

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**PEDIATRIC PRIMARY CARE FOUNDATION, INC.  
OCALA, FLORIDA**

**JUNE 30, 2011**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**PEDIATRIC PRIMARY CARE FOUNDATION, INC.  
OCALA, FLORIDA**

**JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pediatric Primary Care Foundation, Inc.  
Ocala, Florida

We have audited the accompanying statement of financial position of Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida nonprofit organization, for the year ended June 30, 2011, the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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 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 the Foundation for the year ended 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 October 10, 2011 on our consideration of the Foundation's internal control over financial reporting and 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 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.

The financial statements include certain prior year summarized comparative information. 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 Foundation's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

### Certified Public Accountants

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Board of Directors  
Pediatric Primary Care Foundation, Inc.  
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.650, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Purvis, Gray and Company, LLP*

October 10, 2011  
Ocala, Florida

## **FINANCIAL STATEMENTS**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2010**  
**PEDIATRIC PRIMARY CARE FOUNDATION, INC.**  
**OCALA, FLORIDA**

**ASSETS**

	<b>2011</b>	<b>2010</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 373,967	\$ 538,896
Investments	817,125	487,293
Accounts Receivable:		
(Net of Allowance for Doubtful Accounts):		
State of Florida	199,705	289,010
Medicaid and Insurance	41,412	44,786
Prepaid and Other Assets	8,992	28,873
<b>Total Current Assets</b>	<b>1,441,201</b>	<b>1,388,858</b>
Property and Equipment, Net of Accumulated Depreciation	101,488	79,417
<b>Total Assets</b>	<b>1,542,689</b>	<b>1,468,275</b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts Payable	23,732	16,712
Accrued Payroll and Fringe Benefits	133,619	244,257
<b>Total Current Liabilities</b>	<b>157,351</b>	<b>260,969</b>
<b>Net Assets</b>		
Unrestricted:		
Investment in Property and Equipment	101,488	79,417
Unrestricted	1,273,050	1,085,521
Temporarily Restricted Net Assets	10,800	42,368
<b>Total Net Assets</b>	<b>1,385,338</b>	<b>1,207,306</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,542,689</b>	<b>\$ 1,468,275</b>

See accompanying notes.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011,  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010  
PEDIATRIC PRIMARY CARE FOUNDATION, INC.  
OCALA, FLORIDA**

	<b>2011</b>	<b>2010</b>
<b>Changes in Unrestricted Net Assets:</b>		
<b>Revenues</b>		
Primary Care Services:		
State of Florida DOH	\$ 664,916	\$ 664,916
Medicaid - Case Management	38,788	215,488
Medicaid - Physicians' Services	143,573	232,038
Other State of Florida DOH Revenue	1,014,887	988,809
Total Primary Care Services	1,862,164	2,101,251
Medical Foster Care Services:		
State of Florida DOH	366,908	371,608
Medicaid - Case Management	99,707	55,395
Total Medical Foster Care Services	466,615	427,003
Other Revenues		
Interest Income	13,588	12,076
Other Income	7	51
Net Assets Released from Restriction (Wheelchair Ramps)	9,200	0
Net Assets Released from Restriction (Medical Foster Care)	42,368	0
Total Other Revenues	65,163	12,127
<b>Total Revenues</b>	<b>2,393,942</b>	<b>2,540,381</b>
<b>Functional Expenses</b>		
Primary Care	1,670,384	1,955,231
Medical Foster Care	513,958	414,764
<b>(Total Functional Expenses)</b>	<b>(2,184,342)</b>	<b>(2,369,994)</b>
<b>Increase in Unrestricted Net Assets</b>	<b>209,600</b>	<b>170,387</b>
<b>Temporarily Restricted Net Assets</b>		
Wheel Chair Ramps Donation	20,000	0
Medical Foster Care Revenue	0	42,368
Net Assets Released from Restriction (Medical Foster Care)	(42,368)	0
Net Assets Released from Restriction (Wheel Chair Ramps Donation)	(9,200)	0
<b>(Decrease) Increase in Temporarily Restricted Net Assets</b>	<b>(31,568)</b>	<b>42,368</b>
<b>Increase in Net Assets</b>	<b>178,032</b>	<b>212,755</b>
<b>Net Assets, Beginning of Year</b>	<b>1,207,306</b>	<b>994,551</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,385,338</b>	<b>\$ 1,207,306</b>

See accompanying notes.

