

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)

FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION

Years Ended June 30, 2011 and 2010

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses, 2011	5
Statement of Functional Expenses, 2010	6
Statements of Cash Flows	7
Notes to Financial Statements	8-13
ADDITIONAL INFORMATION:	
Schedule of Expenditures of Federal Awards and State Financial Assistance and Notes	14-15
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	16-17
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 STATE PROJECTS COMPLIANCE SUPPLEMENT	18-19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	20-21

**JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.**

5150 BELFORT ROAD, BUILDING 300

JACKSONVILLE, FLORIDA 32256

(904) 725-5832 FAX (904) 727-6835

Email: [office@knutzencpa.com](mailto:office@knutzencpa.com) or [knutzencpa@aol.com](mailto:knutzencpa@aol.com)

James Knutzen, C.P.A., M.B.A.  
Todd Middlemas, C.P.A., M.B.A.  
Richard Axelberg, C.P.A.  
Christina E. Gibson, C.P.A.  
Barbara Towle, C.P.A.  
Margaret R. Dodson, C.P.A.  
Timothy P. Raines, C.P.A., M. Acc.

MEMBER OF  
AMERICAN AND FLORIDA  
INSTITUTES OF  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Clay & Baker Kids Net, Inc.  
d/b/a Kids First of Florida  
Orange Park, Florida

We have audited the accompanying statements of financial position of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, (a nonprofit corporation) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 financial statements referred to above present fairly, in all material respects, the financial position of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, 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 September 15, 2011, on our consideration of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida as a whole. The accompanying supplementary information shown on pages 14 to 15 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, by Section 215.97, Florida Statutes and Chapter 10.650; *Rules of the Auditor General*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



James Knutzen & Associates, C.P.A.'s, P.A.  
Jacksonville, Florida  
September 15, 2011

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Cash	\$ 2,447,480	\$ 1,385,238
Accounts receivable (Note B)	7,193	-
Prepays	<u>113,691</u>	<u>362,195</u>
Total Current Assets	2,568,364	1,747,433
Property, plant and equipment, less accumulated depreciation of \$239,539 and \$206,659 for 2011 and 2010 (Note D)	80,839	71,128
Organizational Costs, less accumulated amortization of \$500 and \$500 for 2011 and 2010	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 2,649,203</u>	<u>\$ 1,818,561</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 202,372	\$ 188,144
Accrued expenses	85,489	72,833
Deferred revenue (Note P)	1,551,346	852,117
Line of credit (Note C)	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>1,839,207</u>	<u>1,113,094</u>
Net Assets - Unrestricted	656,142	557,246
- Property	80,839	71,128
- Temporarily restricted (Note M)	<u>73,015</u>	<u>77,093</u>
Total Net Assets	<u>809,996</u>	<u>705,467</u>
Total Liabilities and Net Assets	<u>\$ 2,649,203</u>	<u>\$ 1,818,561</u>

See Notes to Financial Statements.

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)  
STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2011 and 2010

	2011			2010		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 2,602	\$ -	\$ 2,602	\$ 3,453	\$ -	\$ 3,453
In-kind contributions (Note F)	7,795	-	7,795	12,035	-	12,035
Special events (Note E)	15,950	-	15,950	10,307	-	10,307
Other income	31,088	-	31,088	-	-	-
Interest income	1,324	-	1,324	2,041	253	2,294
Clay County	55,000	-	55,000	65,000	-	65,000
State of Florida:						
Department of Children and Families:						
Community Based Foster Care	<u>5,917,437</u>	<u>-</u>	<u>5,917,437</u>	<u>5,850,116</u>	<u>-</u>	<u>5,850,116</u>
Total Support and Revenue	<u>6,031,196</u>	<u>-</u>	<u>6,031,196</u>	<u>5,942,952</u>	<u>253</u>	<u>5,943,205</u>
Net Assets Released from Restrictions	<u>4,080</u>	<u>(4,080)</u>	<u>-</u>	<u>81,089</u>	<u>(81,089)</u>	<u>-</u>
Total Support, Revenue and Net Assets Released from Restrictions	<u>6,035,276</u>	<u>(4,080)</u>	<u>6,031,196</u>	<u>6,024,041</u>	<u>(80,836)</u>	<u>5,943,205</u>
Program Service Expenses	5,476,157	-	5,476,157	5,454,589	-	5,454,589
Supporting Service Expenses	<u>450,510</u>	<u>-</u>	<u>450,510</u>	<u>438,810</u>	<u>-</u>	<u>438,810</u>
Total Expenses	<u>5,926,667</u>	<u>-</u>	<u>5,926,667</u>	<u>5,893,399</u>	<u>-</u>	<u>5,893,399</u>
Change in Net Assets	108,609	(4,080)	104,529	130,642	(80,836)	49,806
Net Assets, Beginning of Period, as previously reported	628,372	584,485	1,212,857	497,732	665,319	1,163,051
Reclassification (Note O)	<u>-</u>	<u>(507,390)</u>	<u>(507,390)</u>	<u>-</u>	<u>(507,390)</u>	<u>(507,390)</u>
Net Assets, Beginning of Period, as restated	<u>628,372</u>	<u>77,095</u>	<u>705,467</u>	<u>497,732</u>	<u>157,929</u>	<u>655,661</u>
Net Assets, End of Period	<u>\$ 736,981</u>	<u>\$ 73,015</u>	<u>\$ 809,996</u>	<u>\$ 628,374</u>	<u>\$ 77,093</u>	<u>\$ 705,467</u>

