assets		
Unrestricted	603,194	618,465
Temporarily restricted (Note 2)	69,136	84,928
Permanently restricted (Note 2)	5,000	5,000
Total Net Assets	677,330	708,393
Total Liabilities And Net Assets	\$ 3,267,940	\$ 3,406,726

The accompanying independent auditors' report and notes
should be read with these financial statements.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Statements Of Activities
For The Years Ended June 30, 2011 And 2010

	2011	2010
Changes In Unrestricted Net Assets		
Revenues		
Federal and State grants	\$ 2,991,546	\$ 3,454,082
Local grants	307,745	348,977
Client fees	11,864	2,455
Client fees - Medicaid	590,802	559,004
United Way support	60,796	65,633
Contributions	42,951	36,199
Fundraising	102,244	129,087
Rental revenue (Note 16)	32,000	25,000
Interest income	190	242
In-kind revenue (Notes 1 and 8)	85,916	86,834
Other revenue	5,873	1,511
Total Unrestricted Revenues	4,231,927	4,709,024
Net Assets Released From Restriction		
Satisfaction of time restriction (Note 2)	18,797	4,447
Total Net Assets Released From Restriction	18,797	4,447
Total Unrestricted Revenues And Gains	4,250,724	4,713,471
Expenses		
Program services and support	3,592,637	4,251,752
Administrative services	460,866	503,251
Fundraising	212,492	212,195
Total Expenses	4,265,995	4,967,198
Decrease In Unrestricted Net Assets	(15,271)	(253,727)
Changes In Temporarily Restricted Net Assets		
Contributions whose use is restricted by donor	3,005	37,486
Satisfaction of time restriction (Note 2)	(18,797)	(4,447)
Increase (Decrease) In Temporarily Restricted Net Assets (Note 2)	(15,792)	33,039
Decrease In Net Assets	(31,063)	(220,688)
Net Assets At Beginning Of Year	708,393	929,081
Net Assets At End Of Year	\$ 677,330	\$ 708,393

The accompanying independent auditors' report and notes
should be read with these financial statements.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Statement of Functional Expenses
For The Year Ended June 30, 2011
(With Comparative Totals For 2010)

	PROGRAM SERVICES										SUPPORTING SERVICES			TOTAL EXPENSES	
	Outpatient Counseling (FACTIS)	Child Protection Team	Healthy Start	Sexual Assault Recovery Team	Community Partners	Early Steps	Comprehensive Plan	Total Program Services	Special Events & Fund Raising		Management & General	2011	2010		
									2011	2010					
I. Personnel Services	\$ 308,767	\$ 422,687	\$ 74,674	\$ 192,492	\$ 60,926	\$ 815,354	\$ -	\$ 1,874,900	\$ 35,873	\$ 355,272	\$ 2,266,045	\$ 2,266,045	\$ 2,798,928		
Salaries and Payroll Taxes	26,422	28,480	2,667	14,959	4,296	45,671	-	122,495	1,645	9,708	133,848	133,848	225,087		
Fringe Benefits															
Total - Personnel	335,189	451,167	77,341	207,451	65,222	861,025	-	1,997,395	37,518	364,980	2,399,893	2,399,893	3,024,015		
II. Other Operating Expenses															
Interest	17,645	27,614	5,103	3,291	2,431	17,655	3	73,742	43,719	22,872	140,333	140,333	144,177		
Direct Fundraising	-	-	-	-	-	-	-	-	74,779	-	74,779	74,779	77,635		
Depreciation & Amortization	16,679	24,317	5,053	2,971	1,904	21,359	-	72,283	20,903	18,152	111,338	111,338	107,209		
Building Occupancy	38,403	31,040	10,475	25,602	2,043	50,344	490	158,397	11,370	16,465	186,232	186,232	225,693		
Professional Services	53,276	5,919	2,950	95,779	824	11,911	91,020	261,679	382	7,880	269,941	269,941	208,242		
Travel	1,850	8,581	7,153	2,760	1,217	17,017	-	38,578	1,093	1,590	41,261	41,261	84,956		
Medical and Pharmacy	-	14,098	-	-	-	824,457	-	838,555	-	-	838,555	838,555	781,693		
Insurance	7,810	10,208	2,219	3,782	1,205	16,161	-	41,385	7,775	7,540	56,700	56,700	63,476		
Operating Supplies & Expense	12,866	24,842	5,802	10,249	2,300	42,509	6	98,574	9,572	12,007	120,153	120,153	201,350		
Care & Sustenance	-	-	-	-	-	-	-	-	-	-	-	-	-		
Community Outreach	-	-	-	-	23	3,290	-	3,313	-	-	6,058	6,058	7,235		
Other	3,000	1,195	582	1,347	371	2,241	-	8,736	2,636	9,380	20,752	20,752	28,450		
Total Other Operating Expenses	151,529	147,814	39,337	145,781	12,318	1,006,944	91,519	1,595,242	174,974	95,886	1,866,102	1,866,102	1,943,183		
Total Operating Expenses	486,718	598,981	116,678	353,232	77,540	1,867,969	91,519	3,592,637	212,492	460,866	4,265,995	4,265,995	4,967,198		
III. Indirect Expenses															
Allocation of Management and General	58,950	72,547	14,132	42,782	9,391	226,243	11,085	435,130	25,736	(460,866)	-	-	-		
Total All Expenses	\$ 545,668	\$ 671,528	\$ 130,810	\$ 396,014	\$ 86,931	\$ 2,094,212	\$ 102,604	\$ 4,027,767	\$ 238,228	\$ -	\$ 4,265,995	\$ 4,265,995	\$ 4,967,198		