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2010**  
**PEDIATRIC PRIMARY CARE FOUNDATION, INC.**  
**OCALA, FLORIDA**

	<u>General and Administrative</u>	<u>Primary Care</u>	<u>Medical Foster Care</u>	<u>Total</u>	<u>2010</u>
<b>Expenses</b>					
Personnel Expenses:					
Salaries	\$ 176,147	\$ 993,294	\$ 249,448	\$ 1,418,889	\$ 1,468,404
Payroll Taxes	12,944	78,387	18,925	110,256	113,030
Fringe Benefits	21,417	97,121	23,125	141,663	135,269
Retirement	24,800	132,511	31,927	189,238	185,781
Total Personnel Expenses	<u>(235,308)</u>	<u>(1,301,313)</u>	<u>(323,425)</u>	<u>(1,860,046)</u>	<u>(1,902,484)</u>
Operating Expenses:					
Patient Services	0	66,276	0	66,276	271,897
Contractual Services	31,810	20,349	0	52,159	33,391
Contributions - Wheelchair Ramps	9,200	0	0	9,200	0
Advertising	0	2,327	1,772	4,099	4,494
Repairs and Maintenance	1,207	287	116	1,610	1,165
Rent	27,691	6,546	22,245	56,482	62,632
Telephone	6,003	6,188	6,259	18,450	11,287
Insurance	1,117	18,290	5,823	25,230	6,786
Postage	998	3,531	1,066	5,595	7,440
Depreciation	14,679	0	0	14,679	17,195
Training	60	0	0	60	3,936
Travel	485	9,548	16,784	26,817	12,332
Other	15,911	11,824	15,904	43,639	34,955
Total Operating Expenses	<u>(109,161)</u>	<u>(145,166)</u>	<u>(69,969)</u>	<u>(324,296)</u>	<u>(467,510)</u>
Indirect Expenses Allocation	<u>344,469</u>	<u>(223,905)</u>	<u>(120,564)</u>	<u>0</u>	<u>0</u>
<b>(Total Expenses)</b>	<u>\$ 0</u>	<u>\$ (1,670,384)</u>	<u>\$ (513,958)</u>	<u>\$ (2,184,342)</u>	<u>\$ (2,369,994)</u>

See accompanying notes.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2010**  
**PEDIATRIC PRIMARY CARE FOUNDATION, INC.**  
**OCALA, FLORIDA**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities</b>		
Increase in Net Assets	\$ 178,032	\$ 212,755
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	14,679	17,195
Decrease (Increase) in Assets and Increase (Decrease) in Liabilities:		
Accounts Receivable	92,679	(110,343)
Prepaid Expenses and Other Assets	19,881	(9,759)
Accounts Payable	7,020	(33,162)
Accrued Expenses	(110,638)	84,580
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>201,653</u>	<u>161,266</u>
<b>Cash Flows from Investing Activities</b>		
Net Investment Purchases/Maturities (One-year Certificates of Deposit)	(329,832)	(180,731)
Purchases of Office Furniture and Equipment	(36,750)	(43,463)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(366,582)</u>	<u>(224,194)</u>
<b>Net (Decrease) in Cash and Cash Investments</b>	(164,929)	(62,928)
<b>Cash, Beginning of Year</b>	<u>538,896</u>	<u>601,824</u>
<b>Cash, End of Year</b>	<u>\$ 373,967</u>	<u>\$ 538,896</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS  
PEDIATRIC PRIMARY CARE FOUNDATION, INC.  
OCALA, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

**Organization and Nature of Activities**

Pediatric Primary Care Foundation, Inc. (the Foundation) is a Florida nonprofit organization, incorporated on March 18, 1992, for the purpose of insuring financially eligible children with special health care needs, primary medical care through physician referral and case management services. The Foundation has an additional program for medical foster care. The Foundation is funded by the State of Florida Department of Health in conjunction with Medicaid and insurance service fees.

