

Family Services of Metro Orlando, Inc.

Financial and Compliance Report
June 30, 2011

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Independent Auditor's Report

To the Board of Directors
Family Services of Metro Orlando, Inc.
Orlando, Florida

We have audited the accompanying statement of financial position of Family Services of Metro Orlando, Inc. as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Family Services of Metro Orlando, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 audit provides 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 Family Services of Metro Orlando, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 2 to the financial statements, the State of Florida Department of Children and Families has terminated its contract with Family Services of Metro Orlando, Inc. effective March 31, 2011. Management's plans in regard to this matter are also described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011 on our consideration of Family Services of Metro Orlando, Inc.'s internal control over financial reporting and 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 audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements 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 State of Florida Chapter 10.650, *Rules of the Auditor General*, and is 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.

McGladrey & Pullen, LLP

Orlando, Florida
December 15, 2011

Family Services of Metro Orlando, Inc.

Statement of Financial Position

June 30, 2011

Assets

Cash	\$	73,658
Accounts receivable		20,419
Prepaid expenses		108,052
Assets held for sale		799,000
Property and equipment, net (Note 3)		10,670
Total assets	\$	1,011,799

Liabilities and Net Assets

Liabilities

Accounts payable	\$	35,649
Total liabilities		35,649

Unrestricted net assets

		976,150
Total liabilities and net assets	\$	1,011,799

See Notes to Financial Statements.

Family Services of Metro Orlando, Inc.

**Statement of Activities
Year Ended June 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
State of Florida Department of Children and Families	\$ 36,813,603	\$ -	\$ -	\$ 36,813,603
Grant income	356,505	-	-	356,505
Other income	263,347	-	-	263,347
In-kind contributions	20,100	-	-	20,100
Contributions	12,873	-	-	12,873
Net assets released from restrictions	62,481	(12,481)	(50,000)	-
Total support and revenue	37,528,909	(12,481)	(50,000)	37,466,428
Expenses:				
Program services	36,922,599	-	-	36,922,599
Supporting services				
Management and general	1,864,323	-	-	1,864,323
Fundraising	17,984	-	-	17,984
Total supporting services	1,882,307	-	-	1,882,307
Total expenses	38,804,906	-	-	38,804,906
Decrease in net assets	(1,275,997)	(12,481)	(50,000)	(1,338,478)
Net assets:				
Beginning	2,252,147	12,481	50,000	2,314,628
Ending	\$ 976,150	\$ -	\$ -	\$ 976,150

See Notes to Financial Statements.

Family Services of Metro Orlando, Inc.

Statement of Functional Expenses
Year Ended June 30, 2011

	<u>Supporting Services</u>				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,625,749	\$ 691,150	\$ 195	\$ 691,345	\$ 3,317,094
Salary – related expenses	676,576	159,402	15	159,417	835,993
Total salaries and related expenses	3,302,325	850,552	210	850,762	4,153,087
Client contracted services	20,265,063	-	-	-	20,265,063
Specific assistance to individuals	11,997,396	-	-	-	11,997,396
Loss/transfer of net property and equipment to the State of Florida					
Department of Children and Families (Note 1)	586,231	-	-	-	586,231
Occupancy	258,724	133,143	-	133,143	391,867
Professional fees and contracted services	67,552	286,004	-	286,004	353,556
Impairment loss on assets held for sale (Note 1)	-	280,908	-	280,908	280,908
Depreciation	170,543	29,579	-	29,579	200,122
Insurance	80,679	71,318	-	71,318	151,997
Miscellaneous	13,091	45,449	10,531	55,980	69,071
Equipment rental and maintenance	2,342	62,585	-	62,585	64,927
Transportation	60,742	3,443	-	3,443	64,185
Loss/transfer of the beneficial interest in assets held by others (Note 4)	58,408	-	-	-	58,408
Telephone	3,960	44,209	-	44,209	48,169
Bank fees	-	19,274	1,418	20,692	20,692
In-kind expenses	14,900	29	5,171	5,200	20,100
Supplies	6,866	12,539	-	12,539	19,405
Conferences, conventions, and meetings	14,571	4,635	-	4,635	19,206
Public relations / advertising	14,964	3,394	-	3,394	18,358
Postage and shipping	165	15,139	-	15,139	15,304
Food	4,077	2,123	654	2,777	6,854
Total expenses	\$ 36,922,599	\$ 1,864,323	\$ 17,984	\$ 1,882,307	\$ 38,804,906

See Notes to Financial Statements.