The accompanying independent auditors' report and notes should be read with these financial statements.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Statement of Functional Expenses
For The Year Ended June 30, 2010

	PROGRAM SERVICES										SUPPORTING SERVICES		TOTAL EXPENSES
	Outpatient Counseling (FACTS)	Child Protection Team	Healthy Families	Healthy Start	Sexual Assault		Community Partners	Early Steps	Comprehensive Plan	Total Program Services	Special Events & Fund Raising	Management & General	
					Recovery Team	Team							
I. Personnel Services													
Salaries and Payroll Taxes	\$ 366,271	\$ 372,478	\$ 448,165	\$ 151,007	\$ 205,058	\$ 59,744	\$ 715,239	\$ 62,424	\$ 2,380,386	\$ 45,353	\$ 373,189	\$ 2,798,928	
Fringe Benefits	35,623	32,263	43,261	15,294	17,439	5,643	45,599	-	195,122	3,929	26,036	225,087	
Total - Personnel	401,894	404,741	491,426	166,301	222,497	65,387	760,838	62,424	2,575,508	49,282	399,225	3,024,015	
II. Other Operating Expenses													
Interest	17,680	24,469	18,680	6,279	2,636	1,748	7,995	212	79,699	43,603	20,875	144,177	
Direct Fundraising	-	-	-	-	-	-	-	-	-	77,635	-	77,635	
Depreciation & Amortization	17,225	20,688	17,524	5,747	2,129	1,401	9,814	181	74,709	17,508	14,992	107,209	
Building Occupancy	48,934	25,167	41,865	15,074	24,339	4,378	44,416	544	204,717	10,120	10,856	225,693	
Professional Services	20,682	7,490	7,807	2,399	87,168	5,261	7,929	65,462	204,198	553	3,491	208,242	
Travel	3,464	7,203	34,116	17,764	2,193	4,371	12,045	-	81,156	123	3,677	84,956	
Medical and Pharmacy	-	16,515	-	-	-	-	765,178	-	781,693	-	-	781,693	
Insurance	8,328	9,145	10,505	3,362	3,202	977	11,133	461	47,113	8,303	8,060	63,476	
Operating Supplies & Expense	21,923	25,413	38,864	10,754	10,860	1,748	60,699	449	170,710	3,212	27,428	201,350	
Care & Sustenance	-	-	11,864	1,203	-	-	-	-	13,067	-	-	13,067	
Community Outreach	-	-	-	-	-	1,051	5,127	-	6,178	1,057	-	7,235	
Other	1,860	1,105	4,068	937	1,762	733	2,506	33	13,004	799	14,647	28,450	
Total Other Operating Expenses	140,096	137,195	185,293	63,519	134,289	21,668	926,842	67,342	1,676,244	162,913	104,026	1,943,183	
Total Operating Expenses	541,990	541,936	676,719	229,820	356,786	87,055	1,687,680	129,766	4,251,752	212,195	503,251	4,967,198	
III. Indirect Expenses													
Allocation of Management and General	61,102	61,096	76,291	25,909	40,223	9,814	190,264	14,629	479,328	23,923	(503,251)	-	
Total All Expenses	\$ 603,092	\$ 603,032	\$ 753,010	\$ 255,729	\$ 397,009	\$ 96,869	\$ 1,877,944	\$ 144,395	\$ 4,731,080	\$ 236,118	\$ -	\$ 4,967,198	

The accompanying independent auditors' report and notes should be read with these financial statements.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Statements Of Cash Flows
For The Years Ended June 30, 2011 And 2010

	2011	2010
Cash Flows From Operating Activities:		
Changes in net assets	\$ (31,063)	\$ (220,688)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net (gain) on disposal of fixed assets	-	(1,387)
Depreciation and amortization	111,338	107,209
Decrease in accounts receivable	27,771	42,940
(Increase) decrease in prepaid expenses	19,292	(21,767)
Decrease in deposits	459	637
Increase (decrease) in accounts payable	46,367	(139,214)
(Decrease) in accrued expenses	(7,162)	(5,250)
(Decrease) in accrued vacation	(18,416)	(28,433)
Increase (decrease) in deferred revenue	(84,633)	71,618
	63,953	(194,335)
 Cash Flows From Investing Activities:		
Purchase of property and equipment	(11,885)	(26,444)
Proceeds from the sale of fixed assets	-	1,029
	(11,885)	(25,415)
 Cash Flows From Financing Activities:		
Repayment of long-term debt	(43,879)	(44,005)
	(43,879)	(44,005)
 Increase (Decrease) In Cash And Cash Equivalents	8,189	(263,755)
 Cash And Cash Equivalents At Beginning Of Year	34,924	298,679
 Cash And Cash Equivalents At End Of Year	\$ 43,113	\$ 34,924

The accompanying independent auditors' report and notes
should be read with these financial statements.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements
June 30, 2011 And 2010

NOTE 1 – Summary Of Significant Accounting Policies

A. Organization Activities

Founded in 1980, The Children's Advocacy Center Of Volusia And Flagler Counties, Inc. (the Center) formerly known as Independent Child Abuse Relief Enterprises, Inc. is a private, not-for-profit, tax-exempt community based multidisciplinary agency serving Volusia, Flagler, St. Johns, Putnam, and Lake Counties. The agency is committed to providing quality forensic, therapeutic, and prevention services to all child abuse and sexual assault victims. Their prevention services are further extended by targeting families in high-risk categories by providing intervention through education in an attempt to prevent abuse. The Center is committed to serving all populations in a gentle and professional manner.