**Basis of Accounting**

The Foundation follows standards of accounting and financial reporting prescribed for nonprofit voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, state, and other public grants are recorded as revenue when performance occurs under the terms of the grant agreement.

**Cash and Cash Equivalents**

The Foundation considers cash and cash equivalents to include cash deposits and investments with original maturities of three months or less. At times, the Foundation carries varying amounts in excess of the Federal Deposit Insurance Corporation's (FDIC) insurance.

**Investments**

Investments consist of certificates of deposit with maturities of more than three months.

**Property and Equipment**

The Foundation capitalizes all property and equipment with a cost of greater than five hundred dollars and an estimated useful life exceeding one year.

Property and equipment, consisting of office furniture and equipment, are recorded at cost and depreciated over their estimated useful lives of three to ten years using the straight-line method. Repairs and maintenance are expensed as incurred.

Title to property and equipment purchased with State of Florida Department of Health funds vest with the State of Florida Department of Health upon completion or termination of the State of Florida Department of Health contracts.

**Restricted and Unrestricted Revenue**

Federal and state grant awards are recognized in accordance with the legal and contractual requirements of the grants. All of the Foundation's grants have been determined to be exchange transactions and not contributions; therefore, revenues are recognized when earned.

**Accounts Receivable**

Accounts receivable consist of uncollateralized amounts due from the State of Florida Department of Health and third party insurance providers that are recorded net of an allowance for doubtful accounts in the amount of \$2,466.

**NOTES TO FINANCIAL STATEMENTS**  
**PEDIATRIC PRIMARY CARE FOUNDATION, INC.**  
**OCALA, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition**

Revenue for service fees from the State of Florida Department of Health that are not related to contracts, Medicaid, and insurance companies are recognized when services are provided at net realizable rates established by Medicaid and the insurance companies. Medicaid payments received for physician charges are used to offset patient services expense for the State of Florida Department of Health reimbursement purposes.

For state reporting and financial purposes, the Foundation reports contract revenue for program related capital purchases in the year purchased.

**Allocation of Expenditures**

Expenses are allocated among the various program services to the extent a direct relationship can be established. Salaries and other expenses, which are associated with a specific program, are allocated directly to that program. Salaries and other expenses, which benefit various programs, are allocated to the program services based on the relative benefit provided. The following is a summary description of the Foundation's functional expense categories:

■ **General and Administrative**

Costs associated with administration of the Foundation, including finance, accounting, staff supervision, Board operations, and human resources.

■ **Primary Care**

Costs associated with providing primary care medical and targeted case management services to financially eligible children with special health care needs and the related personnel costs.

■ **Medical Foster Care**

Costs associated with providing medical foster care and targeted case management services to eligible children with special health care needs and the related personnel costs.

**Income Taxes**

The Foundation is currently exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, accordingly, no provision has been made for income tax liabilities or expenses.

It is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management also believes that no such required disclosures currently exist.

The Foundation is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2008. The Foundation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

**Compensated Absences**

The Foundation accrues paid leave for contract employees at the rate of eight hours per biweekly pay period for all eligible full-time staff, which vests up to a maximum of 360 hours upon termination. The accumulated earned vacation leave for the period ended June 30, 2011 is \$61,912, and recorded as a current liability.

**NOTES TO FINANCIAL STATEMENTS**  
**PEDIATRIC PRIMARY CARE FOUNDATION, INC.**  
**OCALA, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**Prior Period Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

**Use of Estimates**

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

**Subsequent Events**

Pediatric Primary Care Foundation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 10, 2011, the date the financial statements were available to be issued.

**Matching Requirements**

The Foundation's funding contracts with the State of Florida Department of Health do not require any matching revenues.

**Note 2 - Investments**

Investments consist of certificates of deposit with maturities more than three months.