Family Services of Metro Orlando, Inc.

Statement of Cash Flows
Year Ended June 30, 2011

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Cash Flows From Operating Activities	
Decrease in net assets	\$ (1,338,478)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	200,122
Gain on forgiveness of debt (Note 6)	(165,000)
Loss/transfer of net property and equipment to the State of Florida Department of Children and Families (Note 1)	586,231
Loss/transfer of the beneficial interest in assets held by others (Note 4)	58,408
Impairment loss on assets held for sale (Note 1)	280,908
Change in provision for uncollectible pledges	11,305
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	16,402
Pledges receivable	1,176
Prepaid expenses	198,964
Beneficial interest in assets held by others	(9,369)
Other assets	86,342
Increase (decrease) in liabilities:	
Accounts payable	(3,441,219)
Accrued expenses	(144,647)
Deferred revenue	(81,026)
Net cash used in operating activities	<u>(3,739,881)</u>
Cash Flows From Investing Activities	
Purchases of property and equipment	<u>(52,777)</u>
Net cash used in investing activities	<u>(52,777)</u>
Cash Flows From Financing Activities	
Repayment of promissory note payable	<u>(100,000)</u>
Net cash used in financing activities	<u>(100,000)</u>
Net decrease in cash	(3,892,658)
Cash:	
Beginning	<u>3,966,316</u>
Ending	<u>\$ 73,658</u>
Supplemental Disclosure of Noncash Investing and Financing Activities	
Transfer of property and equipment to assets held for sale	<u>\$ 1,079,908</u>

See Notes to Financial Statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Family Services of Metro Orlando, Inc. (Family Services) is a not-for-profit corporation. Family Services was organized primarily to serve as the "lead agency" for providing child-welfare related services in Orange and Osceola counties, including procuring or providing all necessary services to meet the mandates of state and federal law for provision of services to abused and neglected children and children at risk of abuse and neglect. Family Services was able to provide these services primarily through a contract from the State of Florida Department of Children and Families. As explained in Note 2 to the financial statements, Family Services of Metro Orlando, Inc.'s contract with the State of Florida Department of Children and Families expired on March 31, 2011 and was not renewed. Management's plans in regard to this matter are also described in Note 2. The board of directors are assessing alternative charitable missions in which they can continue to serve the Orlando community.

A summary of Family Services significant accounting policies follows:

Basis of presentation: A not-for-profit organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, net assets of Family Services and changes therein are classified and reported as follows:

- **Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the board of directors.
- **Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Family Services and/or the passage of time. When the 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.
- **Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that they be permanently maintained by Family Services.

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounts receivable: Accounts receivable are stated at net realizable value. In the opinion of management, no allowance for uncollectible accounts receivable was considered necessary at June 30, 2011.

Assets held for sale: Assets held for sale are reported at the lower of the carrying amount or fair value less cost to sell. Assets held for sale represent the land, buildings, and furniture and equipment which were acquired through a business combination with Community Service Center of Central Florida, Inc. (CSC) during 2010. During 2011, the board of directors made the decision to sell the land, buildings, and furniture and equipment related to CSC. During the year ended June 30, 2011, Family Services recorded an impairment loss of \$280,908 on the assets held for sale which is included in the accompanying statement of functional expenses.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are capitalized at cost when purchased, or at fair value at the date of gift, if contributed. Depreciation of property and equipment is provided for using the straight-line method of accounting over the estimated useful lives of the assets. Property and equipment purchased with grant awards are considered to be owned by Family Services while used in the program or future authorized programs. However, certain awarding agencies, primarily state agencies, retain a reversionary interest in the property and equipment for specified time periods, requiring the return of the assets or proceeds of sale of the assets in proportion to the percentage of grant funds used upon termination of the grant contract. As discussed in Note 2 to the financial statements, Family Services contract with State of Florida Department of Children and Families (DCF) expired on March 31, 2011 and was the primary revenue source of the Organization. As a result of the expiration of the DCF contract, Family Services transferred certain property and equipment back to DCF in which DCF had a reversionary interest. Included in the statement of functional expenses is a loss/transfer of net property and equipment to the State of Florida Department of Children and Families of \$586,231, which represents the carrying amount of the property and equipment at the date of transfer.