B. Basis Of Accounting

The Center follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, which recognizes revenue when earned and expenses as incurred.

C. Cash And Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an initial maturity of three months or less.

D. Client Fee Revenue

Charity care – The Center provides care to its clients who meet certain criteria under its discount policy based on a sliding scale as required by its contracts with the Florida Department of Health. Accordingly, the portion of the fee for service which qualifies as a discount is not reported as client fee revenue.

Client fee revenue – non-Medicaid, includes amounts due from patients and insurance companies for services received. The revenue includes only the portion of the charges due from the client, and is net of the discount given.

Client fee revenue – Medicaid, is the portion of the charges reimbursed by Medicaid. The difference between the Center's standard charge and the amount allowed by Medicaid is not recorded as revenue.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 1 – Summary Of Significant Accounting Policies (continued)

E. Contributions, Donated Space, and Materials

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Investment earnings from unrestricted, temporarily restricted and permanently restricted contributions are recorded as unrestricted net assets unless specifically restricted by the donor.

Donated materials and leased property are reflected in the accompanying statements at their estimated fair market values at date of receipt.

F. Property And Equipment

Property and equipment acquired by the Center are considered to be owned by the Center; However, State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds which have a cost of \$500 or more and an estimated useful life of at least two years.

The Center follows the practice of capitalizing at cost, or if donated, the fair market value of all expenditures for property, equipment, and major repairs and renovations in excess of \$500.

Depreciation is computed on a straight-line basis over the useful lives of the various assets, which range from two to forty years.

G. Intangibles

Loan costs are recorded at cost and are amortized over the life of the loan or 20 years, using the straight-line method.

H. Functional Allocation Of Expenses

The costs of providing the various programs and other activities have been presented on a functional basis in the Statement Of Functional Expenses. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Administrative expenses are allocated to the various programs based on each program's operating expenses.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 1 – Summary Of Significant Accounting Policies (continued)

I. 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 results could differ from those estimates.

J. Income Taxes

The Center is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. However, the Center has income from rental activities not directly related to the Center's tax exempt purpose that is subject to taxation as unrelated business income. Currently, the Center has no obligation for unrelated business income taxes. See Note 16 – Deferred Tax Asset.

NOTE 2 – Donor Restricted Assets

A. Temporarily Restricted

In the course of carrying out various contract agreements with the State of Florida, Department of Health and other federal and state grantor agencies, The Center may use contract revenue to acquire various items needed to carry out the particular program. When state or federal funds are used to acquire these items, the title to them remains with the grantor agency. When the contract is over, unless approved by the grantor for use in other programs, the assets will have to be returned to the grantor. The Center reports the expiration of donor restrictions based on the useful life of the assets. The useful life used for recording the expiration of donor restrictions is the same as the depreciable life of the assets. The portion of temporarily restricted net assets which expires during the year is reclassified to unrestricted net assets. These assets are depreciated by The Center as if owned by them. The value of these temporarily restricted assets, net of accumulated depreciation for the fiscal years ended June 30, 2011 and 2010 was \$26,102 and \$34,777, respectively.

The Center entered into an agreement with the Putnam County Sherriff's Office to begin a Children's Advocacy Program in Putnam County. The Center currently receives donations and pays expenses on behalf of the Putnam County program. As of June 30, 2011 and 2010, the Center recorded \$0 and \$5,984, respectively, in temporarily restricted funds for the Putnam County program.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 2 – Donor Restricted Assets (continued)

A. Temporarily Restricted (continued)

During the years ended June 30, 2011 and 2010, the Center recorded \$0 and \$5,058, respectively in temporarily restricted funds to be used for the renovation of the Sexual Assault Response Team (SART) building.

During the year ended June 30, 2011, the Center recorded \$1,505 in temporarily restricted funds to be used for equipment for the Child Protection Team program.

During the year ended June 30, 2011, the Center recorded \$1,500 in temporarily restricted funds to be used for capital improvement.

B. Permanently Restricted

On December 8, 1995, the Center received a \$5,000 donation from Marion Reiss. Mrs. Reiss requested the funds be invested with the original principal to remain permanently restricted and the interest earned used at the Center's discretion.

C. Change In Temporarily Restricted Net Assets

	<u>2011</u>	<u>2010</u>
Temporarily Restricted		
State assets acquired	\$ 749	\$ 26,444
Funds held for Putnam County program	-	5,984
Donations for future events	3,005	5,058
Satisfaction of program specific restrictions	(10,122)	-
Depreciation - satisfaction of time restriction	<u>(9,424)</u>	<u>(4,447)</u>
Increase (Decrease) In Temporarily Restricted Net Assets	<u>\$ (15,792)</u>	<u>\$ 33,039</u>

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 3 – Accounts Receivable – Other

Accounts receivable – other is summarized as follows:

	<u>2011</u>	<u>2010</u>
Medicaid fees	\$ 33,940	\$ 43,404
Local Grants	27,250	-
Flagler County	12,500	12,500
Miscellaneous receivables	<u>2,677</u>	<u>745</u>
	<u>\$ 76,367</u>	<u>\$ 56,649</u>

NOTE 4 – Land, Buildings, And Other Property – Net

The cost and accumulated depreciation of land, buildings, and other property-unrestricted and temporarily restricted, were as follows at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 754,325	\$ 754,325
Buildings and improvements	2,058,057	2,046,922
Equipment and furniture	270,709	272,973
Improvements and equipment under capital leases	<u>74,589</u>	<u>74,589</u>
Total cost of assets placed in service	3,157,680	3,148,809
Less accumulated depreciation and amortization	(452,188)	(348,980)
Land, buildings, and other property, net	<u>\$ 2,705,492</u>	<u>\$ 2,799,829</u>

The Center's total depreciation for the years ended June 30, 2011 and 2010 was \$106,222 and \$102,092, respectively.

