

JUVENILE SERVICES PROGRAM, INC.

Independent Auditor's Report  
and  
Audited Financial Statements

June 30, 2011

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
<b>AUDITED FINANCIAL STATEMENTS</b>	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	8
<b>SUPPLEMENTARY FINANCIAL INFORMATION</b>	
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	15
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	16
<b>REPORT IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	17
<b>REPORT IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL</b>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAMS AND STATE PROJECTS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL	18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS AND FEDERAL AWARDS	20

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Juvenile Services Program, Inc.  
Clearwater, Florida

We have audited the accompanying statement of financial position of Juvenile Services Program, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Juvenile Services Program, Inc.'s 2010 financial statements and, in our report dated May 9, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Juvenile Services Program, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 20, 2012, on our consideration of Juvenile Services Program, Inc.'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 Juvenile Services Program, Inc. taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and 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 basic financial statements taken as a whole.

*Wells, Houser & Schatzel, P.A.*

February 20, 2012

JUVENILE SERVICES PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 (with comparative totals for 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ -	\$ 42,516
Due from funding agencies	203,392	158,546
Inventory	15,268	14,596
Prepaid expenses	51,859	55,017
	<u>270,519</u>	<u>270,675</u>
PROPERTY AND EQUIPMENT	1,582,343	1,570,232
Less accumulated depreciation	455,477	416,657
	<u>1,126,866</u>	<u>1,153,575</u>
OTHER ASSETS	<u>34,735</u>	<u>35,210</u>
TOTAL ASSETS	<u>\$ 1,432,120</u>	<u>\$ 1,459,460</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 75,000	\$ 75,000
Note payable	27,153	28,979
Accounts payable	75,289	40,466
Accrued payroll and related liabilities	50,774	41,038
Accumulated employee vacation pay	34,406	24,929
Current portion of long-term debt	33,369	35,471
Current portion of obligations under capital lease	-	19,749
	<u>295,991</u>	<u>265,632</u>
LONG-TERM DEBT		
Less current portion	688,398	720,855
DUE TO RELATED PARTY	<u>180,793</u>	<u>129,620</u>
TOTAL LIABILITIES	1,165,182	1,116,107
NET ASSETS		
Unrestricted net assets	<u>266,938</u>	<u>343,353</u>
TOTAL NET ASSETS	<u>266,938</u>	<u>343,353</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,432,120</u>	<u>\$ 1,459,460</u>

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

JUVENILE SERVICES PROGRAM, INC.

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2011 (with comparative totals for 2010)

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
SUPPORT		
Grants and subsidies from governmental and other agencies		
Intensive Delinquency Diversion Services	\$ 410,711	\$ 392,220
Residential Facility	872,301	799,715
Juvenile Assessment and Detention Centers	451,195	441,776
Delinquency Prevention	91,872	64,728
Contributions	66,030	12,610
Contributions in-kind	41,605	63,484
Other income	8,661	-
	<u>1,942,375</u>	<u>1,774,533</u>
TOTAL UNRESTRICTED SUPPORT		
EXPENSES		
Program services	1,862,472	1,630,127
Supporting services	156,318	169,073
	<u>2,018,790</u>	<u>1,799,200</u>
TOTAL EXPENSES		
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(76,415)	(24,667)
TEMPORARILY RESTRICTED NET ASSETS	<u>-</u>	<u>-</u>
PERMANENTLY RESTRICTED NET ASSETS	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	(76,415)	(24,667)
NET ASSETS AT BEGINNING OF YEAR	<u>343,353</u>	<u>368,020</u>
NET ASSETS AT END OF YEAR	<u>\$ 266,938</u>	<u>\$ 343,353</u>

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

JUVENILE SERVICES PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2011 (with comparative totals for 2010)