See Notes to Financial Statements.

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2011

	<u>Family Services</u>	<u>Contract Licensure</u>	<u>Independent Living</u>	<u>Training</u>	<u>Foster Care &amp; Adoptions</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>TOTAL</u>
Salaries	\$ 1,473,303	\$ 106,236	\$ 38,526	\$ 6,565	\$ -	\$ 1,624,630	\$ -	\$ 125,184	\$ 1,749,814
Fringe benefits	175,043	17,622	7,279	2,914	-	202,858	-	14,157	217,015
Payroll taxes	125,051	9,545	3,273	515	-	138,384	-	11,193	149,577
	<u>1,773,397</u>	<u>133,403</u>	<u>49,078</u>	<u>9,994</u>	<u>-</u>	<u>1,965,872</u>	<u>-</u>	<u>150,534</u>	<u>2,116,406</u>
Foster Care, Shelter & Services	479,297	-	-	-	2,528,842	3,008,139	-	-	3,008,139
Building Occupancy	154,823	7,834	105	55	-	162,817	-	7,971	170,788
Professional Services	11,265	-	-	-	-	11,265	-	2,277	13,542
Mileage and Travel	75,368	2,719	2,787	136	-	81,010	-	542	81,552
Communication	43,360	442	140	122	-	44,064	-	701	44,765
Contracted Services	6,826	226	75	33	-	7,160	-	224,020	231,180
Maintenance Agreements	9,633	626	209	99	-	10,567	-	626	11,193
Vehicle	8,067	-	-	-	-	8,067	-	-	8,067
Background screenings	12,711	260	-	-	-	12,971	-	75	13,046
Office Supplies	12,295	464	38	38	-	12,835	-	1,564	14,399
Insurance	77,322	4,608	1,818	1,740	-	85,488	-	5,023	90,511
Operating Supplies and Expenses	63,522	1,227	792	361	-	65,902	3,673	20,624	90,199
	<u>954,489</u>	<u>18,406</u>	<u>5,964</u>	<u>2,584</u>	<u>2,528,842</u>	<u>3,510,285</u>	<u>3,673</u>	<u>263,423</u>	<u>3,777,381</u>
Total Personnel and Expenses	2,727,886	151,809	55,042	12,578	2,528,842	5,476,157	3,673	413,957	5,893,787
Administration	383,137	21,322	7,731	1,767	-	413,957	-	(413,957)	-
Fundraising	1,830	102	37	8	1,696	3,673	(3,673)	-	-
Depreciation	30,432	1,694	614	140	-	32,880	-	-	32,880
Grand Total	<u>\$ 3,143,285</u>	<u>\$ 174,927</u>	<u>\$ 63,424</u>	<u>\$ 14,493</u>	<u>\$ 2,530,538</u>	<u>\$ 5,926,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,926,667</u>