Depreciation expense of the equipment under capital leases amounted to \$13,090 and \$13,911 for the years ended June 30, 2011 and 2010, respectively.

See Note 2 – Donor Restricted Assets for detail on temporarily restricted fixed assets.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 5 – Intangible Assets –Net

Intangible assets consist of the following:

	2011	2010
Loan costs	\$ 15,349	\$ 43,560
Less accumulated amortization	(10,659)	(33,754)
	\$ 4,690	\$ 9,806

The Center's total amortization for the years ended June 30, 2011 and 2010 was \$5,116 and \$5,117, respectively.

NOTE 6 – Long Term Debt

A summary of the notes payable and capital leases as of June 30 is as follows:

	2011	2010
Note payable to Floridian Bank in monthly installments of \$13,596 including fixed interest at 6.95%. The terms of the note require a renegotiation of all terms by May 2012. * The note is collateralized by commercial real estate.	\$ 1,887,603	\$ 1,918,508
Total notes payable	1,887,603	1,918,508
Obligations under capital leases (Note 7)	48,364	61,338
Total Debt	1,935,967	1,979,846
Less Current Portion	41,774	43,800
Debt, Noncurrent Portion	\$ 1,894,193	\$ 1,936,046

*The below scheduled maturities of the debt agreements for the year ending June 30, 2011 reflects the intended refinance of the note payable to Floridian Bank disclosed in Note 18 – Subsequent Events. Debt maturities are as follows:

2012	\$ 41,774
2013	41,888
2014	89,139
2015	87,785
2016	1,675,381
Total	\$ 1,935,967

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 7 – Leases

The Center leases certain buildings and equipment for use in its operations. In addition, capital leases have imputed interest rates ranging from 12.50% to 12.93% and lease terms expiring on various dates through 2015.

The following is a schedule by year of future minimum lease payments under capital and noncancelable operating leases for the fiscal years ending June 30:

	<u>Operating</u>	<u>Capital</u>
2012	\$ 42,527	\$ 19,944
2013	27,389	19,944
2014	25,084	11,601
2015	25,085	7,349
2016	4,181	-
Beyond	<u>-</u>	<u>-</u>
Total Minimum Lease Payments	<u>\$ 124,266</u>	58,838
Less amount representing interest		<u>(10,474)</u>
Present Value of Net Minimum Lease Payments (Note 6)		<u>\$ 48,364</u>

Total operating rental expense was \$52,212 and \$104,942 for the years ended June 30, 2011 and 2010, respectively and is included in building occupancy on the statement of functional expenses.

NOTE 8 – Donated Materials, Supplies, And Leased Property

Contributions of donated services, materials, supplies and leased property are reflected as in-kind contributions and program supplies, direct fundraising, and building occupancy expense in the financial statements. Components of in-kind expenses as of June 30, are as follows:

	<u>2011</u>	<u>2010</u>
Services, Materials, Supplies, and Leased Property	<u>\$ 85,916</u>	<u>\$ 86,834</u>

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 9 – Employee Retirement Plan

The Center provides a 403(b) retirement plan for substantially all of its employees. During the year ended June 30, 2009, the Board amended the 403(b) retirement plan and elected to stop the 2% employee match contribution as of January 1, 2009. During the year ended June 30, 2009, the Board amended the 403(b) retirement plan and elected to stop the 3% base contribution as of July 1, 2009. For the years ended June 30, 2011 and 2010 there was no pension expense.

NOTE 10 – Concentration Of Business Risk

The Center is highly dependent on contracts which reimburse the Center for its services. These contracts are executed with various state, local and other entities. Each of these contracts is subject to change. Significant changes to any of these contracts could have a material impact on the Center's financial statements and its ability to comply with laws, rules, regulations and contract provisions.

NOTE 11 – Concentration Of Revenue

The Center receives a portion of its revenue from Medicaid. These revenues are subject to audit and retroactive adjustment by Medicaid. The amounts of any potential adjustments are unknown and cannot be reasonably estimated; however, management believes they would not be material to the financial position or results of operations of the Center.

NOTE 12 – Other Contingencies

As of June 30, 2011 and 2010, the note payable to Floridian Bank has a debt service provision for the Center to maintain a minimum cash flow to debt service of 1:15 times. Cash flow shall include net revenues, non-cash expenses, and interest expense. Debt service shall include total contractual debt service owed by borrower. In addition, the Center must maintain a minimum net worth that shall not fall below \$1,500,000. For the years ended June 30, 2011 and 2010, the Center did not meet the debt service provisions as required. Management is currently in the process of revising the note payable and has received loan modification terms from Floridian Bank. The Center's board is slated to vote on the loan modification terms and expects to close on the new note subsequent to year end. See Note 18 – Subsequent Events.

As of June 30, 2010, the Center was involved as a defendant in several litigation and claims arising in the ordinary course of its operations. As of June 30, 2011, all the lawsuits were successfully defended or settled within the Center's insurance coverage limits.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 13 – Supplemental Cash Flow Information

For the years ended June 30, 2011 and 2010, interest paid was \$140,480 and \$144,951, respectively.