The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Beneficial interest in assets held by others: In accordance with guidance related to accounting for contributions held by an organization for the benefit of another organization which states that organizations that transfer assets to other not-for-profit agencies who specify themselves or their affiliates as the beneficiaries, and has not granted variance power, are not considered expenses and are recorded as a beneficial interest in assets held by others in the statement of financial position at fair value (See Note 4).

Income taxes: Family Services is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

Family Services follows accounting standards relating to accounting for uncertainty in income taxes for the year ended June 30, 2011. Family Services assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. Family Services files income tax returns in the U.S. federal jurisdiction. Generally, Family Services is no longer subject to U.S. federal income tax examinations by tax authorities for years before June 30, 2008.

Support and revenue: Family Services is principally funded by grants from governmental agencies. Grants generally provide reimbursement for allowable costs incurred. Revenue from cost reimbursement grants is recognized as eligible costs are incurred. Receivables are recorded to the extent costs have been incurred but not reimbursed by the granting agencies. Conversely, deferred revenue is recorded when grant advances exceed eligible costs incurred. Deferred revenue will either be offset against subsequent allowable costs incurred or refunded to the granting agencies upon grant termination.

Contributions and pledges receivable: Contributions received are recorded at fair value as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Unconditional promises to give (pledges) are recognized as support in the period received at fair value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Family Services uses the allowance method to determine uncollectible pledges receivable. The allowance is based upon management estimates of current economic factors and analysis of specific pledges.

Contributed services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. The estimated fair value of contributed materials, facilities, and services is reflected as support and expenses in the accompanying statement of activities and statement of functional expenses in the period in which the materials, facilities, and services are utilized. Contributed materials, facilities, and services was \$20,100 for the year ended June 30, 2011.

Functional expenses: The cost of providing program and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited, in accordance with Family Services' cost allocation plan which was approved by the State of Florida Department of Children and Families.

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

Concentration: Family Services received approximately \$36,814,000 of its support and revenue from the State of Florida Department of Children and Families during the year ended June 30, 2011.

Subsequent events: Management has assessed subsequent events through December 15, 2011, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 15, 2011, have been incorporated into these financial statements.

Note 2. Management's Plans

As described in Note 7 to the financial statements, Family Services had a contract with the State of Florida Department of Children and Families (DCF) to deliver a comprehensive array of foster care, prevention services and related services to eligible children and families in the State of Florida's Orange and Osceola counties. The DCF contract was the primary revenue source of the Organization. The loss of the DCF contract resulted in a significant reduction of workforce and restructuring the mission of the Organization. The board of directors are assessing alternative charitable missions in which they can continue to serve the Orlando community. The Organization is actively seeking a buyer for its assets held for sale and will use the proceeds to help support its alternative charitable mission.

Family Services of Metro Orlando, Inc.

Notes to Financial Statements

Note 3. Property and Equipment

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

Furniture and equipment	\$ 38,764
Less accumulated depreciation	(28,094)
	<u>\$ 10,670</u>

Note 4. Beneficial Interest in Assets Held by Others

Family Services had a beneficial interest in assets held by the Community Foundation of Central Florida, Inc. (the Foundation) which it received through a business combination with Community Service Center of Central Florida, Inc. (CSC) during 2010. In 1996, CSC established the Community Service Center of Orange County Fund, a permanent Agency Endowment Fund. On an annual basis, the Foundation distributes net income from this fund to Family Services as determined by the Foundation's spending policy. As discussed in Note 2 to the financial statements, Family Services contract with DCF expired on March 31, 2011 and was the primary revenue source of the Organization. As a result of the expiration of the DCF contract, the Foundation transferred the beneficial interest in assets held by others to Community Based Care of Central Florida, Inc. Included in the statement of functional expenses for the year ended June 30, 2011, is a loss/transfer of the beneficial interest in assets held by others of \$58,408 which was the fair value and the time of transfer.