See Notes to Financial Statements

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2010

	Family Services	Contract Licensure	Independent Living	Training	Foster Care & Adoptions	TOTAL PROGRAM SERVICES	Fundraising	Administrative	TOTAL
Salaries	\$ 1,461,727	\$ 111,003	\$ 42,586	\$ 24,351	\$ -	\$ 1,639,667	\$ -	\$ 126,861	\$ 1,766,528
Fringe benefits	122,594	15,778	4,604	4,363	-	147,339	-	13,424	160,763
Payroll taxes	125,695	9,502	3,587	2,022	-	140,806	-	10,218	151,024
	<u>1,710,016</u>	<u>136,283</u>	<u>50,777</u>	<u>30,736</u>	<u>-</u>	<u>1,927,812</u>	<u>-</u>	<u>150,503</u>	<u>2,078,315</u>
Foster Care, Shelter & Services	491,092	-	-	-	2,549,183	3,040,275	-	-	3,040,275
Building Occupancy	125,638	7,629	5,287	235	-	138,789	-	7,500	146,289
Professional Services	39,195	-	-	-	-	39,195	-	4,436	43,631
Mileage and Travel	67,095	2,221	1,928	193	-	71,437	-	272	71,709
Communication	44,347	936	813	43	-	46,139	-	994	47,133
Contracted Services	4,970	77	23	23	-	5,093	-	217,372	222,465
Maintenance Agreements	8,624	550	197	36	-	9,407	-	550	9,957
Vehicle	5,954	20	-	-	-	5,974	-	170	6,144
Background screenings	11,871	322	80	-	-	12,273	-	16	12,289
Office Supplies	18,040	895	177	158	-	19,270	-	971	20,241
Insurance	56,627	795	1,372	265	-	59,059	-	5,845	64,904
Operating Supplies and Expenses	78,428	935	503	-	-	79,866	6,877	7,786	94,529
	<u>951,881</u>	<u>14,380</u>	<u>10,380</u>	<u>953</u>	<u>2,549,183</u>	<u>3,526,777</u>	<u>6,877</u>	<u>245,912</u>	<u>3,779,566</u>
Total Personnel and Expenses	2,661,897	150,663	61,157	31,689	2,549,183	5,454,589	6,877	396,415	5,857,881
Administration	363,192	20,556	8,344	4,323	-	396,415	-	(396,415)	-
Fundraising	3,356	190	77	40	3,214	6,877	(6,877)	-	-
Depreciation	32,541	1,842	748	387	-	35,518	-	-	35,518
Grand Total	<u>\$ 3,060,986</u>	<u>\$ 173,251</u>	<u>\$ 70,326</u>	<u>\$ 36,439</u>	<u>\$ 2,552,397</u>	<u>\$ 5,893,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,893,399</u>

See Notes to Financial Statements



CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 104,529	\$ 49,806
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	32,880	35,518
(Increase) decrease in:		
Accounts receivable	(7,193)	30,116
Prepaid expenses	248,504	(286,664)
Increase (decrease) in:		
Accounts payable	14,228	31,241
Accrued expenses	12,656	(2,320)
Refundable advances	<u>699,229</u>	<u>281,175</u>
Net Cash Provided By Operating Activities	<u>1,104,833</u>	<u>138,872</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of furniture, equipment	<u>(42,591)</u>	<u>(9,585)</u>
Net Cash Used By Investing Activities	<u>(42,591)</u>	<u>(9,585)</u>
Net Increase in Cash	1,062,242	129,287
Cash at Beginning of Period	<u>1,385,238</u>	<u>1,255,951</u>
Cash at End of Period	<u><u>\$ 2,447,480</u></u>	<u><u>\$ 1,385,238</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the period:		
Interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

A. Summary of Significant Accounting Policies:

- (1) Nature of Organization – Clay & Baker Kids Net, Inc., formerly known as Clay Kids Net, Inc., was incorporated January 15, 2003 to provide foster care placement, case management adoption, physical and emotional support, and be a liaison with the health department for children in Clay County, Florida. The largest funding source for the Organization is the Florida Department of Children and Families. Clay & Baker Kids Net, Inc. is registered in Florida under the fictitious name of Kids First of Florida.
- (2) Basis of Presentation – The financial statements are prepared in accordance with the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification 958 (formerly SFAS No. 117, “*Financial Statements of Not-For-Profit Organizations*”).
- (3) Basis of Accounting – The financial statements are prepared using the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.
- (4) Public Support and Revenue – Revenue is reported at the estimated net realizable amounts due from third-party payers and others for services rendered. Client fees are recognized upon receipt.
- (5) Property, Plant and Equipment – Property, plant and equipment are recorded at cost for purchased items. Donated items are recorded at fair market value at the date of gift.
- (6) Income Taxes – The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue code and is not a private foundation. Accordingly, no provision for income tax is required.
- (7) Depreciation – Building and equipment are being depreciated over the estimated useful lives of the individual assets by the straight-line method.
- (8) Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, primarily related to the collectibility of receivables and the depreciable lives of buildings and improvements that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010  
-continued-

(9) Restricted and Unrestricted Revenue and Support

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

(10) Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(11) Advertising

Advertising costs of \$2,574 and \$2,232 for the years ended June 30, 2011 and 2010, respectively, were expensed as incurred.

