

**Financial Statements and  
Other Financial Information**

**FLORIDA UNITED METHODIST  
CHILDREN'S HOME, INC.**

**December 31, 2011**

**FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.**

**Financial Statements and Other Financial Information**

**December 31, 2011**

**(With Independent Auditors' Report Thereon)**

FLORIDA UNITED METHODIST CHILDREN’S HOME, INC.

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## **Independent Auditors' Report**

The Board of Trustees  
Florida United Methodist Children's Home, Inc.

We have audited the accompanying statement of financial position of Florida United Methodist Children's Home, Inc. as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Florida United Methodist Children's Home, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Florida United Methodist Children's Home, Inc. 2010 financial statements and, in our report dated February 24, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 Florida United Methodist Children's Home, Inc. at December 31, 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.

The financial statements include certain restated December 31, 2010 summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such restated information should be read in conjunction with the Home's financial statements for the year ended December 31, 2010 from which the restated summarized information was derived.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2011 on our consideration of the Home'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 audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Florida United Methodist Children's Home, Inc. taken as a whole. The accompanying Schedule of Governmental Financial Assistance for the year ended December 31, 2011 is presented for purposes of additional analysis or as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and Section 215.97 of the Florida Statutes of the Florida Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

*Schacter, Tscheng, Whitcomb, Mitchell & Shulman, LLP*

February 22, 2012

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Financial Position

December 31, 2011

(With summarized restated totals for December 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011	2010 Restated
<b>Assets:</b>					
Cash	\$ 2,085,796	736,459	-	2,822,255	2,959,501
Contributions and other receivables	1,211,797	1,419,350	186,688	2,817,835	2,379,467
Other assets	235,363	245,074	103,342	583,779	156,494
Interfund receivables (payables)	(282,278)	1,944,846	(1,662,568)	-	-
Land, buildings and equipment (note 2)	14,304,050	-	-	14,304,050	12,567,181
Investments (note 3)	10,944,467	723,533	16,700,994	28,368,994	30,859,389
Beneficial interest in permanent trusts	-	-	2,931,162	2,931,162	3,083,152
<b>Total assets</b>	<b>\$ 28,499,195</b>	<b>5,069,262</b>	<b>18,259,618</b>	<b>51,828,075</b>	<b>51,985,184</b>
<b>Liabilities:</b>					
Accounts payable	\$ 361,915	-	-	361,915	301,423
Accrued expenses	399,929	-	153,342	553,271	404,096
Annuity payment liability (note 5)	-	-	1,845,374	1,845,374	1,952,795
<b>Total liabilities</b>	<b>761,844</b>	<b>-</b>	<b>1,998,716</b>	<b>2,760,560</b>	<b>2,658,314</b>
<b>Net Assets:</b>					
<b>Unrestricted:</b>					
Available for operations	1,890,675	-	-	1,890,675	4,317,444
Board designated funds	11,542,626	-	-	11,542,626	11,829,381
Investment in property and equipment	14,304,050	-	-	14,304,050	12,567,181
<b>Total unrestricted</b>	<b>27,737,351</b>	<b>-</b>	<b>-</b>	<b>27,737,351</b>	<b>28,714,006</b>
<b>Temporarily restricted (note 6)</b>	<b>-</b>	<b>5,069,262</b>	<b>-</b>	<b>5,069,262</b>	<b>4,515,285</b>
<b>Permanently restricted as restated (notes 6 and 7)</b>	<b>-</b>	<b>-</b>	<b>16,260,902</b>	<b>16,260,902</b>	<b>16,097,579</b>
<b>Total net assets</b>	<b>27,737,351</b>	<b>5,069,262</b>	<b>16,260,902</b>	<b>49,067,515</b>	<b>49,326,870</b>
<b>Total liabilities and net assets</b>	<b>\$ 28,499,195</b>	<b>5,069,262</b>	<b>18,259,618</b>	<b>51,828,075</b>	<b>51,985,184</b>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Activities

