

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
(A NOT-FOR-PROFIT CORPORATION)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2011

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

TABLE OF CONTENTS

<u>FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditors' Report	1
Balance Sheet As Of June 30, 2011	2
Statement of Activities For The Year Ended June 30, 2011	3
Statement of Cash Flows For The Year Ended June 30, 2011	4-5
Statement of Functional Expenses For The Year Ended June 30, 2011	6
Notes To Financial Statements	7-11
 <u>ADDITIONAL INFORMATION</u>	
Schedule of State Financial Assistance For The Year Ended June 30, 2011	12
Schedule of Findings and Questioned Costs For The Year Ended June 30, 2011	13
Independent Auditors' Report On Compliance And Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	14-15
Independent Auditors' Report On Compliance And Internal Control Over Compliance Applicable To Each Major State Project	16-17

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Passageway Residence of Dade County, Inc.
Miami, Florida

We have audited the accompanying balance sheet of Passageway Residence of Dade County, Inc. 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 Passageway Residence of Dade County, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States and the applicable provisions of Section 215.97, Florida Statutes, Florida Single Audit Act. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Passageway Residence of Dade County, Inc. as of June 30, 2011 and the changes in its net assets and its cash flows and functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards" and the Florida Single Audit Act, we have also issued reports dated August 17, 2011 on our consideration of Passageway Residence of Dade County, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and internal control over compliance applicable to major state projects. The purpose of these reports 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 internal control over financial reporting or on compliance. These reports are integral parts of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Passageway Residence of Dade County, Inc. taken as a whole. The accompanying Schedule of State Financial Assistance which has been prepared in accordance with U.S. generally accepted accounting principles, and Schedule of Findings and Questioned Costs for the year ended June 30, 2011 are presented for purposes of additional analysis and pursuant to the requirements of the Florida Single Audit Act but are not required parts of the basic financial statements. The information in these schedules have been subjected to the procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Ribotsky, Levine & Co.".

RIBOTSKY, LEVINE & COMPANY
Certified Public Accountants

North Miami, Florida
August 17, 2011

1

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

BALANCE SHEET

JUNE 30, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 607,742	\$ 21,559	\$ 629,301
United States Treasury Bill	249,933	-	249,933
Receivables:			
Grant	353,744	-	353,744
Medicaid	53,422	-	53,422
Clients	18,582	-	18,582
Other	259	-	259
Interfund loans and advances	6,559	-	*
Prepaid expenses	154,440	-	154,440
Deferred financing costs - net	14,006	-	14,006
Property and equipment - net	1,429,561	-	1,429,561
Other assets	4,000	-	4,000
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,892,248</u>	<u>\$ 21,559</u>	<u>\$ 2,907,248</u>
 <u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES:			
Accounts payable and accrued expenses	\$ 167,794	\$ -	\$ 167,794
Mortgage payable	849,245	-	849,245
Interfund loans and advances	-	6,559	*
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	1,017,039	6,559	1,017,039
 NET ASSETS	 <u>1,875,209</u>	 <u>15,000</u>	 <u>1,890,209</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,892,248</u>	 <u>\$ 21,559</u>	 <u>\$ 2,907,248</u>

* Eliminated in combination.

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

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE AND OTHER SUPPORT:			
Grants - State of Florida Department of Children and Families	\$ 2,010,224	\$ -	\$ 2,010,224
Contributions	1,822	-	1,822
Medicaid	855,749	-	855,749
Residential rents and program fees	317,916	-	317,916
Interest income	825	-	825
Other	4,866	-	4,866
In-kind contributions	<u>12,500</u>	<u>-</u>	<u>12,500</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>3,203,902</u>	<u>-</u>	<u>3,203,902</u>
OPERATING EXPENSES:			
Residential Programs	931,831	-	931,831
Day/Night Program	288,827	-	288,827
Case Management Program	182,269	-	182,269
Comprehensive Community Service Teams	843,100	-	843,100
Medical Services	249,706	-	249,706
Incidental	5,732	-	5,732
Management and general	<u>445,799</u>	<u>-</u>	<u>445,799</u>
TOTAL OPERATING EXPENSES	<u>2,947,264</u>	<u>-</u>	<u>2,947,264</u>
CHANGE IN NET ASSETS BEFORE IMPAIRMENT (LOSS)	256,638	-	256,638
IMPAIRMENT (LOSS)	<u>(121,707)</u>	<u>-</u>	<u>(121,707)</u>
CHANGE IN NET ASSETS	134,931	-	134,931
NET ASSETS - JULY 1, 2010	<u>1,740,278</u>	<u>15,000</u>	<u>1,755,278</u>
NET ASSETS - JUNE 30, 2011	<u>\$ 1,875,209</u>	<u>\$ 15,000</u>	<u>\$ 1,890,209</u>

