

**INSTITUTE FOR CHILD AND FAMILY
HEALTH, INC.**

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Institute for Child and Family Health, Inc.
Miami, Florida

PEDRO M. DE ARMAS, C.P.A.
ALEJANDRO M. TRUJILLO, C.P.A.
OCTAVIO A. VERDEJA, C.P.A.

ANDRES ALFONSO, C.P.A.
YESLIE CASTRO, C.P.A.
MARIA C. PEREZ-ABREU, C.P.A.
RICHARD F. PUERTO, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.
TAB VERDEJA, C.P.A.

We have audited the accompanying statement of financial position of Institute for Child and Family Health, Inc. (the "Institute"), a nonprofit organization, as of June 30, 2011, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Institute'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 amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 the Institute 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, on our consideration of the Institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 1, 2011

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,374,805
Accounts receivable (net of allowance for doubtful accounts of approximately \$65,000)	1,936,411
Grants receivables and other receivables	1,170,771
Prepaid expenses and other current assets	18,306
TOTAL CURRENT ASSETS	<u>6,500,293</u>

INVESTMENTS - restricted 735,039

PROPERTY AND EQUIPMENT, net of accumulated depreciation 1,225,384

OTHER ASSETS - security deposits 24,972

TOTAL ASSETS \$ 8,485,688

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 505,152
TOTAL CURRENT LIABILITIES/TOTAL LIABILITIES	<u>505,152</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Unrestricted	7,245,497
Temporarily restricted	485,039
Permanently restricted	250,000
TOTAL NET ASSETS	<u>7,980,536</u>

TOTAL LIABILITIES AND NET ASSETS \$ 8,485,688

The accompanying notes are an integral
part of these financial statements.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND OTHER INCOME				
Support:				
Federal, state, local and other grant contracts	\$ 8,945,087	\$ -	\$ -	\$ 8,945,087
Contributions	167,131	-	-	167,131
Total Support	9,112,218	-	-	9,112,218
Revenue:				
Medicaid	608,881	-	-	608,881
Managed care	8,718,972	-	-	8,718,972
Client fees for services	88,203	-	-	88,203
Total Revenue	9,416,056	-	-	9,416,056
Other income:				
Investment income, net	-	10,643	-	10,643
Net realized and unrealized gains on investments	-	54,366	-	54,366
Other income	6,703	-	-	6,703
Total Other Income	6,703	65,009	-	71,712
TOTAL SUPPORT, REVENUE, AND OTHER INCOME	18,534,977	65,009	-	18,599,986
OPERATING EXPENSES				
Program Services:				
Outpatient	6,574,281	-	-	6,574,281
Crisis Support Emergency	2,480	-	-	2,480
In-Home - On-Site	2,355,119	-	-	2,355,119
Prevention/Intervention	101,340	-	-	101,340
Prevention	188,799	-	-	188,799
Case management	899,951	-	-	899,951
Other programs	4,861,427	-	-	4,861,427
Total Program Services	14,983,397	-	-	14,983,397
Supporting Services:				
General and Administrative	2,767,456	-	-	2,767,456
Total Supporting Services	2,767,456	-	-	2,767,456
TOTAL OPERATING EXPENSES	17,750,853	-	-	17,750,853
CHANGE IN NET ASSETS	784,124	65,009	-	849,133
NET ASSETS - beginning of year, as restated by \$340,442	6,461,373	420,030	250,000	7,131,403
NET ASSETS - end of year	<u>\$ 7,245,497</u>	<u>\$ 485,039</u>	<u>\$ 250,000</u>	<u>\$ 7,980,536</u>

The accompanying notes are an integral part of these financial statements.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 849,133
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	90,256
Net realized/unrealized (gain) on investments	(54,366)
Changes in operating assets and liabilities:	
Accounts receivable	(600,495)
Grants receivable and other receivable	158,269
Prepaid expenses and other current assets	18,326
Accounts payable and accrued expenses	212,123
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>673,246</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(483,942)
Purchases of investments	<u>(10,643)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(494,585)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	178,661
CASH AND CASH EQUIVALENTS - beginning of year	<u>3,196,144</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 3,374,805</u></u>