B. Accounts Receivable:

Revenue due under third-party payor agreements is subject to audit and retroactive adjustment.

C. Line of Credit:

The Organization secured a bank line of credit for working capital needs. The line of credit is for \$500,000, priced at Prime Rate Index, currently 3.25%, plus 2.00%, to be reviewed annually and is unsecured. There was no principal balance on the line at June 30, 2011 and 2010.

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010  
-continued-

D. Property, Plant and Equipment:

	<u>Life</u>	<u>2011</u>	<u>2010</u>
Furniture and fixtures	5 yrs.	\$ 32,438	\$ 32,438
Equipment	5 yrs.	191,700	191,700
Vehicles	5 yrs.	<u>96,240</u>	<u>53,649</u>
		320,378	277,787
Accumulated depreciation		<u>(239,539)</u>	<u>(206,659)</u>
		<u>\$ 80,839</u>	<u>\$ 71,128</u>

The Florida Department of Children and Families (DCF) has a reversionary interest in any equipment purchased with funds provided by DCF contracts.

E. Special Events:

The Organization had a golf tournament as a fundraiser during the years ending June 30, 2011 and 2010. Receipts totaled \$12,102 and \$15,212 and disbursements were \$3,173 and \$6,790, respectively. Other fundraisers contributed \$3,848 and \$1,885 to the Special Events total during the years ending June 30, 2011 and 2010, respectively.

F. In-Kind Contributions:

The Organization receives tangible property contributed for the children which is recorded at a discounted fair market value. The amounts are included in the financial statements as public support and specific assistance expense.

No amounts have been reflected in the statements for donated services because they do not meet the criteria for recognition in accordance with the FASB Accounting Standards Codification 958 (formerly SFAS No. 116).

G. Related Party:

Clay and Baker Kids Net, Inc., doing business as Kids First of Florida, and Clay Behavioral Health Center, Inc. are controlled by The Institute for Growth & Development, Inc. through board of directors' appointments and management agreements. Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, had accounts payable of \$19,858 and \$21,529 due to Clay Behavioral Health Center, Inc. at June 30, 2011 and 2010, respectively.

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010  
-continued-

G. Related Party (continued):

Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, had accounts payable of \$9,536 and \$14,083 due to the Institute for Growth & Development, Inc. at June 30, 2011 and 2010, respectively. Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, paid The Institute for Growth & Development, Inc. \$248,277 and \$250,290 for management services during the years ending June 30, 2011 and 2010, respectively. Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, paid Clay Behavioral Health Center, Inc. \$202,758 and \$174,069 for services during the years ending June 30, 2011 and 2010, respectively.

H. Support from the State of Florida which Required Match:

The Organization had fixed price and/or unit of service contracts that required cost sharing or match. Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, met the matching requirements of these contracts for the years ending June 30, 2011 and 2010.

I. Operating Leases:

The Organization leases office space on Kingsley Avenue in Orange Park. The office lease runs through June 30, 2013 and has options for renewal without an increase for an additional two years each. The minimum lease payments, which include an assessment for common area maintenance, for the years ending June 30 are as follows:

2012	\$ 200,371
2013	<u>200,371</u>
	<u>\$ 400,742</u>

Rent expense, including record storage, for the years ending June 30, 2011 and 2010 was \$168,300 and \$151,271, respectively.

J. Concentration of Credit Risk:

The Organization maintains bank accounts with one FDIC insured bank and exceeded depository insurance limits. The uninsured exposure at June 30, 2011 and 2010 was \$2,118,765 and \$1,134,888, respectively.

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010  
-continued-

K. Fair Value of Financial Instruments:

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Cash: The carrying amount reported in the Statements of Financial Position for cash approximates its fair value.

Accounts payable and accrued expenses: The carrying amount reported in the Statements of Financial Position for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payer settlements: The carrying amount reported in the Statements of Financial Position for estimated third-party payer settlements approximates its fair value.

Long-term debt: The Organization's debt is not publicly traded and its level of borrowing is not sufficient to estimate a fair value based on cash flow analysis.