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

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from grants	\$ 1,993,671	\$ -	\$ 1,993,671
Medicaid fees received	937,895	-	937,895
Rents and other fees received from service recipients	320,764	-	320,764
Contributions, interest and miscellaneous receipts	7,899	-	7,899
Cash paid to suppliers and employees	(2,882,406)	-	(2,882,406)
Interest paid	(52,468)	-	(52,468)
Interfund transfers	(31)	31	-
	<u>325,324</u>	<u>31</u>	<u>325,355</u>
Net cash provided by operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments in U.S. Treasury Bills - net	(48)	-	(48)
Purchases of property, furniture and equipment	(69,776)	-	(69,776)
	<u>(69,824)</u>	<u>-</u>	<u>(69,824)</u>
Net cash (used) by investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on mortgage	(23,974)	-	(23,974)
	<u>(23,974)</u>	<u>-</u>	<u>(23,974)</u>
Net cash (used) by financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS	231,526	31	231,557
CASH AND CASH EQUIVALENTS - JULY 1, 2010	<u>376,216</u>	<u>21,528</u>	<u>397,744</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	<u>\$ 607,742</u>	<u>\$ 21,559</u>	<u>\$ 629,301</u>

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

STATEMENT OF CASH FLOWS - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Change in net assets	\$ 134,931	\$ -	\$ 134,931
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Impairment loss	121,707	-	121,707
Depreciation of property and equipment	93,841	-	93,841
Amortization of deferred finance costs	4,669	-	4,669
(Increase) decrease in certain assets:			
Grants receivable	(16,553)	-	(16,553)
Medicaid receivable	82,146	-	82,146
Client and other receivables	2,589	-	2,589
Prepaid expenses and other assets	(81,818)	-	(81,818)
Increase (decrease) in certain liabilities:			
Accounts payable and accrued expenses	(16,157)	-	(16,157)
Interfund	(31)	31	-
Net cash provided by operating activities	<u>\$ 325,324</u>	<u>\$ 31</u>	<u>\$ 325,355</u>