The accompanying notes are an integral part of these financial statements.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Outpatient	Program Services							General and Administrative	Total Expenses
		Crisis Support/ Emergency	In-Home - On-Site	Prevention/ Intervention	Prevention	Case Management	Other Programs	Total Program Services		
PERSONNEL COSTS										
Salaries	\$ 4,766,280	\$ 1,346	\$ 1,593,140	\$ 74,085	\$ 167,145	\$ 711,021	\$ 3,371,140	\$ 10,684,157	\$ 1,889,149	\$ 12,573,306
Payroll taxes and fringe benefits	892,351	103	265,064	19,317	18,682	112,756	737,679	2,045,952	233,354	2,279,306
TOTAL PERSONNEL COSTS	5,658,631	1,449	1,858,204	93,402	185,827	823,777	4,108,819	12,730,109	2,122,503	14,852,612
OPERATING EXPENSES										
Building occupancy	332,356	473	302,553	3,894	-	44,857	180,624	864,757	131,043	995,800
Depreciation	54,421	-	-	-	-	-	-	54,421	35,835	90,256
Equipment lease costs	11,786	187	19,846	-	-	1,011	11,240	44,070	7,867	51,937
Insurance	56,207	-	72,227	1,551	2,972	17,134	77,978	228,069	66,911	294,980
Operating supplies and expenses	118,217	300	80,369	744	-	10,006	103,460	313,096	215,638	528,734
Professional services	75,653	71	9,813	-	-	297	58,427	144,261	134,936	279,197
Program supplies and expenses	161,516	-	8,705	239	-	258	134,585	305,303	14,880	320,183
Travel and transportation	105,494	-	3,402	1,510	-	2,611	186,294	299,311	37,843	337,154
TOTAL OPERATING EXPENSES	915,650	1,031	496,915	7,938	2,972	76,174	752,608	2,253,288	644,953	2,898,241
TOTAL EXPENSES	\$ 6,574,281	\$ 2,480	\$ 2,355,119	\$ 101,340	\$ 188,799	\$ 899,951	\$ 4,861,427	\$ 14,983,397	\$ 2,767,456	\$ 17,750,853

The accompanying notes are an integral part of these financial statements.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Institute for Child and Family Health, Inc. (the “Institute”) (formerly known as The Children’s Psychiatric Center, Inc.) was organized in 1959 as a not-for-profit organization under the laws of the State of Florida. The purpose of the Institute is to provide clinical services for emotionally disturbed children and their families within Miami-Dade County.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). In September 2009, the Financial Accounting Standards Board (“FASB”) implemented the Accounting Standards Codification (“ASC”) which establishes FASB ASC as the source of authoritative U.S. accounting and reporting standards for nongovernmental entities. Presented below is a summary of significant accounting principles followed in the preparation of the accompanying financial statements.

Basis of Presentation

The Institute reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

Unrestricted Net Assets – includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transactions (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted class.

Temporarily Restricted Net Assets – includes those net assets whose use by the Institute has been limited by donors to either later periods of time or after specified dates or specified purposes. At June 30, 2011, there was \$485,039 in temporarily restricted net assets.

Permanently Restricted Net Assets – are those net assets that must be maintained by the Institute in perpetuity. Permanently restricted net assets increase when the organization receives contributions for which donor-imposed restrictions limiting the organization’s use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the organization meeting certain requirements. At June 30, 2011, there was \$250,000 in permanently restricted net assets.

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 and disclosures in the financial statements. Actual results could differ from those estimates.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and investments with a maturity of three months or less when purchased. Cash and cash equivalents include \$3,374,805 at June 30, 2011.

Net Medicaid and Managed Care Revenue

Medicaid and managed care revenue is reported at the estimated net realizable amounts and is recognized in the period that services are provided.

Grants from Government Agencies

Grants from government agencies are recognized as revenue when the grant funds have been expended in accordance with the grant provisions.

Accounts Receivable

Accounts receivable are stated at the amount the Institute expects to collect. The Institute maintains allowances for doubtful accounts and for estimated losses resulting from the inability of its clients to make required payments. Management considers the following factors when determining the collectability of specific customer accounts; Customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the Institute clients were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Institute provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Institute has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments

Investments are reported at their fair values in the statement of financial position. Investment income, including realized and unrealized gains and losses, and interest and dividend income are included in the statement of activities as changes in unrestricted or temporarily restricted net assets. Market risk is inherent and is dependent on the future changes in market prices of the various investments held.

Property and Equipment

Property and equipment acquisitions in excess of \$500 are recorded at cost except for donated assets which are recorded at their estimated fair value at the date of donation. The costs of renewals and betterments are capitalized when the life of the property is materially extended. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets (3 to 39 years).