There were no income taxes paid for the years ended June 30, 2011 or 2010. See Note 16 – Deferred Tax Asset

Significant Non Cash Transactions:

During the years ended June 30, 2011 and 2010, the Center acquired fixed assets in exchange for debt in the amount of \$0 and \$36,219, respectively.

The Center received the following non-cash contributions for the years ended June 30,

	2011	2010
Fundraising Items	\$ 48,794	\$ 33,679
Leased Property	18,000	30,180
Program Supplies and Services	19,122	22,975
	\$ 85,916	\$ 86,834

NOTE 14 – Match Requirements

For the year ended June 30, 2011, The Children's Advocacy Center Of Volusia And Flagler Counties, Inc. was required to match \$332,602 in federal funds from the Victims Of Crime Act, Contract Nos. V10199 and V09199, with other non-governmental funds.

The match computation for the Victims Of Crime Act is as follows:

Federal funding subject to match		\$ 332,602
Required match (25%)		83,150
Required program expenses		415,752
Direct program expenses	\$ 607,876	
In-kind volunteer hours	46,540	654,416
Excess Match		\$ 238,664

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 14 – Match Requirements (continued)

For the year ended June 30, 2010, The Children's Advocacy Center Of Volusia And Flagler Counties, Inc. was required to match \$278,951 in federal funds from the Victims Of Crime Act, Contract Nos.V9199 and V8173, with other non-governmental funds.

The match computation for the Victims Of Crime Act is as follows:

Federal funding subject to match		\$	278,951
Required match (25%)			<u>69,738</u>
Required program expenses			348,689
Direct program expenses	\$	384,839	
In-kind volunteer hours		<u>29,374</u>	<u>414,213</u>
Excess Match		\$	<u>65,524</u>

For the year ended June 30, 2011, The Children's Advocacy Center Of Volusia And Flagler Counties, Inc. was required to match \$6,552 in federal funds from the Victims Of Crime Act, Contract No. ARRA VOCA 09045, with other non-governmental funds.

The match computation for the ARRA VOCA is as follows:

Federal funding subject to match		\$	6,552
Required match (25%)			<u>1,638</u>
Required program expenses			8,190
Direct program expenses	\$	8,190	
In-kind volunteer hours		<u>1,172</u>	<u>9,362</u>
Excess Match		\$	<u>1,172</u>

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 14 – Match Requirements (continued)

For the year ended June 30, 2010, The Children's Advocacy Center Of Volusia And Flagler Counties, Inc. was required to match \$15,925 in federal funds from the Victims Of Crime Act, Contract No. ARRA VOCA 09045, with other non-governmental funds.

The match computation for the ARRA VOCA is as follows:

Federal funding subject to match		\$	15,925
Required match (25%)			<u>3,981</u>
Required program expenses			19,906
Direct program expenses	\$	15,925	
In-kind volunteer hours		<u>4,675</u>	<u>20,600</u>
Excess Match		\$	<u>694</u>

For the year ended June 30, 2010, the Center was required to match \$621,077 in funds passed through The Healthy Start Coalition of Flagler and Volusia Counties, Inc. for the Healthy Families program. The match computation as funded by The Healthy Start Coalition is as follows:

Funding subject to match		\$	621,077
Required match (25%)			<u>155,269</u>
Required program expenses			776,346
Direct program expenses	\$	676,719	
Other expenses allowed by contract		4,576	
Donations and other funding	(14,361)	
Administrative allocation allowed by contract		74,364	
In-kind use of facilities/supplies		21,060	
In-kind volunteer hours		2,436	
In-kind client training sessions		<u>1,600</u>	<u>766,394</u>
*Excess (Deficit) Match		\$	<u>(9,952)</u>

*The Healthy Start Coalition decided to use Coalition expenditures to complete the match requirement rather than allow the Center to use originally budgeted grant expenditures as match.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 14 – Match Requirements (continued)

For the year ended June 30, 2011, the Center was required to match \$88,066 in funds passed through The Healthy Start Coalition of Flagler and Volusia Counties, Inc. for the Healthy Start program. The match computation as funded by The Healthy Start Coalition is as follows:

Funding subject to match		\$	88,066
Required match (10%)			<u>8,807</u>
Required program expenses			96,873
Direct program expenses	\$	116,678	
Administrative allocation allowed by contract		<u>9,970</u>	
			<u>126,648</u>
Excess Match		\$	<u>29,775</u>

For the year ended June 30, 2010, the Center was required to match \$195,915 in funds passed through The Healthy Start Coalition of Flagler and Volusia Counties, Inc. for the Healthy Start program. The match computation as funded by The Healthy Start Coalition is as follows:

Funding subject to match		\$	195,915
Required match (10%)			<u>19,592</u>
Required program expenses			215,507
Direct program expenses	\$	229,820	
Administrative allocation allowed by contract		<u>25,377</u>	
			<u>255,197</u>
Excess Match		\$	<u>39,690</u>

NOTE 15 – Line of Credit

In November 2009, the Center established a revolving line of credit with Floridian Bank with a maximum limit of \$25,000. The line of credit requires monthly payments of all accrued unpaid interest beginning December 13, 2009. The variable interest rate on the line of credit is the prime rate plus 1 percentage point with a minimum interest rate of 6%. As of June 30, 2011 and 2010, the line of credit had a zero balance.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 16 – Deferred Tax Asset

During the years ended June 30, 2011 and 2010, the Center had \$32,000 and \$25,000, respectively, in rental income activities not directly related to the Center's tax exempt purpose, which is subject to taxation as unrelated business income. Due to the allocation of facility costs to the unrelated business income for the years ended June 30, 2011 and 2010, the Center has a loss carry-forward of \$43,804 and \$48,538, respectively, with a deferred tax asset of \$22,055 and \$15,484, respectively, using a tax rate of 15%. The Center has no history of taxable income and has insufficient positive evidence of future taxable income; therefore, the deferred tax asset has been reduced by a valuation allowance for the entire amount.