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

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	PROGRAM SERVICES										SUPPORTING SERVICES	
	Residential Level II	Room and Board With Supervision Level II	Community Forensic Level II	Total Residential	Day / Night	Case Management	Comprehensive Community Service Teams	Medical Services	Incidental	Total Program Services	Management And General	Total Expenses
Salaries	\$ 135,219	\$ 122,874	\$ 216,874	\$ 474,967	\$ 158,643	\$ 108,521	\$ 484,046	\$ 181,580	\$ -	\$ 1,407,757	\$ 252,188	\$ 1,659,945
Payroll taxes	4,662	11,297	25,044	41,003	12,688	7,695	37,917	13,376	-	112,679	19,761	132,440
Employee benefits	9,913	27,432	55,782	93,127	30,826	18,687	89,163	32,492	-	264,295	47,993	312,288
Total salaries and employee benefits	149,794	161,603	297,700	609,097	202,157	134,903	611,126	227,448	-	1,784,731	319,942	2,104,673
Occupancy	19,552	16,481	29,390	65,423	31,959	15,980	88,870	2,214	-	204,446	46,982	251,428
Professional fees and contract services	13,135	10,975	10,194	34,304	-	-	30,635	-	585	65,524	18,238	83,762
Travel and automobile	467	1,400	3,451	5,318	1,400	933	4,512	1,556	-	13,719	2,333	16,052
Conferences and training	1,961	2,095	3,876	7,932	2,621	1,748	7,958	2,948	-	23,207	4,066	27,273
Food services (including \$12,500 in-kind contributions)	17,977	15,633	28,920	62,530	-	-	15,633	-	-	78,163	-	78,163
Telephone	201	602	1,271	2,074	602	401	4,347	1,150	-	8,574	7,743	16,317
Interest and finance charges	6,307	5,256	9,461	21,024	10,512	5,256	10,512	-	-	47,304	5,255	52,559
Insurance	7,630	12,549	25,254	45,433	16,527	9,692	35,573	9,523	-	116,748	18,264	135,012
Operating supplies and expenses	10,738	8,919	20,264	39,921	4,117	3,787	13,349	4,163	3,405	68,742	4,714	73,456
Other	-	-	-	-	-	-	254	-	1,742	1,996	8,063	10,059
Depreciation and amortization	11,183	9,785	17,807	38,775	18,932	9,569	20,331	704	-	88,311	10,199	98,510
Total operating expenses	238,945	245,298	447,588	931,831	288,827	182,269	843,100	249,706	5,732	2,501,465	445,799	2,947,264
Allocation of management and general expenses *	42,584	43,716	79,766	166,066	51,473	32,483	150,253	44,502	1,022	445,799	(445,799)	-
	\$ 281,529	\$ 289,014	\$ 527,354	\$ 1,097,897	\$ 340,300	\$ 214,752	\$ 993,353	\$ 294,208	\$ 6,754	\$ 2,947,264	\$ -	\$ 2,947,264

* Supporting Services - Management and General expenses aggregate 15.13% of Total Expenses and 17.82% of Program Service expenses.

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

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE - Passageway Residence of Dade County, Inc. (Passageway) was incorporated in the State of Florida in 1981, as a not-for-profit corporation, for the purpose of assisting individuals with a history of forensic mental health problems by providing such transitional support needs as a residential community, vocational training and resocialization services to enable such individuals to adjust to an acceptable social lifestyle. Passageway derives its principal support and revenue from grants from the State of Florida Department of Children and Families and South Florida Behavioral Health Network, Inc., provider fees from the Florida Medicaid Program and rental charges to clients. The principal programs of Passageway are as follows:

- a) **Residential Program**
Provides supervised residential group housing facilities.
- b) **Day/Night Program**
Provides community center activities and assists participants in developing both social skills and general skills applicable to a work environment in addition to providing assistance in transitional employment leading to stabilization in employment.
- c) **Case Management**
Provides counseling to assist clients in developing an acceptable social lifestyle.
- d) **Comprehensive Community Service Teams**
The program includes components of Passageway's aforementioned programs i.e. supported housing, case management and supported employment in addition to outreach, out patient, in-house/on-site, information and referral and prevention/intervention services under a team approach.
- e) **Medical Services**
This program provides licensed psychiatric and nursing care including prescribed medicines to program participants.

CONCENTRATION OF CREDIT RISK - Passageway at times maintains funds in excess of insured limits in a financial institution. Uninsured balances maintained at June 30, 2011 aggregated \$326,821.

BASIS OF PRESENTATION - The accounts of Passageway are maintained on the accrual basis of accounting and in accordance with the principles of fund accounting, in order to ensure observance of the limitations and restrictions placed on the use of its resources. Passageway adheres to The Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958. Under FASB ASC 958, the Agency 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. In addition, Passageway is required to present a statement of cash flows. Passageway does not have any permanently restricted net assets and accordingly grouped its funds for financial statement presentation as follows:

(Continued)

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

BASIS OF PRESENTATION - (CONTINUED)

- a) Unrestricted net assets - That part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- b) Temporarily restricted net assets - That part of net assets resulting from contributions, grants and other inflows of assets whose use by Passageway is limited by donor-imposed stipulations that either expire by passage of time or by actions of Passageway that satisfy those stipulations. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions upon satisfaction of the donor stipulation. At June 30, 2011 temporarily restricted net assets are designated by donors for use in conducting research toward the development of a clinical profile of Passageway past and present clients to better serve the needs of the mentally ill involved in the criminal justice system.