Expenses Allocation

The costs of providing various programs and other activities 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 programs and supporting services benefited.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Institute is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, The Institute qualifies for the charitable contribution deduction under Section 170 (b) (1) (A) and has been classified as an Institute other than a private foundation under Section 509 (a) (2).

The Institute adopted the provisions of an accounting standard, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with existing accounting guidance on income taxes, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interest and penalties on tax liabilities, if any, would be recorded as an expense in the statement of activities. No liability for unrecognized tax benefits was recorded as a result of implementing this standard.

Subsequent Events

The Institute has evaluated subsequent events through December 1, 2011, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments are restricted for an endowment fund and a capital campaign fund (see Notes 12 and 13).

Investments – restricted are stated at fair value and are summarized as follows as of June 30, 2011:

	Fair Value
Money market funds	\$ 513,426
Common stocks and exchange funds	126,243
Corporate bonds	95,370
	<u>\$ 735,039</u>

The components of total investment return for the year ended June 30, 2011 were as follows:

	2011
Interest and dividends, net of fees	\$ 10,643
Net realized and unrealized appreciation on investments reported at fair value	54,366
	<u>\$ 65,009</u>

Interest and dividends from investments is included in investment income in the accompanying statements of activities and changes in net assets.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 – FAIR VALUE MEASUREMENTS

The Institute adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority.

FASB ASC establishes a three-level valuation hierarchy for measurement and disclosure of fair value. The valuation hierarchy is based upon the transparency of inputs used to measure fair value. The three levels are as follows:

Level 1 – asset value is based on actual quoted prices in active markets for identical securities (mark-to-market).

Level 2 – other significant observable inputs are used to arrive at fair value (including yield, quality, coupon rate, maturity, issue type, quoted prices for similar securities, prepayment speeds, trading characteristics, etc.).

Level 3 – significant unobservable inputs (including management’s own assumptions in determining the fair value of investments).

The Institute uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Institute measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. As of June 30, 2011, the Institute had no investments valued using Level 2 or 3 inputs.

The following table represents the Institute’s investments reported at fair value as of June 30, 2011:

Assets	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Money market funds	\$ 513,426	\$ 513,426
Common stocks and exchange funds	126,243	126,243
Corporate bonds	95,370	95,370
Total	\$ 735,039	\$ 735,039

NOTE 4 – ACCOUNTS RECEIVABLE, GRANTS RECEIVABLE, AND OTHER RECEIVABLE

As of June 30, 2011, accounts receivable were \$1,936,411, net of an allowance for doubtful accounts of \$65,000. Grants and other receivable at June 30, 2011 were \$1,170,771. Management believes that all grants and other receivables are fully collectible as of June 30, 2011, and therefore, has not provided a related valuation allowance on these amounts.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – PROPERTY AND EQUIPMENT

At June 30, 2011, property and equipment consisted of the following:

Land	\$ 172,029
Building and leasehold improvements	678,918
Computers and equipment	1,164,089
Furniture and fixtures	124,903
	<u>2,139,939</u>
Less: accumulated depreciation	(914,555)
	<u>\$ 1,225,384</u>

Depreciation expense was \$90,256 for the year ended June 30, 2011.

NOTE 6 – OPERATING LEASES

The Institute is obligated under various operating leases expiring through 2016 related to operational facilities and office equipment. Future minimum lease payments required under these operating leases as of June 30, 2011 are as follows:

<u>Years Ending June 30,</u>	
2012	\$ 369,652
2013	219,874
2014	221,875
2015	224,058
2016	20,134
	<u>\$ 1,055,593</u>

Total rent expense charged to operations was \$443,772 for the year ended June 30, 2011.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – SUPPORT AND REVENUE

During the year ended June 30, 2011, the Institute received its primary funding support from not-for-profit agencies and government agencies, as follows:

Florida Department of Children and Families/South Florida Behavioral Network

Agreements have been entered into with the Florida Department of Children and Families for the funding of Outpatient, Crisis/Support Emergency, On-Site, Prevention-Intervention, Prevention, Case Management, and Non-ADM services for emotionally disturbed children, adolescents and their families. As of October 2010, all grant contracts were transferred from the Florida Department of Children and Families to South Florida Behavioral Network.

