

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.

PANAMA CITY, FLORIDA

**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2011

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CERTIFIED PUBLIC ACCOUNTANT

Member:
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florida Panhandle Pediatric Foundation, Inc.
2814 West 15th Street, Suite 1
Panama City, Florida 32401

I have audited the accompanying statement of financial position of Florida Panhandle Pediatric Foundation, Inc. (FPPF), a nonprofit organization, as of June 30, 2011, and the related statements of activities, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements, referred to above, present fairly, in all material respects, the financial position of Florida Panhandle Pediatric Foundation, Inc. as of June 30, 2011, and the respective changes in its net assets and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 26, 2011, on my consideration of Florida Panhandle Pediatric Foundation, Inc.'s internal control over financial reporting and on my 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 my 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 my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Florida Panhandle Pediatric Foundation, Inc.'s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and by the State of Florida's Office of the Auditor General, General Rule 10.650, *Rules of the Auditor General*, and is not a required part of the basic financial statements of Florida Panhandle Pediatric Foundation, Inc.. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ralph A. Lee

Certified Public Accountant
Gulf Breeze, Florida
August 26, 2011

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**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
Florida Panhandle Pediatric Foundation, Inc.
2814 West 15th Street, Suite 1
Panama City, Florida

I have audited the financial statements of Florida Panhandle Pediatric Foundation, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued my report thereon dated August 26, 2011. I conducted my 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 my audit, I considered the Florida Panhandle Pediatric Foundation, Inc.'s internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Florida Panhandle Pediatric Foundation, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Florida Panhandle Pediatric Foundation, 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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Florida Panhandle Pediatric Foundation, Inc.'s financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Ralph A. Lee

Certified Public Accountant
Gulf Breeze, Florida
August 26, 2011

FINANCIAL STATEMENTS

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.

Panama City, Florida

STATEMENT OF FINANCIAL POSITION

June 30, 2011

| ASSETS | |
|---|----------------------|
| Current: | |
| Cash - unrestricted | \$ 202,393.02 |
| A/R - Florida DOH | 85,906.00 |
| A/R - Medicaid | 67,542.24 |
| A/R - Case Management | 36,117.03 |
| A/R - Third Party Insurance | 8,103.02 |
| Total current | 400,061.31 |
| Noncurrent: | |
| Capital Assets (net of depreciation) | 11,313.38 |
| Total noncurrent | 11,313.38 |
| Total Assets | \$ 411,374.69 |
| LIABILITIES | |
| Current: | |
| A/P - Vendors | 4,216.77 |
| - Payroll | 3,109.10 |
| Total current | 7,325.87 |
| Noncurrent: | |
| Compensated absences | 53,932.17 |
| Total Noncurrent | 53,932.17 |
| Total Liabilities | 61,258.04 |
| NET ASSETS | |
| Invested in Capital Assets (net) | 11,313.38 |
| Temp restricted net assets | 111.32 |
| Unrestricted net assets | 338,691.95 |
| Total Net Assets | 350,116.65 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 411,374.69 |

The notes to the financial statements are an integral part of this statement.

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.

Panama City, Florida

STATEMENT OF ACTIVITIES

For The Period Ended June 30, 2011

| <u>REVENUE</u> | |
|--------------------------|----------------------|
| Contract Grants: | |
| Florida DOH | \$ 588,366.00 |
| U.S. DOH | 208,392.00 |
| Noncontract | 326,636.00 |
| Medicaid | 952,864.70 |
| Case Management | 127,714.75 |
| Insurance - 3rd Party | 9,402.36 |
| Other | 8,500.48 |
| Interest | 402.06 |
| Total Revenue | <u>2,222,278.35</u> |
| <u>EXPENSES</u> | |
| Program Services: | |
| Primary Pediatric Care | 1,858,563.40 |
| Support Services: | |
| Management & General | <u>169,612.45</u> |
| Total Expenses | <u>2,028,175.85</u> |
| Change in Net Assets | 194,102.50 |
| Beginning Net Assets | <u>156,014.15</u> |
| Ending Net Assets | <u>\$ 350,116.65</u> |

The notes to the financial statements are an integral part of this statement.

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.

Panama City, Florida

STATEMENT OF CASH FLOWS

June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|----------------------|
| Net Income | <u>\$ 194,102.50</u> |
| Adjustments to Reconcile Change in Net Income to Net Cash Provided(Used) for Operating Activities: | |
| Depreciation | 3,771.10 |
| (Increase)decrease in Accounts Receivable | (83,447.39) |
| Increase(decrease) in Accounts Payable | (22,965.13) |
| Increase(decrease) in Accrued Expenses | <u>(36,632.32)</u> |
| Net Cash Provided by Operating Activities | <u>54,828.76</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|---|--------------------|
| Capital acquisitions (net) | <u>(20,673.78)</u> |
| Net Cash Provided by Financing Activities | <u>(20,673.78)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|--|-------------|
| Net Cash Provided by Investing Activities: | <u>0.00</u> |
|--|-------------|

Net Increase(decrease) in Cash 34,154.98

Cash - Beginning 168,238.04

Cash - June 30, 2011 \$ 202,393.02

The notes to the financial statements are an integral part of this statement.