NOTE 17 – Uncertainties Relating To A Going Concern

During the years ended June 30, 2011 and 2010, the Center incurred a loss of \$31,063 and \$220,688, respectively, exhausting the Center's operating reserves. The Center's loss and its weak working capital position create an uncertainty about the Center's ability to continue as a going concern. The financial statements for the years ended June 30, 2011 and 2010 do not include any adjustments that might be necessary if the Center is unable to continue as a going concern. Management is continuing its efforts to increase donations from the community, reduce operating costs, and consolidating locations to continue to improve the operating results. The Center's Board of Directors is beginning a campaign to raise capital funds to pay down the mortgage under the new terms of the loan modification and to move the Early Steps program into the ISB location; thus, decreasing cash outflows and utilizing the vacant space in the ISB building. The Center has hired a consultant to review the procedures as they relate to outpatient therapy services. This consultant is charged with reviewing all procedures and strategizing with senior management to find efficiencies and opportunities to increase revenue in that department. The Center is using collaborative efforts both internally and externally to increase efficiencies and maximize services. Management believes that continuing with this plan of action will allow the Center to continue as a going concern. See Note 18 – Subsequent Events.

NOTE 18 – Subsequent Events

In December 2011, the Center's President and Chief Executive Officer resigned to pursue another opportunity and the Executive Vice President of Operations retired. In February 2012, the Center hired a new Chief Executive Officer who began March 1, 2012. In February 2012, the Vice-President of Administration resigned. At this point, the Center does not plan to hire an Executive Vice President of Operations and is evaluating whether to hire a Vice President of Administration. The duties of both positions are currently being performed by various levels of management in the Center.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To Financial Statements (continued)
June 30, 2011 And 2010

NOTE 18 – Subsequent Events (continued)

The Center is currently in the process of refinancing the note payable that comes up for renewal in May 2012, and has received loan modification terms from Floridian Bank. The Center's Board of Directors is slated to vote on the loan modification terms in April 2012 and expects to close on the new notes by July 1, 2012. The terms are to split the current loan into two three year loans. Loan A will be for \$1,500,000 with principal and interest payments amortized over 25 years at a fixed rate of 5.50% with a maturity of 36 months. Loan B will be for about \$360,500 at a fixed rate of 5.50% with monthly interest only payments and annual principal payments of \$50,000 at the end of each 12 month payment cycle. The remaining principal and interest will be due on the 36th month. The above modified terms and debt maturity is reflected in the financial statements. See Note 6 - Long Term Debt.

The Center opened a facility in Putnam County which is fully operational as of February 2012. Early Steps and CPT program services as well as various other services for Putnam County are performed at the facility.

In an effort to improve services and operate more efficiently, the Center is in the process of revising the Sexual Assault Recovery Team program. Various services within the program will be either outsourced through other vendors or administered in conjunction with the FACTTS therapy department. The name of the program will be changed to Rape Crisis Services Program.

Subsequent events were evaluated as of March 21, 2012, which is prior to the financial statement availability date of March 23, 2012.

SUPPLEMENTAL INFORMATION

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
 Schedule Of Contract And Grant Activity And Other Revenues By Source
 For The Year Ended June 30, 2011

Grantor/Program Title	Contract Number	Program Or Award Amount	Accrued Revenue 6/30/2010	Deferred Revenue 6/30/2010	Receipts Of Revenue	Accrued Revenue 6/30/2011	Deferred Revenue 6/30/2011
Federal And State Grants:							
D C & F - Child Protection Teams	CPUX2-R1	\$ 451,229	\$ 37,994	\$ -	\$ 452,179	\$ 37,044	\$ -
D C & F - Children's Mental Health	D12-10-CAC-CMH	24,921	-	-	24,921	-	-
D C & F - Trust Fund		3,470	-	-	3,470	-	-
DOH - Sexual Abuse Treatment	CSADB	30,000	2,500	-	30,000	2,500	-
DOH - Early Steps	COQ-JY	1,809,480	145,486	386,686	1,584,625	287,822	304,167
DOH - Title XXI		4,534	117	-	4,651	-	-
DOH - The Healthy Start Coalition of Flagler & Volusia Counties	HF-DS-09/10-01	-	98,707	-	98,707	-	-
DOH - The Healthy Start Coalition of Flagler & Volusia Counties	HS-DS-09/10-03	88,066	30,482	-	118,548	-	-
DOH - Florida Council Against Sexual Violence	10RCP15	42,060	-	-	42,060	-	-
DOH - Florida Council Against Sexual Violence	09OAG15	5,753	-	-	5,753	-	-
DOH - Florida Council Against Sexual Violence	10SAS15/10BSAS15	13,730	13,226	-	24,888	2,068	-
Office of Attorney General - VOCA	V09199V10199	332,602	77,053	-	378,042	31,613	-
Office of Attorney General - ARRA VOCA	ARRA09045	6,552	5,042	2,114	9,480	-	-
Office of the State Attorney - Crimes Compensation	-	144,077	19,279	-	147,863	15,493	-
Office of Juvenile Justice and Delinquency Prevention	-	25,072	1,137	-	19,215	6,994	-
Florida Network of Children's Advocacy Centers' Grant	DAYBCH-FL-SA10/11	10,000	5,000	-	10,000	5,000	-
Total Federal And State Grants		2,991,546	436,023	388,800	2,954,402	388,534	304,167
Local Grants And Contracts:							
County of Volusia	CS-1026, CS2003 & CS-2026	217,495	-	-	217,495	-	-
County of Flagler	-	50,000	12,500	-	50,000	12,500	-
County of St Johns-Betty Griffin House	-	13,000	-	-	13,000	-	-
City of New Smyrna Beach	-	2,250	-	-	-	2,250	-
Kaplan Foundation - STOP Program	-	25,000	-	-	-	25,000	-
Total Local Grants And Contracts		307,745	12,500	-	280,495	39,750	-
Other Support And Revenue:							
United Way of Volusia and Flagler Counties	-	60,796	-	-	60,796	-	-
Fundraising and Rental revenue	-	134,244	-	-	134,244	-	-
Contributions - unrestricted	-	128,867	-	-	128,667	200	-
Client fees	-	11,864	-	-	11,864	-	-
Medicaid fees	-	590,802	43,404	-	600,266	33,940	-
Investment income	-	190	-	-	190	-	-
Other revenue	-	5,873	745	-	4,141	2,477	-
Total Other Support And Revenue		932,636	44,149	-	940,168	36,617	-
Total		\$ 4,231,927	\$ 492,672	\$ 388,800	\$ 4,175,065	\$ 464,901	\$ 304,167