United Way

Funding is based on annual budgets prepared by the Institute and approved by the United Way.

Miami-Dade County

The Institute entered into agreements with Miami-Dade County for the funding of out-patient service programs.

Miami-Dade County School Board

The Institute entered into agreements with the Miami-Dade County School Board to provide educational tutoring and out-patient psychiatric services.

The Children's Trust

The Institute entered into agreements with the Children's Trust to provide out-patient prevention programs.

Florida Department of Juvenile Justice

The Institute entered into agreements with the Florida Department of Juvenile Justice for the funding of out-patient programs.

Florida Department of Education

The Institute entered into an agreement with the Florida Department of Education to provide all-aboard educational services.

Medicaid and Managed Care

The Institute entered into agreements with Medicaid and Managed Care agencies for the funding of covered services provided to persons enrolled in mental health care plans.

Healthy Start Coalition of Miami-Dade, Inc.

The Institute entered into an agreement with Healthy Start Coalition of Miami-Dade, Inc. to provide funding for educational and referral services to pregnant women, infants and children.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 – EMPLOYEE BENEFIT PLAN

The Institute maintains a defined contribution pension plan covering all employees who meet eligibility requirements. Contributions to the plan during the fiscal year ended June 30, 2011 were based on 5% of each participant’s compensation. For the year ended June 30, 2011, the amount of defined contribution expense was approximately \$345,000. The Institute also established a 403 (b) tax deferred annuity pension plan for the participants to make voluntary pre-tax contributions.

NOTE 9 – FUNDING/ECONOMIC DEPENDENCE

For the year ended June 30, 2011, 49% and 50% of the Institute’s total revenues were derived from billings to various governmental programs and managed care contracts, respectively. (See Note 7) A significant reduction in the government funding or managed care contracts, if this were to occur, may have an adverse effect on the Institute’s programs and activities.

NOTE 10 – LINE OF CREDIT

The Institute has available an unsecured line of credit of up to \$500,000 (the “Line”) with interest payable monthly at prime plus one-half percent and with each principal advance due 60 days after date of advance. The Line was renewed in April of 2010, with interest payable monthly at the bank’s prime rate and expires January 20, 2012. This line of credit is due and payable in full on demand. There were no borrowings under the line of credit at June 30, 2011.

NOTE 11 – RESTRICTED NET ASSETS

Temporarily restricted net assets are those net assets whose use by the Institute is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or otherwise removed by actions of the Institute pursuant to those stipulations. As of June 30, 2011, temporarily restricted assets consisted of \$485,039 held in investments for the Institute’s capital campaign. In addition, the Institute has an endowment of \$250,000, which is permanently restricted (See Note 12). Earnings on the endowment are available for use in the Institute’s capital campaign fund.

NOTE 12- ENDOWMENTS

Endowment net asset composition by type of fund as of June 30, 2011 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 485,039	\$ 250,000	\$ 735,039
Total Funds	\$ -	\$ 485,039	\$ 250,000	\$ 735,039

As indicated in Note 11, the Institute received a permanently restricted donation of \$250,000 which it has recorded as an endowment and are held in investments.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12- ENDOWMENTS (Continued)

Changes in endowment net assets for the year June 30, 2011 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 420,030	\$ 250,000	\$ 670,030
Investment Return:			
Interest and Dividends, net of fees	10,643	-	10,643
Net appreciation (realized and unrealized)	54,366	-	54,366
Total investment return	65,009	-	65,009
Appropriation of expenditures	-	-	-
Endowment net assets, end of year	<u>\$ 485,039</u>	<u>\$ 250,000</u>	<u>\$ 735,039</u>

As of June 30, 2011 there were permanently restricted endowments of \$250,000 held in investments as reflected in these financial statements.

NOTE 13 – CREDIT RISK

Credit risk with respect to governmental agency and program receivables is mitigated by the taxing authority of the governmental entity funding the programs. The Institute's investments in stocks and corporate bonds are subject to the usual risk of market fluctuations inherent in these types of investments.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During the current year, the Institute discovered an error in its recognition of revenue. Accordingly, the June 30, 2010 ending net assets have been restated and the effect of this restatement is as follows:

Statement of Financial Position as of June 30, 2010

Unrestricted Net Assets, as Previously Reported	\$ 6,801,815
Prior period adjustment	<u>(340,442)</u>
Unrestricted Net Assets, Restated	<u>\$ 6,461,373</u>
Total Net Assets, as Previously Reported	\$ 7,471,845
Prior period adjustment	<u>(340,442)</u>
Total Net Assets, Restated	<u>\$ 7,131,403</u>

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 15 – LITIGATION

In the normal course of conducting business, there were claims filed against the Institute as of June 30, 2011. Management has indicated that all claims have been properly accrued or insured for as of June 30, 2011.