Year Ended December 31, 2011

(With summarized restated totals for the year ended December 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011	2010 Restated
<b>Revenues and Support:</b>					
Contributions	\$ 6,999,658	1,325,303	391,283	8,716,244	7,969,153
Support payments	3,397,838	-	-	3,397,838	3,374,403
Child care center	616,354	-	-	616,354	623,914
Rental income	37,628	-	-	37,628	42,050
Interest and dividends	811,366	30,447	-	841,813	906,682
Net realized and unrealized gains (losses) on investments, net	(1,177,974)	(53,076)	-	(1,231,050)	2,296,026
Split-interest agreements	-	-	(227,959)	(227,959)	(52,192)
Miscellaneous income	(11,512)	-	-	(11,512)	(39,150)
Net assets released from restriction:					
Satisfaction of purpose restrictions	748,695	(748,695)	-	-	-
Total revenues and support	11,422,053	553,979	163,324	12,139,356	15,120,886
<b>Expenses:</b>					
Program, residential home care and scholarship	8,783,066	-	-	8,783,066	8,111,618
Child care center	847,328	-	-	847,328	787,191
Management and general	1,243,558	-	-	1,243,558	1,105,011
Financial development/public relations	1,524,759	-	-	1,524,759	1,384,027
Total expenses	12,398,711	-	-	12,398,711	11,387,847
Change in net assets	(976,658)	553,979	163,324	(259,355)	3,733,039
Net assets at beginning of year, as restated (note 7)	28,714,009	4,515,283	16,097,578	49,326,870	45,593,831
Net assets at end of year	\$ 27,737,351	5,069,262	16,260,902	49,067,515	49,326,870

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Functional Expenses

Year Ended December 31, 2011

(With summarized totals for the year ended December 31, 2010)

	Program Services				Management and General			Supporting Services		
	Program and Residential Care	Independent Living	Foster Care	Child Care Center	Total	General	Fundraising	Supporting	Total 2011	Total 2010
Salaries	\$ 3,437,421	279,251	461,418	543,907	4,721,997	746,730	608,381	1,355,111	6,077,108	5,814,960
Employee benefits	698,025	42,261	96,687	157,719	994,692	130,520	211,130	341,650	1,336,342	1,198,657
Payroll taxes	247,482	20,449	34,949	37,627	340,507	54,146	34,113	88,259	428,766	415,791
Total salaries and related expenses	4,382,928	341,961	593,054	739,253	6,057,196	931,396	853,624	1,785,020	7,842,216	7,429,408
Utilities	651,486	15,151	15,151	15,151	696,939	37,877	22,726	60,603	757,542	761,794
Materials, supplies and postage	295,757	16,225	49,482	18,582	380,046	30,308	289,398	319,906	699,952	627,780
Repairs and maintenance	496,927	17,130	11,600	712	526,369	46,503	61,211	107,714	634,083	516,603
Travel and related expenses	15,157	1,001	45,899	538	62,595	33,080	64,582	97,662	160,257	126,002
Insurance	121,240	2,820	2,820	2,820	129,700	7,049	4,229	11,278	140,978	167,528
Food	177,995	844	67	46,833	225,739	2,725	364	3,089	228,828	221,657
Professional fees	86,275	-	2,619	110	89,004	26,551	181,972	208,523	297,527	175,496
Education and training programs	80,724	2,526	-	915	84,165	4,621	998	5,619	89,784	67,156
Scholarship payments	-	204,883	-	-	204,883	-	-	-	204,883	122,467
Conferences and memberships	18,735	500	3,244	1,110	23,589	25,488	10,539	36,027	59,616	53,465
Special events	60,237	101,657	24,212	431	186,557	11,627	-	11,627	198,184	134,277
Real estate assessments	-	-	-	-	-	14,866	-	14,866	14,866	6,905
Community support	4,014	-	-	-	4,014	-	3,109	3,109	7,123	6,126
Recruitment	-	-	613	26	639	19,350	537	19,887	20,526	11,566
Total expenses before depreciation	6,391,495	704,698	748,761	826,481	8,671,435	1,191,441	1,493,489	2,684,930	11,356,365	10,428,230
Depreciation	896,418	20,847	20,847	20,847	958,959	52,117	31,270	83,387	1,042,346	959,617
Total expenses	\$ 7,287,913	725,545	769,608	847,328	9,630,394	1,243,558	1,524,759	2,768,317	12,398,711	11,387,847

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

**Statement of Cash Flows**

Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u> <u>Restated</u>
Cash flows from operating activities:		
Change in net assets	\$ (259,355)	3,733,039
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,042,346	959,617
(Gains) loss on investments	1,231,050	(1,904,751)
Gains (loss) on beneficial interest in permanent trusts	151,990	(391,275)
(Gains) loss on disposition of property and equipment	24,028	52,583
Cash provided by (used for) changes in:		
Contributions receivable	(438,368)	455,896
Other assets	(182,211)	(14,713)
Accounts payable and accrued expenses	209,667	141,226
Annuity payment liability	(107,421)	(18,976)
Net cash provided by operating activities	<u>1,671,726</u>	<u>3,012,646</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	64,312	50,225
Acquisition of land, buildings and equipment	(2,867,555)	(767,128)
(Purchase) sale of investments	994,271	(1,562,091)
Net cash used in investing activities	<u>(1,808,972)</u>	<u>(2,278,994)</u>
Net increase (decrease) in cash	(137,246)	733,652
Cash at beginning of year	<u>2,959,501</u>	<u>2,225,849</u>
Cash at end of year	<u>\$ 2,822,255</u>	<u>2,959,501</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