Note 5. Fair Value Measurements

Family Services follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards relating to fair value measurements establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level inputs, as defined by this guidance, are as follows: Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date; Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date; and Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Family Services' beneficial interest in assets held by others was a Level 3 fair value.

Long-lived assets are measured at fair value on a nonrecurring basis based upon inputs that are derived principally from, or corroborated by comparable market data by correlation or other means only when there is evidence of impairment. The amounts below represent only assets measured at fair value on a nonrecurring basis at June 30, 2011:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Loss
Long-lived assets held for sale	\$ 1,079,908	\$ -	\$ -	\$ 799,000
				<u>\$ 280,908</u>

Family Services of Metro Orlando, Inc.

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

Family Services had no financial assets or liabilities at June 30, 2011 measured at fair value on a recurring basis.

The fair value of Family Services' beneficial interest in assets held by others is reported at net present value of expected future cash flows which approximates the fair value of the underlying assets.

The table below sets forth a summary of the changes in the fair value of Family Services' Level 3 financial assets during the year ended June 30, 2011.

	Beneficial Interest in Assets Held by Others
Balance, beginning of year	\$ 49,039
Net realized and unrealized gains	8,970
Interest and dividend income	733
Investment manager and administrative fees	(334)
Loss/transfer of the beneficial interest in assets held by others	(58,408)
Balance, end of year	<u>\$ -</u>

Note 6. Promissory Note Payable

Family Services had a promissory note payable for \$265,000 to One Hope United. The promissory note matures on the earlier of May 1, 2012, the date of a sale or transfer of all or substantially all of the assets of Family Services to any party, or the date Family Services amends its articles of incorporation and bylaws so as to admit a member to Family Services. Family Services is required to make payments on the promissory note only if certain triggering events, as defined in the separation and promissory note agreement are met.

Interest was at the prime rate plus 1%. Interest is only to be paid if the State of Florida Department of Children and Families (DCF) changes its currently existing rules and permits interest expense on promissory notes to be an allowable cost, or Family Services sells or transfers all or substantially all of its assets to another party, or Family Services amends its articles of incorporation and bylaws so as to admit a member to Family Services, or if Family Services were to breach any provision, covenant, representation or warranty under the Family Services Separation Agreement.

On March 1, 2011, Family Services and One Hope United entered into a "Settlement and Release Agreement" (the Agreement). In accordance with the Agreement, Family Services paid One Hope United \$100,000 as full and final payment on the promissory note. The remaining balance of \$165,000 was recognized as a gain on forgiveness of debt and is included in other income in the accompanying statement of activities.

Note 7. Department of Children and Families Florida Contract

On March 1, 2004, Family Services entered into an advance cost reimbursement contract with the State of Florida Department of Children and Families (DCF) to deliver a comprehensive array of foster care, prevention services and related services to eligible children and families in the State of Florida's Orange and Osceola counties. These services were to be delivered through community-based partnerships while ensuring the safety, well-being and permanency of children and families. Under the contract, DCF agreed to reimburse Family Services for allowable expenditures incurred in the delivery of services that are provided in accordance with the terms and conditions of the contract, not to exceed a predetermined maximum amount. The contract covered a 40-month period from March 1, 2004 through June 30, 2007, and was extended through December 31, 2010. In October 2010, Family Services was notified by DCF that effective December 31, 2010 that they would no longer be administering this contract. In December 2010, DCF extended the contract to March 31, 2011. The DCF contract was the primary revenue source of the Organization. The loss of the DCF contract resulted in a significant reduction of workforce and restructuring the mission of the Organization (see Note 2).