See accompanying independent auditors' report.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Schedule Of Expenditures Of Federal Awards And
State Financial Assistance
For the Year Ended June 30, 2011

<u>Federal/State Agency, Pass-Through Entity, Federal Program/State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
Federal Agency Name				
<u>U.S. Department of Health and Human Services</u>				
Passed through State of Florida, Department of Health:				
Social Services Block Grant	93.667	CPUX2-R1	\$ 204,629	\$ -
Passed through The Healthy Start Coalition of Flagler & Volusia Counties, Inc.:				
Maternal and Child Health Services Block Grant to the States				
	93.994	HS-DS-09/10-03	39,661	-
Medical Assistance Program	93.778	HS-DS-09/10-03	48,405	-
Passed through Community Partnership for Children Block Grants for Community Mental Health Services				
	93.958	D12-10-CAC-CMH	24,921	-
<u>U.S. Department of Education</u>				
Passed through State of Florida, Department of Health:				
Special Education - Grants for Infants and Families	84.181*	COQJY	597,526	-
Special Education - Grants for Infants and Families, Recovery Act (ARRA)	84.393*	COQJY	396,591	-
<u>U.S. Department of Justice</u>				
Passed through State of Florida, Office of the Attorney General:				
Crime Victim Assistance	16.575*	V10199	255,550	-
Crime Victim Assistance	16.575*	V09199	77,052	-
			332,602	-
Recovery Act - State Victim Assistance Formula Grant Program	16.801*	ARRA09045	6,552	-
Passed through Florida Network of Children's Advocacy Centers:				
Missing Children's Assistance	16.543	2-DAYBCH-FL-SA10	5,000	-
Missing Children's Assistance	16.543	2-DAYBCH-FL-SA11	5,000	-
			10,000	-
Passed through Putnam County Part E - Developing, Testing and Demonstrating Promising New Programs				
	16.541		25,072	-
Passed Through Florida Council Against Sexual Violence Sexual Assault Services Formula Program				
	16.017	10bSAS15	13,730	-
Total Expenditures Of Federal Awards			\$ 1,699,689	\$ -

*Denotes major program/project

See accompanying independent auditors' report and
notes to the schedule of expenditures of federal awards and state financial assistance.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Schedule Of Expenditures Of Federal Awards And
State Financial Assistance (continued)
For the Year Ended June 30, 2011

<u>Federal/State Agency, Pass-Through Entity, Federal Program/State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
State Agency Name				
<u>Direct Projects</u>				
State of Florida, Department of Health:				
Medical Services for Abused - Neglected Children	64.006	CPUX2	\$ 246,600	\$ -
Medical Services for Abused - Neglected Children	64.006	SADB1	30,000	-
			<u>276,600</u>	<u>-</u>
Developmental Evaluation and Intervention Program and Early Intervention Program for Infants and Children	MOE(84.181)*	COQJY	732,845	-
Passed Through Florida Council Against Sexual Violence: Rape Crisis Program Trust Fund-Sexual Battery Victims - Access to Services Act				
	64.061	07RCP15	42,060	-
State of Florida, Department of Legal Affairs and Attorney General: Passed Through Florida Council Against Sexual Violence: Florida Council Against Sexual Violence				
	41.010	09OAG15	5,753	-
Total Expenditures Of State Financial Assistance			<u>\$ 1,057,258</u>	<u>\$ -</u>

*Denotes major program/project

See accompanying independent auditors' report and
notes to the schedule of expenditures of federal awards and state financial assistance.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Notes To The Schedule Of Expenditures Of Federal Awards And
State Financial Assistance
For The Year Ended June 30, 2011

NOTE 1 – Basis Of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of The Children's Advocacy Center Of Volusia And Flagler Counties, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – Type Of Assistance

All the above assistance was in cash. Additionally, there was no insurance, loans or loan guarantees applicable or outstanding at June 30, 2011 that are required to be reported as expenditures on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.
Schedule Of Findings And Questioned Costs
For the Year Ended June 30, 2011

Summary Of Auditors' Results:

1. The auditor's report expresses an unqualified opinion on the financial statements of The Children's Advocacy Center of Volusia and Flagler Counties, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in this schedule.
3. No instances of noncompliance material to the financial statements of The Children's Advocacy Center of Volusia and Flagler Counties, Inc. which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. No significant deficiencies in internal control over major state projects are required to be reported in this schedule.
6. The auditors' report on compliance for the major federal award programs and major state projects for The Children's Advocacy Center of Volusia and Flagler Counties, Inc. expresses an unqualified opinion on all major federal programs and major state projects.
7. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and Chapter 10.656 of the Rules of the Auditor General for the State of Florida.
8. There is not Summary Schedule of Prior Audit Findings because there were no prior audit findings related to Federal programs or State projects.
9. The programs tested as major federal award programs included:

Special Education Grants for Infants and Families	84.181
Special Education Grants for Infants and Families ARRA	84.393
Crime Victim Assistance	16.575
Recovery Act – State Victim Assistance ARRA	16.801
10. The programs tested as major state projects included:

Developmental Evaluation and Intervention Program and Early Intervention Program for Infants and Children	MOE (84.181)
--	--------------
11. The threshold used for distinguishing between Type A and B programs for the federal awards was \$300,000 and for state projects was \$300,000.
12. The Children's Advocacy Center of Volusia and Flagler Counties, Inc. did qualify as a low-risk auditee.

See accompanying auditor's reports on
compliance and internal control.

**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***

Board Of Directors

The Children's Advocacy Center of Volusia and Flagler Counties, Inc.

We have audited the financial statements of The Children's Advocacy Center of Volusia and Flagler Counties, Inc. (a non profit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated March 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Children's Advocacy Center of Volusia and Flagler Counties, Inc.'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 Advocacy Center of Volusia and Flagler Counties, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center'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.

**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***

Page Two

Compliance And Other Matters

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

We noted certain matters that we reported to management of The Children's Advocacy Center of Volusia and Flagler Counties, Inc. in a separate letter dated March 21, 2012.

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



Olivari & Associates
Certified Public Accountants And Consultants
March 21, 2012

**Report On Compliance With Requirements Applicable
To Each Major Program And Major State Project And On
Internal Control Over Compliance In Accordance With
OMB Circular A-133 And The Florida Single Audit Act**

Board Of Directors

The Children's Advocacy Center Of Volusia And Flagler Counties, Inc.

Compliance

We have audited the compliance of The Children's Advocacy Center of Volusia and Flagler Counties, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Projects Compliance Supplement* that are applicable to each of its major federal programs and major state projects for the year ended June 30, 2011. The Children's Advocacy Center of Volusia and Flagler Counties, Inc.'s major federal programs and major 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 major state projects is the responsibility of The Children's Advocacy Center of Volusia and Flagler Counties, Inc.'s management. Our responsibility is to express an opinion on The Children's Advocacy Center of Volusia and Flagler Counties, Inc.'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 the Florida Single Audit Act. Those standards, OMB Circular A-133, and the Florida Single Audit Act 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 major state project occurred. An audit includes examining, on a test basis, evidence about The Children's Advocacy Center of Volusia and Flagler Counties, Inc.'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 Advocacy Center of Volusia and Flagler Counties, Inc.'s compliance with those requirements.

**Report On Compliance With Requirements
Applicable To Each Major Program And
Major State Project And On Internal Control
Over Compliance In Accordance With OMB
Circular A-133 And The Florida Single Audit Act
Page Two**

In our opinion, The Children's Advocacy Center of Volusia and Flagler Counties, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and major state projects for the year ended June 30, 2011.

Internal Control Over Compliance

The management of The Children's Advocacy Center of Volusia and Flagler Counties, Inc. 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 Children's Advocacy Center of Volusia and Flagler Counties, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Children's Advocacy Center of Volusia and Flagler Counties, Inc.'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 or state project will not be prevented, or detected and corrected, on a timely basis.

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

**Report On Compliance With Requirements
Applicable To Each Major Program And
Major State Project And On Internal Control
Over Compliance In Accordance With OMB
Circular A-133 And The Florida Single Audit Act
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This report is intended solely for the information and use of the Board of Directors, management, others within the entity, 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.

Olivari & Associates

Olivari & Associates
Certified Public Accountants And Consultants
March 21, 2012

MANAGEMENT LETTER

To The Senior Management And
The Board Of Directors Of
The Children's Advocacy Center Of
Volusia And Flagler Counties, Inc.

In planning and performing our audit of the financial statements of The Children's Advocacy Center of Volusia and Flagler Counties, Inc. for the year ended June 30, 2011, we considered the Center's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. (We previously reported on the Center's internal control in our report dated March 21, 2012.) This letter does not affect our report dated March 21, 2012, on the financial statements of The Children's Advocacy Center of Volusia and Flagler Counties, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Center personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Procedure Documentation

During our audit walkthrough on CPT/VOCA, we were not able to obtain written procedures covering the billing and reporting process and management's controls. However, we were able to walk through process with the assistance of management and various staff.

Management had also identified the problem and has developed written procedures that include the reporting, billing and management oversight of the CPT/VOCA billing and reporting process. All appropriate staff have been trained on the new procedure.

Email Maintenance

During the audit we were made aware that the former IT vendor had deleted emails related to a former employee when cleaning up email file folders.

Management is in the process of outsourcing the Center's human resources function and will consult with the new company to review the policies and procedures manual to receive expert advice on how to include a provision for email communications for current and terminated employees, including the archiving of terminated employee communications.

We wish to thank management and staff for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Olivari & Associates
Certified Public Accountants And Consultants
March 21, 2012