**Notes to Financial Statements**

December 31, 2011

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

(a) **Organization**

Florida United Methodist Children's Home, Inc. (the "Home") was incorporated in 1908 as a not-for-profit corporation. The purpose of the Home is to care for children who otherwise cannot be provided for. The Home is governed by a Board of Trustees which are Florida Methodist Church members or clergy. Nominations for membership come from the Board and are approved by the Florida Annual Conference of The United Methodist Church.

(b) **Contributions Receivable**

Contributions receivable represent monies due or pledged to the Home that were not collected as of December 31, 2011. Contributions receivable are stated at the amounts management expects to collect from outstanding balances. Management provides an allowance for doubtful accounts for any amounts considered to be uncollectible. As of December 31, 2011, no allowance for doubtful accounts has been provided.

(c) **Contributions**

The Home reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support. The majority of contributions originate either from United Methodist laity or from United Methodist churches in the State of Florida.

The Home reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Home reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(Continued)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

**Notes to Financial Statements**

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(d) **Land, Buildings, and Equipment**

Land, buildings, and equipment acquisitions are recorded at cost when purchased, or at fair market value at date of gift when donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed as incurred.

(e) **Basis of Accounting**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Home.

The financial statements are prepared on an entity wide basis, to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets – unrestricted, temporarily restricted or permanently restricted as follows:

**Unrestricted Net Assets**

Net assets not subject to donor-imposed stipulations. The Home reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

**Temporarily Restricted Net Assets**

Temporarily restricted amounts will become either unrestricted or permanently restricted when the conditions of the temporary restrictions are met. Temporarily restricted assets consist of amounts held in the designated fund for the construction or purchase of buildings or equipment and amounts held in the education scholarship fund which principal and income is used for the education of qualified candidates in the Home.

(Continued)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(e) **Basis of Accounting - Continued**

**Permanently Restricted Net Assets**

General endowment fund net assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. Annually, a portion of the income is approved by the Board for use in the Home's operations.

Annuity fund net assets represent resources contributed to the Home where specified amounts are to be paid to the donor while living. Any funds remaining at the death of the donor revert to the use of the Home, primarily being designated for transfer to the general endowment fund.

Education/endowment fund net assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income is available to provide college scholarships for former residents of the Home.

(f) **Income Taxes**

The Organization is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

At January 1, 2009, the Organization adopted new provisions of the Income Tax Topic of the ASC. These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2011, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

(Continued)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(g) **Donated Goods and Services**

Significant non-cash asset contributions are recorded at fair market value when received. No amounts have been recorded in the financial statements for contributed services. There is no objective basis for measuring the fair market value of services provided by volunteers to program or fund raising activities, and such services did not require specialized skills.

(h) **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

(i) **Cash and Cash Equivalents**

For purposes of cash flows, the Home considers highly liquid investments in demand deposit and money market accounts to be cash equivalents.

(j) **Concentrations of Credit and Market Risk**

The Home maintains its cash and cash equivalents in deposit and money market accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Home has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

The Home receives a large portion of its support by and through churches in the Florida Annual Conference of The United Methodist Church. That continued association and support is necessary for the Home to operate.

(k) **Functional Allocation of Expenses**

The costs of providing the various programs, fund-raising and other activities of the Home have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the activities benefited.

(Continued)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(l) **Use of Estimates**

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

(m) **Prior Year Comparative Data**

The financial statements include certain prior year summarized comparative information. This information has been presented in order to provide an understanding of changes in the Home's financial position and activities. The prior year information in the statement of activities is presented in total but not by net asset class and, as such, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In addition, certain amounts have been reclassified in order to conform with the current year's presentation.

(n) **Subsequent Events**

In preparing these financial statements, the Home has evaluated subsequent events and transactions for potential recognition and disclosure through February 22, 2012, which is the date the financial statements were available to be issued.

(2) **Land, Buildings and Equipment**

At December 31, 2011, land, buildings and equipment consist of the following:

Land	\$ 3,245,320
Land improvements	2,662,530
Buildings and improvements	19,192,315
Furniture, fixtures and equipment	6,878,177
Vehicles	1,783,962
Construction in progress	191,526
	<hr/>
	33,953,830
Less accumulated depreciation	(19,649,780)
	<hr/>
	\$ 14,304,050

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(3) Fair Value Measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value and expands disclosures about fair value measurements. These rules apply to all financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There is also a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

FASB ASC Topic 820 describes three levels of inputs used to measure fair value:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3: inputs that are unobservable (for example, cash flow modeling based on assumptions)

The Organization did not change its valuation techniques during the year.