Central Florida State Bank CD	\$ 251,023
Gateway Bank CD	250,814
Heritage Bank of the South CD	121,427
Florida Citizens Bank CD	150,336
First Avenue CD	<u>43,525</u>
<b>Total</b>	<b><u>\$ 817,125</u></b>

**Note 3 - Fair Value Measurements and Investments**

Investments measured at fair value on a recurring basis consist of the following at June 30, 2011:

**Fair Value Measurements as of June 30, 2011 Using**

	<b><u>Fair Value</u></b>	<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>
Certificates of Deposit	<u>\$ 817,125</u>	<u>\$ 817,125</u>
<b>Total Investments</b>	<b><u>\$ 817,125</u></b>	<b><u>\$ 817,125</u></b>

**NOTES TO FINANCIAL STATEMENTS**  
**PEDIATRIC PRIMARY CARE FOUNDATION, INC.**  
**OCALA, FLORIDA**  
*(Continued)*

**Note 4 - Office Lease**

The Foundation is leasing office space in Ocala under a five-year lease that expires on June 30, 2014. Under the terms of the lease, the lessor is responsible for maintenance and utilities. At termination of lease, the Foundation has the option to renew the lease for an additional one to five year period at an escalating rental rate. Lease expense for 2011 totaled \$56,482.

Minimum annual rents for the remainder of the lease terms are as follows:

<b>Year Ending June 30,</b>	<b>Minimum Annual Rent</b>
2012	\$ 52,965
2013	54,821
2014	56,677
<b>Total</b>	<b>\$ 164,463</b>

**Note 5 - Property and Equipment**

The following is a schedule of property and equipment owned by the Foundation as of June 30, 2011:

Office Equipment	\$ 207,215
(Accumulated Depreciation)	(105,727)
<b>Property and Equipment, Net of Accumulated Depreciation</b>	<b>\$ 101,488</b>

Depreciation expense for the year ended June 30, 2011, was \$14,679.

**Note 6 - Retirement Plan**

During 1993, the Foundation established a simplified employee retirement plan to cover all eligible full time employees that complete one year of service. The Foundation contributes 15% of eligible gross wages to the plan. Contributions for the year ended June 30, 2011, totaled \$189,238.

**Note 7 - Contingencies**

Grants and contracts require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although this is a possibility, the management deems the contingency remote, since by accepting the grants and their terms, it has adapted to the objectives of the grantors' provisions of the contract.

The Foundation received correspondence from the IRS regarding the proper employment classification of an individual previously engaged as a contractor. If the IRS determines this individual was incorrectly classified as a contractor, rather than an employee, the Foundation may be liable for payroll taxes of an undetermined amount.

**NOTES TO FINANCIAL STATEMENTS**  
**PEDIATRIC PRIMARY CARE FOUNDATION, INC.**  
**OCALA, FLORIDA**  
*(Concluded)*

**Note 8 - Related Party Transactions**

Two members of the Foundation's Board of Directors serve as Medical Directors for the Foundation, and one provides patient care services for the Foundation. Payments for June 30, 2011, are as follows:

Medical Director Payments	<u>\$ 15,445</u>
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**Note 9 - Single Audits**

During the fiscal year, the Foundation expended less than \$500,000 in federal awards; therefore, no audit was required pursuant to the Circular A-133, *Federal Single Audit*. However, a State Single Audit was required because the Foundation did expend more than \$500,000 of state financial assistance.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED  
STATES AND THE *RULES OF THE AUDITOR GENERAL*  
OF THE STATE OF FLORIDA**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2011  
PEDIATRIC PRIMARY CARE FOUNDATION, INC. - OCALA, FLORIDA**

<u>State Agency and Project Title</u>	<u>State Contract/ Grant Number</u>	<u>State CSFA Number</u>	<u>Program or Award Amount</u>	<u>State Expenditures</u>
<b>State of Florida Department of Health</b>				
Primary Care	COQPS	64.007	\$ 445,830	\$ 445,830
Medical Foster Care	COQSD	64.010	366,908	<u>366,908</u>
<b>Total</b>				<u><u>\$ 812,738</u></u>