SUPPLEMENTAL INFORMATION

PEDRO M. DE ARMAS, C.P.A.
ALEJANDRO M. TRUJILLO, C.P.A.
OCTAVIO A. VERDEJA, C.P.A.
ANDRES ALFONSO, C.P.A.
YESLIE CASTRO, C.P.A.
MARIA C. PEREZ-ABREU, C.P.A.
RICHARD F. PUERTO, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.
TAB VERDEJA, C.P.A.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors of
Institute for Child and Family Health, Inc.
Miami, Florida

We have audited the financial statements of Institute for Child and Family Health, Inc. (the "Institute") as of and for the year ended June 30, 2011 and have issued our report thereon dated December 1, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed 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 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650 Rules of the Auditor General of the State of Florida, and the schedules of state earnings, program/cost center actual expenses and revenues as required by the Florida Department of Children and Families (the "Department"), *Guide to Performance Contracting for Alcohol, Drug Abuse and Mental Health Services*, are presented for purposes of additional analysis and are 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 1, 2011

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
FOR THE YEAR ENDED JUNE 30, 2011**

	Substance Abuse and Mental Health Children's Substance Abuse and Mental Health							Total	
	Outpatient	Crisis Support/ Emergency	In-Home - On-Site	Prevention/ Intervention	Prevention	Case Management	Other Programs		Total Program Activities
Part I: Actual Funding Sources and Revenues									
IA. State SAMH Funding									
FL Comm MH contracts	\$ 145,637	\$ 165,000	\$ 407,056	\$ 125,689	\$ 224,999	\$ 41,178	\$ 3,559	\$ 1,113,118	\$ -
Other DCF contracts	474,333	-	474,333	-	474,333	-	-	1,422,999	-
DCAF District XI	619,970	165,000	881,389	125,689	224,999	515,511	3,559	2,536,117	-
IB. Non-State SAMH Funding									
Federal grants	157,495	-	68,424	-	-	84	-	251,720	-
Other state contracts	-	-	-	-	-	-	-	1,279,925	-
MDC DHS contracts	157,495	-	68,424	-	-	84	1,466,688	1,692,691	-
Total Other State and Local Funding									
IC. Other Revenues									
Local Government Contract net of MDC DHS Contracts	1,791,854	-	65,919	-	-	-	2,595,331	4,453,104	-
FL CMH Medicaid Fees	4,775,835	-	3,089,098	-	-	1,131,533	720	8,997,186	19,522
FL Case Management Medicaid Fees	-	-	-	-	-	58,873	-	58,873	-
United Way	-	-	-	-	-	-	481,751	32,190	513,941
Total Other Funding	6,567,689	-	3,155,017	-	-	1,190,406	3,077,802	13,990,914	51,712
ID. Public Support and Revenues									
Program service fees	(208,087)	-	(39,334)	-	-	(8,011)	64,420	(191,012)	279,320
Public support	1,404	-	-	-	-	-	95,000	96,404	72,131
Other revenue	6,022	-	-	-	-	-	-	6,022	65,160
Interest Income	-	-	-	-	-	-	13	13	514
Total All Other Revenues	(200,661)	-	(39,334)	-	-	(8,011)	159,433	(88,573)	417,125
Total Support and Revenue	7,144,493	165,000	4,065,496	125,689	224,999	1,697,990	4,707,482	18,131,149	468,837
Part II: Actual Operating Expenses									
IIA. Personnel Costs									
Salaries	4,766,280	1,346	1,593,140	74,085	167,145	711,021	3,371,140	10,684,157	1,889,149
Payroll taxes and fringe benefits	892,351	103	265,064	19,317	18,682	112,756	737,679	2,045,952	233,354
Total Personnel Costs	5,658,631	1,449	1,858,204	93,402	185,827	823,777	4,108,819	12,730,109	2,122,503
IIIB. Other Expenses									
Building occupancy	332,356	473	302,553	3,894	-	44,857	180,624	864,757	131,043
Depreciation	54,421	-	-	-	-	-	-	54,421	35,835
Equipment lease costs	11,786	187	19,846	-	-	1,011	11,240	44,070	7,867
Insurance	56,207	-	72,227	1,551	2,972	17,134	77,978	228,069	66,911
Operating supplies and expenses	118,217	300	80,369	744	-	10,006	103,460	313,096	215,638
Professional services	75,653	71	9,813	-	-	297	58,427	144,261	134,936
Program supplies and expenses	161,516	-	8,705	239	-	258	134,585	305,303	14,880
Provision for doubtful accounts	-	-	-	-	-	-	-	-	-
Travel and transportation	105,494	-	3,402	1,510	-	2,611	186,294	299,311	37,843
Total Other Expenses	915,650	1,031	496,915	7,938	2,972	76,174	752,608	2,253,288	644,953
TOTAL EXPENSES BEFORE ALLOCATION OF GENERAL AND ADMINISTRATIVE EXPENSES	6,574,281	2,480	2,355,119	101,340	188,799	899,951	4,861,427	14,983,397	2,767,456
ALLOCATION OF ADMINISTRATIVE AND GENERAL BASED ON SALARIES AND RELATED EXPENSES	1,241,280	458	434,994	18,717	34,871	166,222	897,913	2,767,456	(2,767,456)
Total Expenses	\$ 7,815,561	\$ 2,938	\$ 2,790,113	\$ 120,057	\$ 223,670	\$ 1,066,173	\$ 5,759,340	\$ 17,750,853	\$ -
Supplemental Disclosure:									
Federal and state unallowable costs	\$ 55,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,997	\$ -