Note 8. Contract Matching Contributions

Under the contract with the State of Florida Department of Children and Families, Family Services is required to obtain matching revenue from the local community ranging from 10% to 25% of funds expended under certain programs. The primary source of this match is cash donations and in-kind contributions. The required matching revenue is obtained by Family Services and through its subrecipients. Family Services and their subrecipients obtained the required matching revenue for the State of Florida Department of Children and Families grant for the grant period ended March 31, 2011.

Note 9. Retirement Plan

Family Services has a defined contribution 403(b) Thrift Plan (the Plan). The Plan covers substantially all Family Services employees who meet certain age and service requirements and will provide participating employees with employer match contributions. Employer matching contributions were equal to \$1 for every \$1 of an employee contribution up to 4% of an employees' compensation. Employees are 100% vested in their employee contribution and are vested ratably over a three-year period for employer contributions. Contributions to the Plan for the year ended June 30, 2011 was \$61,470.

Note 10. Contingencies

By terms of Family Services' grants, certain funding agencies reserve the right to examine records relating to cost reimbursements. In the event there is a determination of non-qualifying expenditures for which a reimbursement has been made, the funding agency may demand a refund. Management of Family Services does not anticipate adjustments should an examination occur. Accordingly, no provision for liability has been made in the accompanying financial statements.

Family Services is subject to lawsuits that arise in the ordinary course of its business. In the opinion of management, based in part upon consultation with its legal counsel, a loss, if any, arising from these lawsuits would not have a material adverse effect on Family Services' financial position or results of activities. As such, no amounts have been recognized in the accompanying financial statements.

Family Services of Metro Orlando, Inc.

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2011**

Grantor/Pass-Through/Program Title	Contract Number	Federal CFDA Number	Grant Period	Federal Expenditures
Federal Awards:				
U.S. Department of Health and Human Services passed through the following:				
Orange County – Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	Y11-2059	93.104	12/1/10 - 3/31/11	\$ 27,418
State of Florida, Department of Children and Families:				
Promoting Safe and Stable Families	GJ160	93.556	7/1/10 - 3/31/11	762,587
Temporary Assistance for Needy Families	GJ160	93.558	7/1/10 - 3/31/11	3,104,150
Grants to States for Access and Visitation Programs	GJ160	93.597	7/1/10 - 3/31/11	19,000
Chafee Education and Training Vouchers Program	GJ160	93.599	7/1/10 - 3/31/11	13,557
Adoption Incentive Payments	GJ160	93.603	7/1/10 - 3/31/11	130,128
Child Welfare Services – State Grants	GJ160	93.645	7/1/10 - 3/31/11	451,499
Foster Care – Title IV-E	GJ160	93.658	7/1/10 - 3/31/11	7,746,353
ARRA – Foster Care – Title IV-E	GJ160	93.658	7/1/10 - 3/31/11	545,952
Adoption Assistance	GJ160	93.659	7/1/10 - 3/31/11	3,115,998
ARRA – Adoption Assistance	GJ160	93.659	7/1/10 - 3/31/11	316,818
Social Services Block Grant	GJ160	93.667	7/1/10 - 3/31/11	2,481,095
Child Abuse and Neglect State Grants	GJ160	93.669	7/1/10 - 3/31/11	111,777
Chafee Foster Care Independence Program	GJ160	93.674	7/1/10 - 3/31/11	310,865
Medical Assistance Program	GJ160	93.778	7/1/10 - 3/31/11	107,653
				<u>19,217,432</u>
Corporation for National and Community Service pass through the Public Allies, Inc. – AmeriCorps	09NDHWI0010016	94.006	9/1/10 - 2/28/11	145,731
Total expenditures of federal awards				<u>19,390,581</u>
Grantor/Pass-Through/Program Title	Contract Number	State CSFA Number	Grant Period	State Expenditures
State Financial Assistance:				
State of Florida, Department of Children and Families – Community Based Care Supports	GJ160	60.094	7/1/10 - 3/31/11	14,644,602
Total expenditures of state financial assistance				<u>14,644,602</u>
Total expenditures of federal awards and state financial assistance				<u>\$ 34,035,183</u>

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

Family Services of Metro Orlando, Inc.