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis as of December 31, 2011.

Level 1 Investments

Money market funds	\$ 953,528
Certificates of deposit	409,488
Equity securities	14,211,987
Government bonds	2,124,067
Mortgage-backed securities	4,946,056
Mutual funds	4,885,963
	<hr/>
	27,531,090
Level 3 Investments – alternative investments	<hr/>
	837,904
Total investments	<hr/>
	\$ 28,368,994

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(3) Fair Value Measurements - Continued

The following is a reconciliation of the Home's Level 3 instruments for the year ending December 31, 2011:

Fair value, beginning of year	\$ 1,112,588
Unrealized loss on investments	(19,994)
Investment expenses	(105)
Purchases of investments	-
Proceeds from sale of investments	(254,585)
	<u>\$ 837,904</u>

Investment advisory fee expense totaling \$205,393 for the year ended December 31, 2011 are included in net realized and unrealized losses on investments.

(4) Pension Plans

The Home has a defined contribution pension plan in effect for non-ministerial employees, which is presently being funded at ten percent of eligible employees' compensation. To be eligible, employees must have been employed for at least six months and be at least twenty-one years old. Vesting begins after one year of employment, with employees becoming fully vested upon completion of five years of service. The ministers are participating in a defined contribution plan and a deferred annuity program also administered by the General Board of Pensions of the United Methodist Church. Total pension expense for the year ended December 31, 2011 was approximately \$409,433 and \$42,625 for non-ministerial employees and ministers, respectively.

(5) Annuity Payment Liability

Contributions received by the Home under irrevocable split-interest agreements are recorded at their fair value when received. An annuity payment liability for charitable gift annuity contracts has been established equal to the present value of expected future payments to each annuitant as determined from contract payment schedules using current life expectancies. Contribution revenue is recognized for the difference between the fair value of the assets received and the liability incurred. Total net assets associated with split-interest agreements included within the annuity fund amount to approximately \$1,730,000 at December 31, 2011.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(6) **Restricted Assets**

Restricted assets of the Home consist of the following funds at December 31, 2011:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Designated Fund	\$ 4,420,903	-
Education Scholarship Fund	648,359	-
Annuity Fund	-	(32,679)
General Endowment Fund	-	14,452,784
Education Endowment Fund	-	1,840,797
	<u>\$ 5,069,262</u>	<u>16,260,902</u>

(7) **Restatement**

During the year ended December 31, 2011, management became aware of several permanent trusts that have existed for many years for the Home's benefit that were not included in the Home's financial statement.

Generally accepted accounting principles require beneficial interests of permanent trusts to be recorded as assets and contributions in the year contributed and the related interest and dividend income and unrealized gains and or losses each year. The Home did not record the asset, contribution or the unrealized income or loss in years prior to 2011.

The Statement Financial Position at December 31, 2010 has been restated to include the fair market value of the beneficial interests of permanent trusts which resulted in an increase in total assets and permanently restricted net assets of \$3,083,152. For the year ended December 31, 2010, the change in net assets increased \$391,275 to \$3,733,039 as a result of recording unrealized gain on investments for that year. Permanently restricted net assets at January 1, 2010 was increased by \$2,503,136 for activity prior to that date.

**Other Financial Information**

**FLORIDA UNITED METHODIST  
CHILDREN'S HOME, INC.**

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

**Schedule of Governmental Financial Assistance**

Year Ended December 31, 2011

<u>Federal Assistance</u>	<u>Identifying Number</u>	<u>Expenditures/ Revenue</u>
U.S. Department of Health and Human Services		
Passed through Florida Department of Children and Families (Residential Group Care and Foster Care Contracts)	93.658	\$ 650,762
	93.558	59,293
	93.667	355,030
	93.556	2,099
	93.958	14,614
U.S. Department of Health and Human Services		
Passed through Florida Department of Children and Families (Adoption, and Child Welfare Services Contracts)	93.659	48,318
	and 93.645	15,263
U.S. Department of Agriculture		
Passed through Florida Department of Education (National School Lunch Program):		
Breakfast	10.553	47,591
Lunch	10.555	37,571
Total Federal Assistance (Cash)		1,230,541
Passed through - State Department of Agriculture Non-cash Assistance (Commodities)	10.555	1,648
Total Federal Assistance (All)		<u>\$ 1,232,189</u>
<u>State Assistance</u>		
Florida Department of Children and Families Residential Group Care Program Services	60.074	\$ 1,001,620
Total State Assistance		<u>\$ 1,001,620</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

**Notes to the Schedule of Governmental Financial Assistance**

Year ended December 31, 2011

(1) **Basis of Presentation**

The accompanying Schedule of Governmental Financial Assistance presents the activity of all federal, state and local financial assistance and federal, state and local cost reimbursement contracts of Florida United Methodist Children's Home, Inc. Florida United Methodist Children's Home, Inc. receives federal and state awards indirectly through pass-through entities.