	Program Services			
	Intensive Delinquency Diversion Services	Residential Facility	Juvenile Assessment Centers	Delinquency Prevention
Salaries	\$ 244,483	\$ 515,255	\$ 323,859	\$ 66,322
Employee benefits	6,810	8,533	8,164	-
Payroll taxes and worker's compensation insurance	23,733	47,831	32,159	6,921
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>275,026</b>	<b>571,619</b>	<b>364,182</b>	<b>73,243</b>
Travel expenses	36,730	11,192	4,707	2,126
Operating and office supplies	3,384	16,656	13,876	4,600
Occupancy	14,416	91,029	1,508	23
Telephone	2,846	16,288	2,344	-
Contractual services	9,986	10,566	14,466	2,416
Employee education and training	126	965	227	-
Equipment maintenance and rental	5,609	28,462	3,433	390
Client service costs	45	111,664	4,754	12
Corporate expenses	-	-	-	-
Insurance	11,761	2,311	16,284	3,512
Interest	-	55,696	-	-
<b>TOTAL BEFORE DEPRECIATION</b>	<b>359,929</b>	<b>916,448</b>	<b>425,781</b>	<b>86,322</b>
Depreciation expense	8,069	65,923	-	-
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 367,998</b>	<b>\$ 982,371</b>	<b>\$ 425,781</b>	<b>\$ 86,322</b>

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

Supporting Services				Totals	
Total	Management and General	Fundraising	Total	2011	2010
\$ 1,149,919	\$ 81,128	\$ -	\$ 81,128	\$ 1,231,047	\$ 1,090,654
23,507	1,658	-	1,658	25,165	43,512
110,644	7,806	-	7,806	118,450	99,644
1,284,070	90,592	-	90,592	1,374,662	1,233,810
54,755	3,863	-	3,863	58,618	47,235
38,516	2,717	480	3,197	41,713	40,609
106,976	1,316	-	1,316	108,292	91,562
21,478	1,514	-	1,514	22,992	18,712
37,434	46,356	-	46,356	83,790	32,097
1,318	94	-	94	1,412	1,132
37,894	2,673	-	2,673	40,567	35,813
116,475	-	-	-	116,475	108,203
-	1,755	-	1,755	1,755	8,981
33,868	2,729	1,200	3,929	37,797	50,679
55,696	397	-	397	56,093	59,030
1,788,480	154,006	1,680	155,686	1,944,166	1,727,863
73,992	632	-	632	74,624	71,337
<u>\$ 1,862,472</u>	<u>\$ 154,638</u>	<u>\$ 1,680</u>	<u>\$ 156,318</u>	<u>\$ 2,018,790</u>	<u>\$ 1,799,200</u>

JUVENILE SERVICES PROGRAM, INC.

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2011 (with comparative totals for 2010)

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from funding agencies	\$ 1,781,233	\$ 1,661,760
Cash received from contributions	66,030	12,610
Cash received from other sources	8,661	-
Cash paid to employees and suppliers	(1,789,471)	(1,588,031)
Interest paid	<u>(56,093)</u>	<u>(59,030)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	10,360	27,309
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipment acquisitions	<u>(47,915)</u>	<u>(97,752)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	(47,915)	(97,752)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New borrowings		
Short-term borrowings	-	5,575
Long-term borrowings	-	24,425
Long-term borrowings - related party	51,173	129,620
Debt reduction		
Short-term borrowings	(1,826)	(304)
Long-term debt	(34,559)	(38,968)
Repayment of capital lease obligations	<u>(19,749)</u>	<u>(23,200)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(4,961)</u>	<u>97,148</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(42,516)	26,705
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>42,516</u>	<u>15,811</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 42,516</u>



	<u>2011</u>	<u>2010</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (76,415)	\$ (24,667)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	74,624	71,337
Amortization	1,279	1,279
(Increase) decrease in operating assets		
Due from funding agencies	(44,846)	(36,679)
Inventory	(672)	(498)
Prepaid expenses	3,158	4,077
Other assets	(804)	(12,515)
Increase (decrease) in operating liabilities		
Accounts payable	34,823	32,335
Accrued payroll and related liabilities	9,736	2,435
Accumulated employee vacation pay	9,477	(9,795)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 10,360</u>	<u>\$ 27,309</u>

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

JUVENILE SERVICES PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 (with comparative information for 2010)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Purpose of Organization: Juvenile Services Program, Inc. (the Organization) (a Florida non-profit corporation) provides various social services for youths. These services, which are provided in various counties throughout the State of Florida, include: intensive delinquent diversion services, delinquency prevention, juvenile assessment center screening, and an emergency shelter facility for boys known as Harbinger House.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. State and local government and public grants are recorded as support when performance occurs pursuant to the contract agreement. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Codification Section 958-205 - *Not-for Profit Entities – Presentation of Financial Statements*. Under FASB Codification Section 958-205, Juvenile Services Program, Inc. is required to report 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.