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal grant activity and state financial assistance project contracts of Family Services of Metro Orlando, 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 State, Local Governments, and Non-Profit Organizations*, and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Family Services of Metro Orlando, Inc. receives all of its federal awards through pass-through entities. There were no federal awards expended for non-cash assistance, insurance or any loans or loan guarantees outstanding at year-end.

Note 2. Subrecipients

Of the federal and state expenditures presented in the Schedule, Family Services provided federal awards and state financial assistance to subrecipients as follows:

Program Title	Federal CFDA #	Amount Provided to Subrecipients	State CSFA #	Amount Provided to Subrecipients
Promoting Safe and Stable Families	93.556	\$ 237,155		\$ -
Temporary Assistance for Needy Families	93.558	965,350		-
Foster Care - Title IV-E	93.658	2,578,803		-
Adoption Assistance	93.659	1,067,563		-
Social Services Block Grant	93.667	771,590		-
Community Based Care Supports		-	60.094	14,644,602
		\$ 5,620,461		\$ 14,644,602

**Independent Auditor's Report
on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors
Family Services of Metro Orlando, Inc.
Orlando, Florida

We have audited the financial statements of Family Services of Metro Orlando, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated December 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

Management of Family Services of Metro Orlando, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Family Services of Metro Orlando, 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 Family Services of Metro Orlando, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Family Services of Metro Orlando, Inc.'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 Family Services of Metro Orlando, 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*.

This report is intended solely for the information and use of the Board of Directors, management, the State of Florida Auditor General, 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.

McGladrey & Pullen, LLP

Orlando, Florida
December 15, 2011

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

To the Board of Directors
Family Services of Metro Orlando, Inc.
Orlando, Florida

Compliance

We have audited the compliance of Family Services of Metro Orlando, Inc. 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 Family Services of Metro Orlando, Inc.'s major federal programs and state financial assistance projects for the year ended June 30, 2011. Family Services of Metro Orlando, Inc.'s major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state financial assistance projects is the responsibility of Family Services of Metro Orlando, Inc.'s management. Our responsibility is to express an opinion on Family Services of Metro Orlando, 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 State of Florida Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about Family Services of Metro Orlando, 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 on Family Services of Metro Orlando, Inc.'s compliance with those requirements.

In our opinion, Family Services of Metro Orlando, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Family Services of Metro Orlando, 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 financial assistance projects. In planning and performing our audit, we considered Family Services of Metro Orlando, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program or state financial assistance project in order to determine our 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 Family Services of Metro Orlando, 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 or state financial assistance 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 financial assistance 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.

This report is intended solely for the information and use of the Board of Directors, management, the State of Florida Auditor General, 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.

McGladrey & Pullen, LLP

Orlando, Florida
December 15, 2011

Family Services of Metro Orlando, Inc.

Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance
Projects
Year Ended June 30, 2011

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards and State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Any audit findings disclosed that are required to be reported in accordance with 10.654(1)(h)(1)(f), *Rules of the Auditor General*? _____ Yes X No

(Continued)

Family Services of Metro Orlando, Inc.

**Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance
Projects (Continued)
Year Ended June 30, 2011**

I. Summary of Auditor's Results (Continued)

Identification of major programs:

Federal Awards:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.556	Promoting Safe and Stable Families
93.658	Foster Care – Title IV-E
93.658	ARRA – Foster Care – Title IV-E

Dollar threshold used to distinguish between
Type A and Type B Federal programs:

\$ 581,717

Auditee qualified as low-risk auditee?

X Yes No

State Financial Assistance:

<u>CSFA Number(s)</u>	<u>Name of State Project</u>
60.094	Community Based Care Supports

Dollar threshold used to distinguish between
Type A and Type B State projects:

\$ 439,338

II. Financial Statement Findings

No matters were reported.

III. Findings and Questioned Costs for Federal Awards and State Financial Assistance

No matters were reported.

IV. Other Issues

1. No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings related to federal awards and state financial assistance projects.
2. No Corrective Action Plan is presented because there were no findings required to be reported under the Federal Single Audit Act or the Florida Single Audit Act.
3. There was no management letter or control deficiency letter issued for the year ended June 30, 2011 and there were no findings required to be reported in these letters.