**Notes to Schedule of Expenditures of State Financial Assistance:**

- 1) The schedule of expenditures of state financial assistance was prepared on the accrual basis of accounting.
- 2) Total Primary Care program award includes both federal and state program funding. The amount above represents the state portion only for Primary Care. The state portion is reconciled to the contract amount below:

	<b><u>Primary Care</u></b>
State Expenditures (from above)	\$ 445,830
Federal Expenditures	<u>219,086</u>
<b>Total Contract</b>	<u><u>\$ 664,916</u></u>

**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  
Pediatric Primary Care Foundation, Inc.  
Ocala, Florida

We have audited the financial statements of Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida not-for-profit organization, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 10, 2011. We conducted our audit in accordance with generally accepted auditing standards 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 Foundation's internal control over financial reporting as a basis for designing our audit 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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is 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 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 considered to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statement 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*.

**Certified Public Accountants**

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Board of Directors  
Pediatric Primary Care Foundation, Inc.  
Ocala, Florida

**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  
(Concluded)**

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

*Purvis, Gray and Company, LLP*

October 10, 2011  
Ocala, Florida

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR STATE PROJECT AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES,  
STATE PROJECTS COMPLIANCE SUPPLEMENT**

Board of Directors  
Pediatric Primary Care Foundation, Inc.  
Ocala, Florida

**Compliance**

We have audited the compliance of Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida nonprofit organization, with the types of compliance requirements described in the Executive Office of the Governor's state projects, *Compliance Supplement*, that could have a direct and material effect on each of its major state projects for year ended June 30, 2011. The Foundation's major 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 state projects is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation'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 of the United States; and Chapter 10.650, *Rules of the Auditor General*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*. Those standards and Chapter 10.650, *Rules of the Auditor General*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a direct and material effect on the state projects occurred. An audit includes examining, on a test basis, evidence about the Foundation'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 the Foundation's compliance with those requirements.

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

**Internal Control Over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on state projects in order to determine our auditing

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Board of Directors  
Pediatric Primary Care Foundation, Inc.  
Ocala, Florida

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR STATE PROJECT AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES,  
STATE PROJECTS COMPLIANCE SUPPLEMENT  
(Concluded)**

**Internal Control Over Compliance (Concluded)**

procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*, 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 Foundation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operations 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 state project on a timely basis. A *material weakness in internal control* 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, 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 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 a material weaknesses as defined above.

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



October 10, 2011  
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND  
STATE FINANCIAL ASSISTANCE PROJECTS  
PEDIATRIC PRIMARY CARE FOUNDATION, INC. - OCALA, FLORIDA**

**1. Summary of Audit Results**

**I. Type of Audit Report Issued on Financial Statements**

Unqualified Opinion

**II. Significant Deficiencies and/or Material Weaknesses in Internal Control**

Audit disclosed no instances of significant deficiencies in internal control or significant deficiencies, which were material weaknesses in internal control.

**III. Noncompliance Material to Auditee Financial Statements**

Audit disclosed no material instances of noncompliance.

**IV. Significant Deficiencies and/or Material Weaknesses in Internal Control Over the Major State Financial Assistance Projects**

Audit disclosed no instances of significant deficiencies in internal control over the state major project or significant deficiencies, which were material weaknesses in internal control over the state major program.

**V. Type of Audit Report Issued on Compliance with Requirements Applicable to Major State Financial Assistance Projects**

Unqualified Opinion

**VI. Audit Findings Relative to Chapter 10.650, *Rules of the Auditor General***

The audit disclosed no findings required to be reported under Chapter 10.650, *Rules of the Auditor General*.

**VII. Major State Financial Assistance Projects**

State Project:

- Department of Health - Primary Care  
Contract Number COQPS, CSFA No. 64.007 \$445,830

**VIII. Dollar Threshold Used to Distinguish Between Type A and Type B State Financial Assistance Projects**

\$243,821

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND  
STATE FINANCIAL ASSISTANCE PROJECTS  
PEDIATRIC PRIMARY CARE FOUNDATION, INC. - OCALA, FLORIDA  
(Concluded)**

2. **Findings Related to the Financial Statements Required to be Reported Under Generally Accepted Government Auditing Standards (GAGAS)**

The audit disclosed no findings, which are required to be reported under GAGAS.