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.

Panama City, Florida

STATEMENT OF FUNCTIONAL EXPENSES

Period ending June 30, 2011

| <u>FUNCTIONAL EXPENSES</u> | <u>Program Services</u> | <u>Support Services</u> | <u>Total Expenses</u> |
|----------------------------|-------------------------|-------------------------|------------------------|
| Payroll: | | | |
| Salaries | \$ 574,487.84 | \$ 101,380.20 | \$ 675,868.04 |
| Fringe Benefits | 163,479.54 | 28,849.32 | 192,328.86 |
| Payroll Taxes | 45,837.69 | 8,089.00 | 53,926.69 |
| Total Payroll | 783,805.07 | 138,318.52 | 922,123.59 |
| | | | |
| Other: | | | |
| Patient Services | 932,348.52 | | 932,348.52 |
| Advertising | | 895.51 | 895.51 |
| Accounting | | 400.00 | 400.00 |
| Custodial | 1,654.10 | 291.89 | 1,945.99 |
| Insurance | 7,816.51 | 1,379.38 | 9,195.89 |
| Maintenance Contracts | | 2,809.65 | 2,809.65 |
| Occupancy | 44,608.82 | 7,872.14 | 52,480.96 |
| Office Supplies | 17,111.59 | 3,019.69 | 20,131.28 |
| Professional Fees | 10,247.82 | 1,808.43 | 12,056.25 |
| Refunds | 8,019.75 | 1,415.25 | 9,435.00 |
| Telephone | 8,265.57 | 1,458.63 | 9,724.20 |
| Training | 614.00 | | 614.00 |
| Travel | 9,095.41 | | 9,095.41 |
| Utilities | 10,726.12 | 1,892.84 | 12,618.96 |
| Depreciation | | 3,771.10 | 3,771.10 |
| Other | 1,068.22 | 188.50 | 1,256.72 |
| Total Other | 1,074,758.33 | 31,293.93 | 1,106,052.26 |
| | | | |
| Total Expenses | \$ 1,858,563.40 | \$ 169,612.45 | \$ 2,028,175.85 |

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**Florida Panhandle Pediatric Foundation, Inc.
Panama City, Florida**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1: Summary of Significant Accounting Policies:

A. Reporting Entity

The Florida Panhandle Pediatric Foundation, Inc. (FPPF), located in Panama City, Florida, is a not-for-profit facility. FPPF provides comprehensive outpatient healthcare and medical services for indigent children in the local area. FPPF was incorporated under the laws of the State of Florida in 1992.

B. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Basis of Presentation – Fund Accounting

FPPF uses the accrual basis of accounting. Revenues and expenses are recognized using the economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when incurred.

D. Cash

Cash consists of demand deposits, and short term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

E. Receivables

Receivables past due over 90 days are considered delinquent. Management reviews outstanding receivables at year-end and writes off receivables it deems uncollectible.

F. Capital Assets

Capital assets purchased or acquired are recorded at actual cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs, incurred for repairs and maintenance, are expensed as incurred. Depreciation on capital assets is calculated using the straight-line method over the following estimated useful lives.

**Florida Panhandle Pediatric Foundation, Inc.
Panama City, Florida**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1: Summary of Significant Accounting Policies (cont'd):

G. *Grant Contract*

FPPF administers one contract with the State of Florida's Department of Health. Grant funding is provided through a State contract which includes both state and federal pass-through funds. This grant is subject to State program compliance monitoring.

H. *Third Party Reimbursements*

Physicians are paid for services provided on a fee-for-service basis. FPPF invoices third-parties, if it determines that such third-parties are responsible for payment for services that are provided to the patient.

NOTE 2: Compensated Absences

FPPF's personnel policy provides the following vacation and sick leave benefits for its employees:

Employees are granted vacation and sick leave benefits in varying amounts. Vacation time may be accumulated up to a total of 240 hours. Unused vacation leave time, up to the maximum of 240 hours, will be paid to employees upon separation. Sick leave may be accumulated with no limit. Sick leave will only be paid to employees upon separation that have more than ten (10) years of service at the time of separation. The total amount of accrued compensated absences for all employees is recorded as an expense and a payable in the financial statements.

NOTE 3: Retirement Plan

All FPPF employees are eligible to participate in a SEP retirement plan administered by the Guardian Insurance and Annuity Company, Inc. of New York, NY. FPPF contributes 10% of each employee's annual salary. Total cost for the plan for the year ended June 30, 2011 was \$66,277.11. Information about this plan can be obtained by writing to The Guardian Insurance and Annuity Co., Inc. at 7 Hanover Square, New York, NY 10004 or by calling 202-283-8811.