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized in the Statement of Activities. Salaries and other expenses, which are associated with a specific program, are charged directly to that program. Salaries and other expenses, which benefit more than one program, are allocated to the various programs based on the relative benefit provided. Administrative expenses are allocated to the various programs based on each program's salary expense.

Cash Equivalents: For purposes of financial statement presentation, the Organization considers highly liquid investments, with original maturities of three months or less, to be cash equivalents.

Inventory – The inventory of supplies is stated at acquisition cost.

Contributions: Juvenile Services Program, Inc. accounts for contributions in accordance with Financial Accounting Standards Board Codification Section 958-605 – *Not-for Profit Entities – Revenue Recognition*. In accordance with FASB Codification Section 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization accounts for restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

In accordance with FASB Codification Section 958-605, unconditional promises to give are recognized as revenues in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Uncollectible Accounts Receivable: Accounts receivable reflects only the amount that management believes to be collectible. Any accounts receivable that have been recorded and later have been determined uncollectible are charged to income in the period that the determination is made.

Property and Equipment: Juvenile Services Program, Inc. capitalizes property and equipment purchases in excess of \$500 with a useful life greater than one year. Property and equipment are stated at cost, or estimated fair market value if donated, less accumulated depreciation. Depreciation is determined using the straight-line method based on the estimated useful lives of the assets ranging 5 to 30 years.

Donated Services: There are individuals who volunteer their time and perform a variety of tasks that assist the Organization in meeting its objectives. No amounts have been reflected in the financial statements for these donated services. The Organization generally pays for services requiring specific expertise.

JUVENILE SERVICES PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 (with comparative information for 2010)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Other in-kind donations are reflected in the financial statements at their estimated values at date of receipt.

Concentration of Grants: The Organization is supported primarily through grants, service provider contracts, and donor contributions. Approximately 37% and 41% of the Organization's support for the years ended June 30, 2011 and 2010, respectively, came from contracts with the Department of Juvenile Justice.

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.

Fair Value Measurements: Juvenile Services Program, Inc. has adopted Financial Accounting Standards Board Codification Section 820 – *Fair Value Measurements and Disclosures*. FASB Codification Section 820 requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

The carrying amount reported in the statement of financial position for cash and cash equivalents, due from funding agencies, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

Summarized Comparative Prior Year Information: The financial statements include certain prior year summarized comparative information that is presented in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

**NOTE 2 - TAX STATUS**

The Organization is exempt from Federal Income Taxes under Section 501(c)(3). It has been determined to be an organization which is not a private foundation, and cash contributions to it are qualified for the charitable contributions deduction. Similarly, the Organization is exempt from State Income Taxes under Chapter 200.13 of the Florida Statutes.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 183,900	\$ 183,900
Buildings and improvements	1,191,021	1,167,727
Vehicles	5,075	24,189
Furniture and equipment	<u>202,347</u>	<u>194,416</u>
	<u>\$1,582,343</u>	<u>\$1,570,232</u>

JUVENILE SERVICES PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 (with comparative information for 2010)

**NOTE 4 – OTHER ASSETS**

Other assets consist of the following

	<u>2011</u>	<u>2010</u>
Loan costs	\$ 25,587	\$ 25,587
Less: accumulated amortization – 20 year period	(9,168)	(7,889)
Refundable deposits	<u>18,316</u>	<u>17,512</u>
	<u>\$ 34,735</u>	<u>\$ 35,210</u>

**NOTE 5 - ACCUMULATED EMPLOYEE VACATION PAY**

The Organization has a policy whereby employees are entitled to receive payment for accumulated unused vacation time upon termination of employment. Accordingly, a liability has been recorded for this obligation as of June 30, 2011 and 2010 in the amount of \$34,406 and \$24,929, respectively. The increase in this liability for June 30, 2011 and 2010 in the amount of \$9,477 and \$9,795, respectively, have been reported as an adjustment to salary expense.