3. **Findings and Questioned Costs for Major State Financial Assistance Projects**

Not Applicable

4. **Findings and Questioned Costs for Major State Financial Assistance Projects**

The audit disclosed no findings that are required to be reported under Chapter 10.650, *Rules of the Auditor General*.

5. **Other Issues**

- I. No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.
- II. No corrective action plan is required because there are no findings required to be reported under the Florida *Single Audit Act*.

## MANAGEMENT LETTER

Board of Directors  
Pediatric Primary Care Foundation, Inc.  
Ocala, Florida

We have audited the financial statements of the Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida not-for-profit organization, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 10, 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. We have issued our report on internal control over financial reporting and compliance and other matters, report on compliance with requirements applicable to each major state project and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated October 10, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, *Rules of the Auditor General*, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or state project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or state project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse; and (2) control deficiencies that are not significant deficiencies. In connection with our audit, the following matters are required to be disclosed:

### **Prior Year Comments Remaining**

#### ■ **Segregation of Duties**

As in prior years, the primary weakness in the Foundation's internal control has been the lack of segregation of incompatible duties in the Finance and Accounting Department due to the limited number of department personnel. This condition is typical of many social service organizations with limited budgetary resources. To the extent possible, the Foundation has instituted procedures to overcome this condition, such as separating mail pickups and bank deposits from general ledger and receivable posting, and by instituting disbursement controls, such as prepayment approvals, dual signature requirements, and periodic financial reporting to the Board of Directors. We recognize the effort that has been made to overcome weaknesses that are inherent to limited personnel and encourage the Foundation to continue with this ongoing effort.

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Board of Directors  
Pediatric Primary Care Foundation, Inc.  
Ocala, Florida

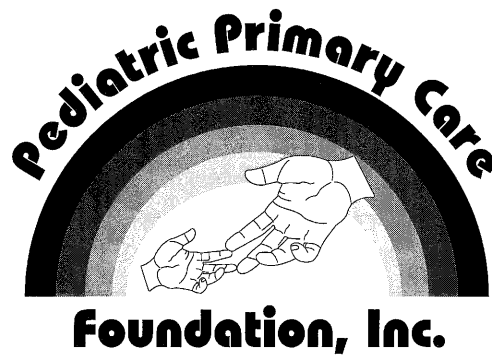
**MANAGEMENT LETTER**  
*(Concluded)*

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

October 10, 2011  
Ocala, Florida

Sponsored by



Board of Directors  
Pediatric Primary Care Foundation, Inc.  
Ocala, Florida

Management Response, Independent Auditors Reports FY10-11, ended June 30, 2011

In addition to meeting our reporting requirements and providing you with the resulting reports, this independent audit process continues to be one that helps us review our year of operations in several meaningful ways and we continue to find opportunities to learn from the experience.

FY10-11 was the fourth fiscal year we have produced our financial statements internally, including the statement of functional expense.

We very much appreciate the participation and support of our Board of Directors in our continued mission to serve our CMSN and helping us to meet all of the related requirements.

The enclosed reports accurately summarize our operations for this fiscal year and also represent another busy year of dedicated service to our CMS Network. We continue to find your independent auditors to be most thorough.

There remains a comment in regard to Segregation of Duties. We continue to see this comment due to our organization being a smaller entity with limited staff but we will continue to segregate duties to the extent possible. We very much appreciate your continued assistance in this area by participating in an outside review capacity of our disbursements.

In addition to many new changes with a new administration and new DOH leadership, we are hopeful to navigate through the state's continuing budget crisis so we can continue to continue to serve CMSN children with special health care needs.

On behalf of our staff and all whom we serve, we remain appreciative of your volunteer service on our Board of Directors and thank you for being part of our team. We continue to remain appreciative of the support of our Regional and Tallahassee team members as well. We count on them, you, and our staff and providers to help enable us to accomplish our mission. We are here to serve.

Jeffery E. Baxla  
CEO/Program Administrator