Federal program, state and local project expenditures included in the accompanying schedule are 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*, Section 215.97 of the Florida Statutes of the Florida Single Audit Act and Chapter 691-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, Schedule of Expenditures of State Financial Assistance.

(2) **Major Programs**

Major programs are identified in the Summary of Audit Results section of the Schedule of Findings and Questioned Costs.

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## **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**

To the Board of Trustees  
Florida United Methodist Children's Home, Inc.

We have audited the financial statements of Florida United Methodist Children's Home, Inc. as of and for the year ended December 31, 2011, and have issued our report thereon dated February 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Florida United Methodist Children's Home, 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 Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Home's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Florida United Methodist Children's Home, 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 audit committee, Board of Trustees, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Schaefer, Tschoy, Whitcomb, Mitchell & Shuidan, LLP*

February 22, 2012  
Altamonte Springs, Florida

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## **Independent Auditors' Report on Compliance with Requirements Applicable to Each Federal Major Program and Major State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Single Audit Act**

To the Board of Trustees  
Florida United Methodist Children's Home, Inc.

### **Compliance**

We have audited the compliance of Florida United Methodist Children's Home, Inc., with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and in the State of Florida *State Projects Compliance Supplement* that are applicable to its major federal program and major state project for the year ended December 31, 2011. Florida United Methodist Children's Home, Inc.'s major federal program and major state project are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program and major state project is the responsibility of Florida United Methodist Children's Home, Inc.'s management. Our responsibility is to express an opinion on 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 Section 215.97 of the Florida Statutes of the Florida Single Audit Act. Those standards, OMB Circular A-133 and the Florida Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Florida United Methodist Children's Home, 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 Florida United Methodist Children's Home, Inc.'s compliance with those requirements.

In our opinion, Florida United Methodist Children's Home, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program and major state project for the year ended December 31, 2011.

## Internal Control Over Compliance

The Management of Florida United Methodist Children's Home, Inc. 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 Florida United Methodist Children's Home, Inc.'s internal control over compliance with requirements that could have a direct material effect on a major federal program and state projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Florida United Methodist Children's Home, Inc.'s internal control over compliance.

A control deficiency in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 audit committee, Board of Trustees, management, others within the Organization, 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.

*Schaefer, Tschoyge, Whitcomb, Mitchell & Shuidan, LLP*

February 22, 2012  
Altamonte Springs, Florida

**Florida United Methodist Children's Home, Inc.**  
**Schednle of Findings and Questioned Costs**  
**Year Ended December 31, 2011**

**A. Summary of the Audit Results**

1. The Auditors' report expresses an unqualified opinion on the financial statements of Florida United Methodist Children's Home, Inc.
2. No significant deficiencies were disclosed during the audit of the financial statements and is reported in the 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.
3. No instances of noncompliance material to the financial statements of Florida United Methodist Children's Home, Inc. were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award program and the major state project were disclosed during the audit in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Federal Major Program and Major State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Single Audit Act.
5. The auditors' report on compliance for the major Federal award program and major State project for Florida United Methodist Children's Home, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major Federal award program for Florida United Methodist Children's Home, Inc.
7. The programs tested as a major federal program and as the major state project was the Federal Program CFDA #93.658 - Residential Group Care and Foster Care Contract, and the State Project CSFA #60.074 - Residential Group Care Program Services.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Auditee did qualify as a low-risk auditee.

(Continued)

**Florida United Methodist Children's Home, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2011**

**B. Financial Statement Findings**

1. No matters reported.

**C. Major Federal Award Findings and Questioned Costs**

1. No matters reported.

**D. Major State Project Findings and Questioned Costs**

1. No matters reported.

**E. Summary Schedule of Prior Audit Finding**

1. No Summary Schedule of Prior Audit Findings (see AG Rule 10.656(3)(d)(5)) is required because there are no prior audit findings related to federal programs or state projects.

**End of Schedule of Findings and Questioned Costs**