**NOTE 6 – DUE FROM FUNDING AGENCIES**

Management of the Organization believes that the amounts due from funding agencies are fully collectible; therefore, a provision for uncollectible accounts has not been established. The amounts due from funding agencies for the performance of contract services are as follows:

<u>Agency</u>	<u>Program</u>	<u>2011</u>	<u>2010</u>
Florida Department of Juvenile Justice Judicial Circuit 15	Intensive Delinquency Diversion Services	\$ 34,118	\$ 34,118
Detention Screening Services	Juvenile Assessment Center	17,883	17,883
Alternative Services for Girls	Delinquency Prevention	-	15,660
Manatee County	Juvenile Assessment Center	19,181	19,470
Sarasota Family YMCA, Inc.	Residential Facility	11,790	180
Hillsborough Kids, Inc.	Residential Facility	8,225	4,455
Eckerd Community Alternatives	Residential Facility	71,550	65,880
Child and Family Connections	Residential Facility	26,280	-
Family Support Services of N. FL	Residential Facility	2,700	-
Heartland for Children	Residential Facility	1,980	-
Children's Network of SW FL	Residential Facility	2,700	-
Central Florida	Residential Facility	5,315	-
Big Bend Community Based Care	Residential Facility	1,670	-
United For Families	Residential Facility	-	900
		<u>\$ 203,392</u>	<u>\$ 158,546</u>

These amounts are unsecured and represent concentrations of credit risk in the event that any of the agencies were unable to remit the amounts due to the Organization.

JUVENILE SERVICES PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 (with comparative information for 2010)

**NOTE 7 - NOTES PAYABLE AND LONG-TERM DEBT**

	<u>2011</u>	<u>2010</u>
Note Payable:		
Financed insurance premiums payable in monthly note installments: as of June 30, 2011, - \$27,153 - 10 principal and interest payments of \$2,824 at a rate of 7.84% with final payment due April 30, 2012. As of June 30, 2010, - \$28,979 - 10 principal and interest payments of \$2,898 at a rate of 7.84% with final payment due April 30, 2011.	<u>\$ 27,153</u>	<u>\$ 28,979</u>
Line of Credit:		
The Organization has entered into a line of credit agreement with a lending institution that provides for a total availability of funds of \$100,000; interest is payable monthly and accrues at the Wall Street Journal Prime Rate plus 1% as adjusted monthly; the line of credit is unsecured and does not have a stated maturity date. Management considers the initial \$75,000 of the borrowing to be a current obligation and that the remaining \$25,000 represents a long-term obligation as the intent is to not repay this portion within a one year period; total borrowings against the line of credit as of June 30 are:	\$ 99,425	\$ 99,425
Long-term Debt:		
Mortgage note payable in the original amount of \$875,000, due in monthly installments of \$7,108 including principal and interest at the rate of 7.5% per annum; maturity date April 26, 2024; secured by real property (emergency shelter - New Port Richey).	697,342	728,310
Note payable in the original amount of \$45,660, due in monthly installments of \$912, including principal and interest at the rate of 7.25% per annum; maturity date September 30, 2010; unsecured.	<u>-</u>	<u>3,591</u>
	796,767	831,326
Less current portion (line of credit - \$75,000 - 2011, \$75,000 - 2010)	<u>108,369</u>	<u>110,471</u>
	<u>\$ 688,398</u>	<u>\$ 720,855</u>

Maturities of long-term debt as of June 30, 2011 are as follows:

June 30, 2012	\$ 108,369
2013	44,140
2014	46,977
2015	50,038
2016	45,197
Thereafter	<u>502,046</u>
	<u>\$ 796,767</u>

JUVENILE SERVICES PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 (with comparative information for 2010)

**NOTE 8 - OPERATING LEASE COMMITMENTS**

The Organization has several lease agreements in effect that are for terms of less than one year. The Organization also had an office equipment lease and vehicle lease with original commitments in excess of one year. Rental expense for the years ended June 30, 2011 and 2010 was \$38,235 and \$39,809, respectively. Future commitments for the remaining vehicle lease are as follows:

June 30, 2012	\$ 8,579
June 30, 2013	8,579
June 30, 2014	8,579
June 30, 2015	715
	<u>\$ 26,452</u>

The lease is cancelable in the event the funding source discontinues the program. The lease is not subject to escalation provisions. Various lease agreements are subject to informal renewal options.

**NOTE 9 - SOURCES OF FUNDING**

Funding received by the Organization for the years ended June 30, 2011 and 2010 by program category is listed below. The Organization's programs are funded primarily by the Florida Department of Juvenile Justice (DJJ), Manatee County, Eckerd Community Alternatives, Sarasota Family YMCA, Inc. and Child and Family Connection.