See Independent Auditors' Report on Supplemental Information.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
 SCHEDULE OF STATE EARNINGS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>KH225-33</u>	<u>KH225-61</u>
1. Total Expenditures	\$ 17,750,853	\$ 17,750,853
2. Less other State and Federal Funds	(1,531,645)	(1,531,645)
3. Less Non-Match ADM Funds	(686,756)	(1,447,000)
4. Less Unallowable Costs, per 65E-14, F.A.C.	(55,997)	55,997
5. Less Unallowable Patient Fees	<u>-</u>	<u>-</u>
6. Total Allowable Expenditures (Sum of lines 1,2,3,4 and 5)	15,476,455	14,828,205
7. Maximum Available Earnings (Line 6 times 75%)	11,607,341	11,121,154
8. Less Amount of Funds Requiring Match	<u>(452,308)</u>	<u>-</u>
9. Amount Due to Department, if negative (Subtract line 8 from line 7)	<u>\$ 11,155,033</u>	<u>\$ 11,121,154</u>

See Independent Auditors' Report
 on Supplemental Information.

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/State Agency Pass-Through Grantor Program Title	CFDA/ CSFA Number	Grant/Contract Number	Expenditures	Transfer to Subrecipients
FEDERAL AWARDS				
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Services	93.243	1H79T1022695-01	\$ 161,046	\$ -
<i>Pass-through South Florida Behavioral Health Network</i>				
Community Mental Health Services	93.104	KH 182 & KH225-33	54,309	-
Community Mental Health Services	93.958	KH 182 & KH225-33	539,417	-
Substance Abuse Prevention and Treatment	93.959	KH 182 & KH225-33	129,191	-
The Children Health Insurance Program	93.767	KH 183 & KH225-61	1,423,000	-
Total South Florida Behavioral Health Network			<u>2,145,917</u>	<u>-</u>
<i>Pass-through Healthy Start Coalition of Miami-Dade, Inc.</i>				
Medical Assistance Program	93.778	HSICF	82,475	-
Maternal and Child Health Services	93.944	HSICF	20,608	-
Total Healthy Start Coalition of Miami-Dade, Inc.			<u>103,083</u>	<u>-</u>
U.S. Department of Education				
<i>Pass-through School Board of Miami-Dade County</i>				
Special Education	84.027	9000031828	56,592	-
Total Expenditures of Federal Awards			<u>\$ 2,466,638</u>	<u>\$ -</u>
STATE FINANCIAL ASSISTANCE				
Florida Department of Children and Families				
<i>Pass-through South Florida Behavioral Health Network</i>				
Children's Mental Health - Community Support	60.055	KH 182 & KH225-33	\$ 188,980	\$ -
Children's Substance Abuse - Treatment & Aftercare	60.102	KH 182 & KH225-33	224,999	-
Total South Florida Behavioral Health Network			<u>413,979</u>	<u>-</u>
Florida Department of Juvenile Justice				
<i>Pass-through Evidence Based Associates</i>				
Conditional Release Services and Contracted Intensive Probation	80.011	FFT Redirections	354,488	-
Conditional Release Services and Contracted Intensive Probation	80.011	MST	496,096	-
Total Evidence Based Associates			<u>850,584</u>	<u>-</u>
Total State Financial Assistance			<u>\$ 1,264,563</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 3,731,201</u>	<u>\$ -</u>

See Independent Auditors' Report
on Supplemental Information.