FASB ASC 958 also requires among other things the immediate recognition as support (income) all unconditional contributions received and makes an important distinction between restrictions and conditions.

CASH EQUIVALENTS - Passageway considers investments in highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. Accordingly, Passageway's investment in a United States Treasury Bill is not considered a cash equivalent since it was purchased with a six month maturity date (December 15, 2011). The investment yields approximately .10 percent annually and is carried at market value, which approximates amortized cost.

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost when purchased or constructed or at their estimated fair values when donated. Additions, improvements and expenditures for maintenance that add materially to productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance are charged to operations. In the case of disposals, the assets and related accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to operations. Depreciation of property and equipment is computed by the straight line method over the estimated useful lives of the assets. In addition, Passageway evaluates the carrying value of long-lived assets when management makes a decision to dispose of the asset or circumstances indicate that the carrying amount of an asset may not be recoverable. Passageway compares the carrying amount of the asset to net future undiscounted cash flows that an asset is expected to generate. Impairment is recognized to the extent that the carrying value is greater than expected future cash flows and is reflected as a separate line item on the statement of activities and not included in the statement of functional expenses. During the year ended June 30, 2011, Passageway has recognized an impairment loss of \$121,707 in connection with property purchased in December 2009 with the intent of rehabilitating the property for use as a residential facility (Note 2).

(Continued)

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

DONATED MATERIALS AND SERVICES - Donated assets are recorded as contributions at their estimated values at date of receipt. Donated services are recorded if such services enhance a nonfinancial asset e.g. buildings or require specialized skills that would need to be purchased. During the year ended June 30, 2011 Passageway's non cash donations comprised food received from another not-for-profit organization.

INCOME TAXES - Passageway is a not-for-profit corporation exempt from taxation under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is required.

Passageway files annual returns in the U.S. federal jurisdiction. With few exceptions, Passageway is no longer subject to U.S. federal examinations by tax authorities for years before 2007.

DEFERRED FINANCING COSTS - Deferred financing costs at June 30, 2011 comprise costs associated with Passageway obtaining mortgage financing for its primary offices and residential facility to service its clients. Deferred financing costs, are being amortized on the straight-line method over the term of the respective financing.

ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the U. S. requires the use of estimates and assumptions by management. Such estimates which are based on prior operating history and industry standards, affect the reported amounts in the financial statements and disclosures in the accompanying notes. Actual results could differ from those estimates.

NOTE 2 - PROPERTY AND EQUIPMENT

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

		Estimated Useful Lives (In Years)
Land	\$ 100,000	
Buildings	1,750,101	27-40
Building improvements	118,615	10-39
Vehicles	86,499	5
Furniture, fixtures and equipment	<u>206,481</u>	5-10
	2,261,696	
Less accumulated depreciation	<u>851,135</u>	
	1,410,561	
Property held for sale or development	<u>19,000</u>	
	<u>\$ 1,429,561</u>	

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 - PROPERTY AND EQUIPMENT - (CONTINUED)

Passageway entered into an agreement with a developer to build a residential treatment facility (Facility) on land presently occupied under a sublease expiring January 2033 (\$1 a year) from the State of Florida. Construction of the Facility began in April 1993 and Passageway occupied the Facility in February 1994.

The cost of constructing the Facility was funded substantially by amounts drawn under a \$1,250,000 construction loan from a bank. The loan was repaid from long-term financing obtained through bond financing, which was repaid in July 2004 (prior to maturity) from the proceeds of mortgage financing (Note 3). During the fiscal year ended June 30, 2009, Passageway purchased and occupied an additional residential facility. The cost of the new facility approximated \$353,000 including \$100,000 allocated to the cost of the land. Further, property held for sale or development represents the cost of a four-plex located in Miami, Dade County acquired in December 2009. Passageway acquired the four-plex "as-is" from a bank. Upon subsequent engineering inspections it was concluded that the four-plex could not be rehabilitated and accordingly Passageway demolished the four-plex. Passageway has not determined whether it will sell or build on the property and has recognized an impairment loss (\$121,707) equal to the differences between its prior carrying value and anticipated proceeds on sale.