L. Contingencies:

Revenue from the State of Florida Department of Children and Families was 98% and 98% of total public support and revenue in the years ending June 30, 2011 and 2010. Laws and regulations governing the children's programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the programs.

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010  
-continued-

M. Temporarily Restricted Net Assets:

The Organization received a restricted gift from Children's Crisis Center, Inc. of \$83,345 for child welfare expenses in the year ending June 30, 2009 with annual disbursements restricted to no more than 5% of the balance.

	<u>2011</u>	<u>2010</u>
Children's Crisis Center	<u>\$ 73,015</u>	<u>\$ 77,093</u>

N. Subsequent Events:

In preparing this financial statement, the Organization evaluated events and transactions for potential recognition or disclosure through September 15, 2011, the date the financial statement was available to be issued.

O. Reclassification

In compliance with Florida Department of Children and Families recommendations, certain amounts in the previously issued June 30, 2010 financial statement have been restated. Carryforward funds that had been classified as temporarily restricted net assets have been reclassified as deferred revenue. The correction decreases previously reported net assets by \$507,390 as of the beginning of the June 30, 2010 fiscal year. A corresponding entry was made to increase deferred revenue.

P. Deferred Revenue:

Deferred revenue consists of the following as of June 30:

	<u>2011</u>	<u>2010</u>
Florida Department of Children And Families Carryforward	\$ 1,437,655	\$ 489,923
Other	<u>113,691</u>	<u>362,194</u>
	<u>\$ 1,551,346</u>	<u>\$ 852,117</u>

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through State of Florida				
Department of Children and Families:				
Temporary Assistance for Needy Families	93.558	DJ035	\$ 550,420	\$ (36,044)
Chafee Education and Training Vouchers Program	93.599	DJ035	20,763	-
Child Welfare Services - State Grants	93.645	DJ035	86,766	(10,228)
Promoting Safe and Stable Families	93.556	DJ035	128,410	(87,676)
Foster Care - Title IV-E	93.658	DJ035	1,310,772	(501,336)
ARRA - Foster Care - Title IV-E	93.658	DJ035	121,047	-
Adoption Assistance	93.659	DJ035	545,986	(24,892)
ARRA - Adoption Assistance	93.659	DJ035	71,857	-
Social Services Block Grant	93.667	DJ035	364,254	(293,606)
Child Abuse and Neglect State Grants	93.669	DJ035	1,663	(340)
Chafee Foster Care Independent Living	93.674	DJ035	50,553	(360)
Medical Assistance Program	93.778	DJ035	15,443	-
Promoting Safe and Stable Families - IV-B, Part II Caseworkers	93.556	DJ035	13,204	-
Adoption Incentive Payments	93.603	DJ035	<u>15,975</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,297,113</u>	<u>\$ (954,482)</u>
STATE OF FLORIDA				
Direct Projects of Department of Children and Families				
Community Based Care Supports	60.094	DJ035	<u>1,780,697</u>	<u>(436,327)</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 1,780,697</u>	<u>\$ (436,327)</u>



CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
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 Clay & Baker Kids Net, Inc., doing business as Kids First of Florida 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 Chapter 10.650, "Rules of the Auditor General." Because the Schedule presents only a selected portion of the operations of Clay & Baker Kids Net, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clay & Baker Kids Net, Inc.

Note 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.

**JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.**

5150 BELFORT ROAD, BUILDING 300

JACKSONVILLE, FLORIDA 32256

(904) 725-5832 FAX (904) 727-6835

Email: [office@knutzencpa.com](mailto:office@knutzencpa.com) or [knutzencpa@aol.com](mailto:knutzencpa@aol.com)

James Knutzen, C.P.A., M.B.A.  
Todd Middlemas, C.P.A., M.B.A.  
Richard Axelberg, C.P.A.  
Christina E. Gibson, C.P.A.  
Barbara Towle, C.P.A.  
Margaret R. Dodson, C.P.A.  
Timothy P. Raines, C.P.A., M. Acc.

MEMBER OF  
AMERICAN AND FLORIDA  
INSTITUTES OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors  
Clay & Baker Kids Net, Inc.  
d/b/a Kids First of Florida  
Orange Park, Florida

We have audited the financial statements of Clay & Baker Kids Net, Inc, doing business as Kids First of Florida, (a nonprofit corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 15, 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 Clay & Baker Kids Net, Inc.'s, doing business as Kids First of Florida, 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 Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness Clay & Baker Kids Net, Inc., doing business as Kids First of Florida'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

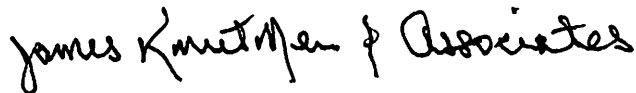
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay & Baker Kids Net, Inc., doing business as Kids First of Florida'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 have reported to management of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, in a separate letter dated September 15, 2011.