	<u>Funding 2011</u>	<u>Funding 2010</u>
<b>INTENSIVE DELINQUENCY DIVERSION SERVICES (DJJ)</b>		
Judicial Circuit #7	\$ -	\$ 5,570
Judicial Circuit #15	<u>410,711</u>	<u>386,650</u>
	<u>\$ 410,711</u>	<u>\$ 392,220</u>
<b>DELINQUENCY PREVENTION (DJJ)</b>		
Alternative Services for Girls	<u>\$ 91,872</u>	<u>\$ 64,728</u>
<b>DETENTION SCREENING SERVICES</b>		
Juvenile Assessment Center Judicial Circuit #12 (DJJ)	\$ -	\$ 50,000
Juvenile Assessment Center Judicial Circuit #18 (DJJ)	214,599	214,599
Juvenile Assessment Center (Manatee County)	<u>236,596</u>	<u>177,177</u>
	<u>\$ 451,195</u>	<u>\$ 441,776</u>
<b>RESIDENTIAL FACILITY – HARBINGER HOUSE</b>		
Sarasota Family YMCA, Inc.	\$ 67,410	\$ 7,380
Hillsborough Kids, Inc.	27,800	137,925
Eckerd Community Alternatives	573,255	634,070
United for Families, Inc.	39,780	9,630
Children's Network of Southwest Florida, LLC	24,750	4,050
Child and Family Connection	96,480	-
Big Bend Community Based Care	20,142	-
Family Support Services of North Florida	14,040	-
Partnership for Strong Families	-	6,660
Other Community Based Care Organizations	<u>8,644</u>	<u>-</u>
	<u>\$ 872,301</u>	<u>\$ 799,715</u>

JUVENILE SERVICES PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 (with comparative information for 2010)

**NOTE 10 – IN-KIND CONTRIBUTIONS**

The value of in-kind contributions included in the financial statements and the corresponding expenditures are as follows:

	2011	2010
In-kind food and supplies	\$ 17,153	\$ 58,370
In-kind operating and other supplies	-	559
In-kind client service costs	12,003	-
In-kind professional fees	12,449	4,555
	<u>\$ 41,605</u>	<u>\$ 63,484</u>

**NOTE 11 – FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial Accounting Standards Board Codification Section 820 – *Fair Value Measurements and Disclosures*, provides a common definition of fair value, establishes a framework for measuring fair value under U. S. generally accepted accounting principles and requires additional disclosures about fair value.

Financial instruments measured at fair value are classified and disclosed in the following categories:

- Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are cash, money market funds, fixed income mutual funds, equity mutual funds, equity securities, corporate bonds, and time deposits.
- Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in Level 2 include accounts receivable, account payable, and short and long term debt.
- Level 3: Valuation is based on unobservable inputs. The types of financial instruments included in Level 3 include unconditional promises to give – pledges.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The fair value of assets and liabilities measured on a recurring basis at June 30, 2011 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets</u>				
All have immediate or short-term maturities.	\$ -	\$ -	\$ -	\$ -
<u>Liabilities</u>				
Line of credit	\$ 99,425		99,425	
Note payable	27,153		27,153	
Mortgage payable	697,342		697,342	
Advance from related party	180,793		180,793	

JUVENILE SERVICES PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 (with comparative information for 2010)

**NOTE 11 – FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

For the line of credit, notes payable and mortgage loan payable, the fair value of the obligations approximates the carrying value of the indebtedness since the stated rate of interest is similar to rates currently available to the Organization for debt with similar terms and remaining maturities. The advance from related party in the amount of \$180,793 was non-interest bearing as of June 30, 2011. This obligation has been stated at its face value.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

The amount due to related party consists of the following:

	<u>2011</u>	<u>2010</u>
Advance from Executive Director to assist Organization with operational expenses – non-interest bearing.	<u>\$ 180,793</u>	<u>\$ 129,620</u>

During the year ended June 30, 2011, the Executive Director forgave \$61,000 of amounts advanced to the Organization. The amount forgiven of \$61,000 has been reported as a contribution to the Organization in the Statement of Activities.

**NOTE 13 – SUBSEQUENT EVENTS**

The Organization has evaluated whether any events have occurred subsequent to June 30, 2011 and before the issuance of the financial statements that would have an impact on the Organization's financial condition as of June 30, 2011 or would influence the conclusions reached by a reader of the financial statements regarding the Organization's overall financial condition. Management has evaluated events which have occurred through February 20, 2012, the date that the financial statements were available to be issued.