In addition, Passageway occupies administrative offices under a month to month lease for a monthly rental of approximately \$4,000. Rent expense under this lease approximated \$43,500 during the year ended June 30, 2011.

NOTE 3 - MORTGAGE PAYABLE

Mortgage payable at June 30, 2011 represents a first mortgage on Passageway's residential treatment facility payable based on a 20-year amortization period plus interest at 2% above the prime rate (minimum 6% a year) with maturity on July 5, 2014.

The principal balance of the mortgage is payable as follows:

Fiscal year ending June 30:	
2012	\$ 25,328
2013	27,054
2014	28,746
2015	<u>768,117</u>
	<u>\$ 849,245</u>

NOTE 4 - MEDICAID FUNDING

Passageway participates in the Florida Medicaid program. Medicaid funds received are subject to a future audit of the documentation of the program as required by the funding agreement. As a result of such audits, certain amounts may be required to be returned or additional funds may be awarded. In management's opinion, the probability of any significant reimbursement requests is considered unlikely.

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 - MAJOR GRANTOR

Passageway received a substantial portion of its support from the State of Florida Department of Children and Families under a two year grant contract No. KH206 due to expire June 30, 2011. The contract was terminated effective October 1, 2010 and reentered into with South Florida Behavioral Health Network, Inc. under contract No. KH 225 44. Maximum annual amounts are established under a grant negotiation process and, support is generally recognized on an exchange basis to the extent of units of service provided (Unrestricted).

Passageway's performance under contracts with the State of Florida Department of Children and Families and South Florida Behavioral Health Network, Inc. are subject to audit by the State of Florida. No provision for any liability that may result from audits of the above or other past contracts has been made in the financial statements and management is of the opinion that no material liability will result from such audits.

NOTE 6 - PROFIT SHARING PLAN

On April 20, 2000 Passageway adopted a 401(k) defined contribution profit sharing plan (Plan) for their qualified full-time employees. The Plan for the benefit of eligible employees upon their retirement, death or disability, provided that employees may contribute annually any amount up to 15% of their compensation with Passageway making a matching annual contribution equal to 100% of the first 8% of each employee's compensation. Passageway contributions to the plan aggregated \$75,990 for the year ended June 30, 2011 net of forfeiture credits of \$6,102. During the fiscal year ended June 30, 2008 the Plan was amended to enable Passageway to make Plan contributions that do not require salary reduction employee contributions. In this connection Passageway made additional Plan contributions allocated to employees with one year of service based on their respective compensation of \$52,191 equal to 5% of the participant's annual compensation. Pension expense aggregated \$128,181 for the year ended June 30, 2011.

NOTE 7 - SUBSEQUENT EVENTS

Passageway has evaluated subsequent events through August 17, 2011, the date which these financial statements were available to be issued.

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

SCHEDULE OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2011

<u>Grantor/Project Title</u>	<u>CSFA No.</u>	<u>Contract No.</u>	<u>Expenditures *</u>
<u>STATE FINANCIAL ASSISTANCE:</u>			
Department of Children and Families/Adult Community Mental Health Community Support Services	60.053	KH 206	\$ 180,241 *
Department of Children and Families/ Adult Mental Health Forensic Involvement	60.114	KH 206	280,437 *
South Florida Behavioral Health Network, Inc. / Adult Community Mental Health Community Support Services	60.053	KH 225 44	598,263 *
South Florida Behavioral Health Network, Inc. / Adult Community Mental Forensic Involvement	60.114	KH 225 44	<u>951,283 *</u>
			<u>\$ 2,010,224</u>

* The above contracts require the grantee to provide units of deliverables. Expenditures represent the allocable portion of the grant to the cost centers rather than the cost centers' prorata share of expenses funded by the contract.

Attention is directed to the independent auditors' report relating to this schedule.