**Florida Panhandle Pediatric Foundation, Inc.
Panama City, Florida**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4: Risk Management

Florida Panhandle Pediatric Foundation, Inc. carries commercial insurance against all risks of loss, including property and general liability, auto, worker's compensation, fidelity, and public official's liability insurance.

NOTE 5: Contingencies

Florida Panhandle Pediatric Foundation, Inc is subject to possible monitoring examinations by Federal and State entities. Such examinations, when made, are used to determine compliance with terms, regulations, and conditions of state and federal awards as well as to determine compliance with applicable state laws. Violations, if they occur, could possibly impact FPPF financially.

SINGLE AUDIT SECTION

RALPH A. LEE
CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*, OF THE STATE OF FLORIDA

Board of Directors
Florida Panhandle Pediatric Foundation, Inc.
2814 West 15th Street, Suite 1
Panama City, Florida

Compliance

I have audited Florida Panhandle Pediatric Foundation, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Florida Panhandle Pediatric Foundation, Inc.'s major federal programs and major state projects for the year ended June 30, 2011. The Florida Panhandle Pediatric Foundation, Inc.'s major federal programs and major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and major state projects is the responsibility of the Florida Panhandle Pediatric Foundation, Inc.'s management. My responsibility is to express an opinion on Florida Panhandle Pediatric Foundation, Inc.'s compliance based on my audit.

I conducted my 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; and OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, of the State of Florida. Those standards and OMB Circular A-133 require that I 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 major project occurred. An audit includes examining, on a test basis, evidence about Florida Panhandle Pediatric Foundation, Inc.'s compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Florida Panhandle Pediatric Foundation, Inc.'s compliance with those requirements.

In my opinion, Florida Panhandle Pediatric Foundation, 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 major state projects for the year ended June 30, 2011.

Internal Control over Compliance

Management of Florida Panhandle Pediatric Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state projects and federal programs. In planning and performing my audit, I considered Florida Panhandle Pediatric Foundation, 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 to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Florida Panhandle Pediatric Foundation, 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 project on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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.

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

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

Ralph A. Lee

Certified Public Accountant
August 26, 2011

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.
Panama City, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS
June 30, 2011

Section I - Summary of Auditor's Results:

| | |
|---|---------------|
| Type of opinion expressed on the basic financial statements: | Unqualified |
| Significat deficiencies in internal control disclosed? | No |
| Instances of material noncompliance to the financial Statements disclosed? | No |
| Is a significant deficiency in internal control over a major State project reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Project and on Internal Control over Compliance in Accordance with Chapter 10.650, <i>Rules of the Auditor General</i> ? | None Reported |
| Type of opinion expressed on the auditor's report on compliance with requirements applicable to the major State Project: | Unqualified |
| My audit disclosed no findings required to be reported related to State Projects under Chapter 10.656. | |
| Identification of major projects tested include the following: | |
| State Project | Primary Care |
| State CFSA No. | 64.007 |
| Threshold for distinguishing Type A and Type B State projects: | \$ 176,510 |

Section II - Financial Statement Findings:

There were no financial statement findings for the period ended June 30, 2011.

Section III - Major State Projects - Findings and Questioned Costs:

There were no State Project Findings or Questioned Costs for the period ended June 30, 2011.

Section IV - Other Issues:

A. No Management Letter is required because there were no findings required to be reported in the management letter per AG Rule Section 10.656(3)(e).

B. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to State projects per AG Rule 10.656(3)(d)(6).

C. No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act per AG Rule 10.656(3)(d)(7).

SUPPLEMENTAL INFORMATION

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.

Panama City, Florida

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE PERIOD ENDED June 30, 2011

| Federal/State Agency Pass-through Entity Federal Program/State Project | CFDA CSFA No. | Contract/ Grant No. | Expenditures |
|---|------------------------------|------------------------------------|--------------------------|
| <u>Federal Agency:</u> | | | |
| U.S. Department of Health and Human Services | | | |
| Indirect Programs: | | | |
| Passed Through Florida Department of Health | | | |
| Child Health Services Block Grant | 93.997 | COQ | \$ <u>208,392</u> |
| Total Expenditure of Federal Awards | | | \$ <u><u>208,392</u></u> |
| <u>State Agency:</u> | | | |
| Florida Department of Health | | | |
| Direct Projects: | | | |
| Primary Care | 64.007 | COQ | \$ <u>588,366</u> |
| Total Expenditure of State Financial Assistance | | | \$ <u><u>588,366</u></u> |

Note 1:

The accompanying schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of Florida Panhandle Pediatric Foundation, Inc. and is presented on the full 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See auditor's report.

The accompanying notes are an integral part of this statement.