This report is intended solely for the information and use of the board of directors, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



James Knutzen & Associates, C.P.A.'s, P.A.  
Jacksonville, Florida  
September 15, 2011

**JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.**

5150 BELFORT ROAD, BUILDING 300

JACKSONVILLE, FLORIDA 32256

(904) 725-5832 FAX (904) 727-6835

Email: [office@knutzencpa.com](mailto:office@knutzencpa.com) or [knutzencpa@aol.com](mailto:knutzencpa@aol.com)

James Knutzen, C.P.A., M.B.A.  
Todd Middlemas, C.P.A., M.B.A.  
Richard Axelberg, C.P.A.  
Christina E. Gibson, C.P.A.  
Barbara Towle, C.P.A.  
Margaret R. Dodson, C.P.A.  
Timothy P. Raines, C.P.A., M. Acc.

MEMBER OF  
AMERICAN AND FLORIDA  
INSTITUTES OF  
CERTIFIED PUBLIC ACCOUNTANTS

**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 STATE PROJECTS COMPLIANCE SUPPLEMENT**

Board of Directors  
Clay & Baker Kids Net, Inc.  
d/b/a Kids First of Florida  
Orange Park, Florida

**Compliance**

We have audited Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, (a nonprofit organization) 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 its major federal programs and state projects for the year ended June 30, 2011. Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, management. Our responsibility is to express an opinion on Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program, or state project occurred. An audit includes examining, on a test basis, evidence about Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clay & Baker Kids Net, Inc., doing business as Kids First of Florida's, compliance with those requirements.

In our opinion, Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, 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 Clay & Baker Kids Net, Inc., doing business as Kids First of Florida, 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 Clay & Baker Kids Net, Inc., doing business as Kids First of Florida'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 the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clay & Baker Kids Net, Inc., doing business as Kids First of Florida'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 the board of directors, management, federal agencies, state agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



James Knutzen & Associates, C.P.A.'s, P.A.  
Jacksonville, Florida  
September 15, 2011

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL PROGRAMS AND STATE PROJECTS

Year Ended June 30, 2011

Section I--Summary of Auditors' Results

Financial Statements:

Unqualified auditors' report issued

Internal control over financial reporting:

Material weakness(es) identified?	_____	YES	_____ X _____	NO
Significant deficiency(ies) identified?	_____	YES	_____ X _____	NO
Noncompliance material to financial statements noted?	_____	YES	_____ X _____	NO

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	_____	YES	_____ X _____	NO
Significant deficiency(ies) identified?	_____	YES	_____ X _____	NO

Unqualified auditors' report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____	YES	_____ X _____	NO
---	-------	-----	---------------	----

Identification of major programs:

	<u>CFDA #'s</u>	<u>Name of Federal Program and State Project or Cluster</u>
Temporary Assistance for Needy Families	93.558	N/A
Foster Care - Title IV-E	93.658	N/A
Foster Care - Title IV-E - American Recovery & Reinvestment Act	93.658	N/A
Adoption Assistance	93.659	N/A
Adoption Assistance - American Recovery & Reinvestment Act	93.659	N/A
	<u>CSFA #'s</u>	
Community Based Care Supports	60.094	N/A

Dollar threshold used to distinguish between type A and  
type B programs:

\$300,000

Auditee qualified as low risk auditee?	_____ X _____	YES	_____	NO
--	---------------	-----	-------	----

Section II--Financial Statement Findings

None

CLAY & BAKER KIDS NET, INC.  
d/b/a KIDS FIRST OF FLORIDA  
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL PROGRAMS AND STATE PROJECTS

Year Ended June 30, 2011

Section III--Federal Award Findings and Questioned Costs

Major Federal Award Programs/Major State Projects Audit:

None

Section IV--Summary Schedule of Prior Audit Findings

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal Programs or State Projects.

Section V--Corrective Action Plan

No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Act.

Section VI--Management Letter

No management letter as defined in State of Florida, Rules of the Auditor General 10.656(3)(e) is required because there were no findings related to State Financial Assistance required to be reported.