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Passageway Residence Of Dade County, Inc.
2. No findings on controls resulting in reportable conditions nor instances of non compliance material to the financial statements of Passageway Residence Of Dade County, Inc., which would be required to be disclosed in accordance with rules of the Auditor General or in accordance with government auditing standards.
3. The auditors' report on compliance for major state projects for Passageway Residence of Dade County, Inc. expresses an unqualified opinion.
4. The state projects tested as major included the following:

	<u>State CSFA No.</u>
Adult Community Mental Health	60.053
Community Support Services	
Adult Mental Health	
Forensic Involvement	60.114

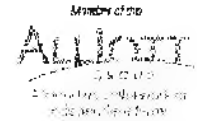
5. The threshold for distinguishing a major state project was \$300,000.
6. There were no findings and/or questioned costs related to the audit of the financial statements of Passageway Residence of Dade County Inc. as of June 30, 2010 and for the year then ended.

Attention is directed to the independent auditors' report relating to this schedule.

Maxim H. Ribotsky, CPA
(1931-2008)

Norman Levine, CPA

Elliott W. Sturman, CPA



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

To the Board of Directors
Passageway Residence of Dade County, Inc.
Miami, Florida

We have audited the financial statements of Passageway Residence of Dade County, Inc. (Agency) (a not-for-profit corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated August 17, 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 and the applicable provisions of Section 215.97, Florida Statutes, Florida Single Audit Act.

Compliance

As part of obtaining reasonable assurance about whether the Agency'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 that are required to be reported under "Government Auditing Standards" and/or the provisions of the Florida Single Audit Act.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a significant deficiency and 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 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.

To the Board of Directors of
Passageway Residence of Dade County, Inc.
Miami, Florida
Page Two

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we have noted other matters involving the internal control structure and its operation, some of which may involve issues relating to compliance and internal control over financial reporting, that we have reported to the management of Passageway Residence of Dade County, Inc. in a separate letter dated August 17, 2011.

This report is intended solely for the information of the board of directors and management of Passageway Residence of Dade County, Inc. and its grantors. However, this report is a matter of public record and its distribution is not limited.



RIBOTSKY, LEVINE & COMPANY
Certified Public Accountants

North Miami, Florida

August 17, 2011

Marvin H. Ribotsky, CPA
(1954-2008)

Norman Levine, CPA

Elliot W. Stancan, CPA



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO
EACH MAJOR STATE PROJECT**

To the Board of Directors
Passageway Residence of Dade County, Inc.
Miami, Florida

Compliance

We have audited the compliance of Passageway Residence of Dade County, Inc. with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major state projects for the year ended June 30, 2011. Passageway Residence of Dade County, Inc.'s major state projects are identified in the accompanying Schedule of Findings and Questioned Costs and Schedule of State Financial Assistance (Contracts KH 206 and KH 225 44 CSFA Nos. 60.053 and 60.114). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state projects is the responsibility of Passageway Residence of Dade County, Inc.'s management. Our responsibility is to express an opinion on the Passageway Residence of Dade County, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable provisions of *The Florida Single Audit Act*; and Chapter 10.650, Rules of the Auditor General. Those standards, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about Passageway Residence of Dade County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Passageway Residence of Dade County, Inc.'s compliance with those requirements.

In our opinion Passageway Residence of Dade County, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major state projects for the year ended June 30, 2011.

To the Board of Directors of
Passageway Residence of Dade County, Inc.
Miami, Florida
Page Two

Internal Control Over Compliance

Management of Passageway Residence of Dade County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered Passageway Residence of Dade County, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major 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 the Florida Single Audit Act and Chapter **10.650**, Rules of the Auditor General. Accordingly, we do not express an opinion on the effectiveness of Passageway Residence of Dade County 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 required of a 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 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.

However we have noted other matters involving the internal control structure and its operations, some of which may involve issues relating to compliance, that we have reported to the management of Passageway Residence of Dade County, Inc. in a separate letter dated August 17, 2011.

This report is intended solely for the information and use of the Board of Directors, management of Passageway Residence of Dade County, Inc. and its grantors and is not intended to be and should not be used by anyone other than these specified parties.



RIBOTSKY, LEVINE & COMPANY
Certified Public Accountants

North Miami, Florida

August 17, 2011