On December 2, 2011, the management of Juvenile Services Program, Inc. decided that it was necessary to close the operations of the residential facility – Harbinger House – due to a declining census of youths that was resulting in financial operating losses within this program. Juvenile Services Program, Inc. subsequently entered into a 13 month lease with an unrelated entity to lease the Harbinger House facility effective February 1, 2012.



**SUPPLEMENTARY FINANCIAL INFORMATION**

JUVENILE SERVICES PROGRAM, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2011

State Agency / Pass - Through State Project	CSFA Number	Contract Number	Expenditures
<b>FLORIDA DEPARTMENT OF JUVENILE JUSTICE</b>			
Direct Projects			
Intensive Delinquency Diversion Services	80.022	O6K02	\$ 386,191
Juvenile Assessment Center Intake Screening Unit	80.020	P2026	<u>214,599</u>
Total Department of Juvenile Justice			<u>600,790</u>
<b>FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES</b>			
Indirect Projects			
Sarasota Family YMCA, Inc.			
Foster Care Community Based Supports	60.094	R1114	19,953
Child and Family Connections, Inc.			
Foster Care Community Based Supports	60.094	JJP	21,033
Family Support Services of North Florida, Inc.			
Foster Care Community Based Supports	60.094	DJ031	306
Children's Network of Southwest Florida			
Foster Care Community Based Supports	60.094	SAH05	7,215
Eckerd Community Alternatives, Inc.			
Foster Care Community Based Supports	60.094	ECA-OHC-JSP-FY11	97,453
United for Families			
Foster Care Community Based Supports	60.094	UA415	12,531
Hillsborough Kids, Inc.			
Foster Care Community Based Supports	60.094	HKIF112	<u>5,810</u>
Total Department of Children and Families			<u>164,301</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u><u>\$ 765,091</u></u>

NOTE TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Basis of Accounting: State Financial Assistance is accounted for in the Statement of Activities as Grants and Subsidies from Governmental and Other Agencies. The Schedule of Expenditures of State Financial Assistance has been prepared on the accrual basis which is the same basis of accounting as that used in the financial statements of Juvenile Services Program, Inc.

JUVENILE SERVICES PROGRAM, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Grantor / Pass - Through Federal Program	CFDA Number	Contract Number	Expenditures
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Indirect Projects			
Florida Department of Juvenile Justice Edward Byrne Memorial JAG Program to State and Territories Delinquency Prevention - Alternative Services for Girls (ARRA)	16.803	D2034	\$ 91,872
Florida Department of Law Enforcement Manatee County, Florida Edward Byrne Memorial JAG Program to State and Territories Juvenile Assessment Center Intake Screening Unit (ARRA)	16.738	2009-SU-B9-0021	236,596 <u>328,468</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Indirect Projects			
Florida Department of Children and Families Sarasota Family YMCA, Inc. Foster Care - Title IV	93.658	R1114	30,402
Child and Family Connections, Inc. Foster Care - Title IV	93.658	JJP	43,512
Family Support Services of North Florida, Inc. Foster Care - Title IV	93.658	DJ031	7,971
Children's Network of Southwest Florida Foster Care - Title IV	93.658	SAH05	11,174
Eckerd Community Alternatives, Inc. Foster Care - Title IV	93.658	ECA-OHC-JSP-FY11	258,538
United for Families Foster Care - Title IV	93.658	UA415	16,389
Hillsborough Kids, Inc. Foster Care - Title IV	93.658	HKIF112	12,566 <u>380,552</u>
Sarasota Family YMCA, Inc. Social Services Block Grant	93.667	R1114	17,055
Child and Family Connections, Inc. Social Services Block Grant	93.667	JJP	31,935
Family Support Services of North Florida, Inc. Social Services Block Grant	93.667	DJ031	5,763
Children's Network of Southwest Florida Social Services Block Grant	93.667	SAH05	6,361
Eckerd Community Alternatives, Inc. Social Services Block Grant	93.667	ECA-OHC-JSP-FY11	217,264
United for Families Social Services Block Grant	93.667	UA415	10,860
Hillsborough Kids, Inc. Social Services Block Grant	93.667	HKIF112	9,424 <u>298,662</u>
Total Department of Health and Human Services			<u>679,214</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,007,682</u>

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Basis of Presentation:** The Schedule of Expenditures of Federal Awards includes the federal grant activity of Juvenile Services Program, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133.