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO THE SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

1. General

The accompanying Schedule of Federal Awards and State Financial Assistance (the “Schedule”) presents the activity of all federal and state award programs of Institute for Child and Family Health, Inc. for the year ended June 30, 2011. All federal and state awards received directly from federal and state agencies, as well as federal and state awards received from other government agencies are included in the Schedules. The information in these schedules is in accordance with U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government, and Non-Profit Organizations and Chapter 10.650, Rules of the Auditor General.

2. Basis of Accounting

The accompanying Schedule is presented on the accrual basis of accounting.

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

Board of Directors of
Institute for Child and Family Health, Inc.
Miami, Florida

We have audited the financial statements of Institute for Child and Family Health, Inc. (the "Institute") a nonprofit organization, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency MW-2011-1 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Institute in a separate letter dated December 1, 2011.

The Institute's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Institute's response and, accordingly, we express no opinion on it.

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 1, 2011

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

To the Board of Directors of
Institute for Child and Family Health, Inc.
Miami, Florida

Compliance

We have audited Institute for Child and Family Health, Inc.'s (the "Institute"), a nonprofit organization, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2011. The Institute's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General of the State of Florida*, 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 the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Institute's compliance with those requirements.

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

Internal Control Over Compliance

The management of the Institute 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 the Institute's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project 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 the Institute's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of 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 audit committee, management, board of directors, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 1, 2011

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2011**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

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

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

Name Federal Program or Cluster	CFDA Number	Expenditures
The Children Health Insurance Program	93.767	\$ 1,423,000
Community Mental Health Services	93.958	\$ 539,417

Dollar threshold used to distinguish between type A and type B programs. \$ 300,000

Auditee qualified as low-risk auditee? yes X no

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2011**

SECTION I - SUMMARY OF AUDITOR’S RESULTS (Continued)

State Financial Assistance

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

Unqualified

Internal control over major projects:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650 "Rules of the Auditor General?"

yes no

Identification of major projects:

Name of State Project or Cluster	CSFA Number	Expenditures
Conditional Release Services and Contracted Intensive Probation	80.011	\$ 850,584

Dollar threshold used to distinguish between type A and type B projects.

\$ 300,000

Auditee qualified as low-risk auditee?

N/A

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS

MW 2011-1 RECORDING OF TRANSACTIONS

Criteria

In order to produce meaningful monthly and annual financial reports, the Institute must record all monthly and year-end adjustments on a timely basis. This will assist management in budgeting and forecasting, and most importantly, in interpreting the results of operations.

Condition

Audit adjustments were proposed for various accounts including accounts receivable, net assets, and grant revenues.

Effect

Interim and year-end financial statements utilized by management may not be materially accurate.

Recommendation

Although year-end financial statements have been properly adjusted, management should establish more effective controls over the review and reconciliation of financial information to ensure all accounts are recorded correctly.

Management Response

Management has invested in new accounting software to better track receivables and changes have been made to correct monthly closing process.

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS

The audit disclosed no matters that are reportable.

SECTION IV - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

The audit disclosed no matters that are reportable.

SECTION V - OTHER ISSUES

1. A management letter was issued and reported to management in a separate letter dated December 1, 2011.
2. A Summary Schedule of Prior Audit Findings was required and included on page 28.
3. No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

FINDING	DESCRIPTION OF FINDING	STATUS
2010-1 Recording of transactions	Audit adjustments were proposed for various accounts including accounts receivable, accrued expenses, net assets, grant revenues, discount and allowances, and expenses.	Corrective action taken with respect to certain accounts. See current year material weakness finding, MW-2011-1.
2010-2 Grant receivables and grant revenues	Year-end adjustments were proposed and posted to certain grant receivables and grant revenues due to overstatement or understatement of these accounts.	Corrective action taken.