# WELLS, HOUSER & SCHATZEL, P.A.

CPA AND CONSULTING FIRM

John B. Houser, CPA  
Peter C. Schatzel, CPA  
Peter B. Wells, CPA

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

Board of Directors  
Juvenile Services Program, Inc.  
Clearwater, Florida

We have audited the financial statements of Juvenile Services Program, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 20, 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 Juvenile Services Program, 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 Juvenile Services Program, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Juvenile Services Program, Inc.'s internal control over financial reporting.

A *deficiency in internal controls* 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

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

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

*Wells, Houser & Schatzel, P.A.*

February 20, 2012



# WELLS, HOUSER & SCHATZEL, P.A.

CPA AND CONSULTING FIRM

John B. Houser, CPA  
Peter C. Schatzel, CPA  
Peter B. Wells, CPA

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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

Board of Directors  
Juvenile Services Program, Inc.  
Clearwater, Florida

### Compliance

We have audited Juvenile Services Program, Inc.'s compliance with the types of compliance requirements described in 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 the Organization's major Federal programs and State projects for the year ended June 30, 2011. Juvenile Services Program, Inc.'s major Federal programs and State projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and State projects is the responsibility of Juvenile Services Program, Inc.'s management. Our responsibility is to express an opinion on Juvenile Services Program, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or State project occurred. An audit includes examining, on a test basis, evidence about Juvenile Services Program, 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 of Juvenile Services Program, Inc.'s compliance with those requirements.

In our opinion, Juvenile Services Program, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs and State projects for the year ended June 30, 2011.

### Internal Control Over Compliance

The management of Juvenile Services Program, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered Juvenile Services Program, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major Federal program or State project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of Juvenile Services Program, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. *A material weakness 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 Board of Directors, management and federal, state and local awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*Wells, Houser & Schatzel, P.A.*

February 20, 2012

JUVENILE SERVICES PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS AND STATE PROJECTS

Year ended June 30, 2011

**(1) Summary of Auditor's Results**

- a. The auditor's report expresses an unqualified opinion on the financial statements of Juvenile Services Program, Inc.
- b. There were no significant deficiencies, and hence no material weaknesses, in internal control identified during the audit of the financial statements that would need to be reported in accordance with *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of Juvenile Services Program, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d. There were no significant deficiencies, and hence no material weaknesses, in internal control over major Federal programs or State projects that were identified during the audit.
- e. The auditor's report on compliance with requirements applicable to the major Federal programs and State projects for Juvenile Services Program, Inc. expresses an unqualified opinion.
- f. Our audit disclosed no findings required to be reported related to Federal programs under section 510(a) of OMB Circular A-133, nor did our audit disclose any findings related to State projects required to be disclosed under Chapter 10.656, Rules of the Auditor General.
- g. The programs / projects tested as major programs / projects included the following:  
Major State Project: (1) Department of Juvenile Justice – Contracted Services – Intensive Delinquency Diversion Services - CSFA Number 80.022.  
Major Federal Programs: (1) U.S. Department of Health and Human Services – Contracted Services – Foster Care Title IV – CFDA Number 93.658, and (2) U.S. Department of Justice – Contracted Services – Edward Byrne Memorial JAG Program to State and Territories – CFDA Numbers 16.803 and 16.738.
- h. The threshold for distinguishing Type A and Type B programs / projects was \$300,000 for major Federal Programs and \$229,527 for major State Projects.
- i. The organization was determined to not be a low-risk auditee pursuant to OMB Circular A-133 as the major Federal programs had not been subjected to the Federal Single Audit requirements in the past two years.

**(2) Findings Relating to the Financial Statements Reported in Accordance With Government Auditing Standards**

No matters were reported.

**(3) Findings and Questioned Costs Relating to Major Federal Programs and State Projects**

No matters were reported, and as a result there are no items to report in a management letter regarding Federal programs or State projects.

**Notes regarding Corrective Action Plan**

As there are no current year findings or questioned costs, a Corrective Action Plan report is not required.

**Note regarding Summary Schedule of Prior Audit Findings**

A schedule of prior audit findings is not presented because there are no prior audit findings to be reported.