

**RIVER REGION HUMAN SERVICES, INC.**  
**AND**  
**RIVER REGION FOUNDATION, INC.**

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2011 AND 2010

**RIVER REGION HUMAN SERVICES, INC. AND  
RIVER REGION FOUNDATION, INC.**

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**LBA CERTIFIED PUBLIC ACCOUNTANTS, PA**

**Report of Independent Certified Public Accountants**

To the Board of Directors  
River Region Human Services, Inc.  
and River Region Foundation, Inc.  
Jacksonville, Florida

We have audited the accompanying combining statements of financial position of River Region Human Services, Inc. (a not-for-profit organization) and River Region Foundation, Inc. (a not-for-profit organization) as of June 30, 2011 and 2010, and the related combining statements of activities, functional expenses, and cash flows for the years then ended. These combining financial statements are the responsibility of River Region Human Services, Inc. and River Region Foundation, Inc.'s management. Our responsibility is to express an opinion on these combining financial statements based on our audits.

We conducted our audits 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 combining financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combining financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall combining financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of River Region Human Services, Inc. and River Region Foundation, Inc. as of June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011, on our consideration of River Region Human Services, Inc. and River Region Foundation, Inc.'s internal control over financial reporting and on our tests of their 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.

**THE LBA GROUP**

Our audits were conducted for the purpose of forming an opinion on the combining financial statements as a whole. The accompanying statements of functional expenses – River Region Human Services, Inc. on page 20 and the schedule of local grant programs on pages 21-27 are presented for purposes of additional analysis and are not a required part of the combining financial statements. The accompanying schedule of expenditures of financial awards, for the year ended June 30, 2011, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, and is not a required part of the combining financial statements. Such other financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combining financial statements. The other financial information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such other financial information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining financial statements themselves and, other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated in all material respects in relation to the combining financial statements taken as a whole.

*LBA Certified Public Accountants, P.A.*

October 27, 2011

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,699,252	\$ 59,913	\$ -	\$ 1,759,165
Accounts receivable - grants	1,117,776	-	-	1,117,776
Restricted accounts receivable	30,204	-	-	30,204
Inventory	37,083	-	-	37,083
Prepaid expenses	56,280	-	-	56,280
Deferred compensation investments	246,243	-	-	246,243
Other assets	38,858	-	-	38,858
Property and equipment, net	<u>4,969,841</u>	<u>88,138</u>	-	<u>5,057,979</u>
Total assets	<u>\$ 8,195,537</u>	<u>\$ 148,051</u>	<u>\$ -</u>	<u>\$ 8,343,588</u>
<b>Liabilities and net assets:</b>				
Liabilities:				
Accounts payable	\$ 343,335	\$ 1,434	\$ -	\$ 344,769
Accrued liabilities	479,173	-	-	479,173
Deferred compensation liability	246,243	-	-	246,243
Tenant deposits	3,355	-	-	3,355
Notes payable	<u>1,488,832</u>	<u>66,280</u>	-	<u>1,555,112</u>
Total liabilities	<u>2,560,938</u>	<u>67,714</u>	-	<u>2,628,652</u>
Net assets:				
Unrestricted	5,604,395	80,337	-	5,684,732
Temporarily restricted	<u>30,204</u>	-	-	<u>30,204</u>
Total net assets	<u>5,634,599</u>	<u>80,337</u>	-	<u>5,714,936</u>
Total liabilities and net assets	<u>\$ 8,195,537</u>	<u>\$ 148,051</u>	<u>\$ -</u>	<u>\$ 8,343,588</u>

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2010**

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,585,041	\$ 58,745	\$ -	\$ 1,643,786
Accounts receivable - grants	1,247,165	-	-	1,247,165
Inventory	33,448	-	-	33,448
Prepaid expenses	29,985	2,000	-	31,985
Deferred compensation investments	160,272	-	-	160,272
Other assets	38,858	-	-	38,858
Property and equipment, net	<u>4,593,608</u>	<u>87,649</u>	<u>-</u>	<u>4,681,257</u>
Total assets	<u>\$ 7,688,377</u>	<u>\$ 148,394</u>	<u>\$ -</u>	<u>\$ 7,836,771</u>
<b>Liabilities and net assets:</b>				
Liabilities:				
Accounts payable	\$ 484,350	\$ -	\$ -	\$ 484,350
Accrued liabilities	421,161	-	-	421,161
Deferred compensation liability	160,272	-	-	160,272
Tenant deposits	1,400	-	-	1,400
Line of credit	530,612	-	-	530,612
Notes payable	<u>760,721</u>	<u>68,536</u>	<u>-</u>	<u>829,257</u>
Total liabilities	<u>2,358,516</u>	<u>68,536</u>	<u>-</u>	<u>2,427,052</u>
Net assets:				
Unrestricted	<u>5,329,861</u>	<u>79,858</u>	<u>-</u>	<u>5,409,719</u>
Total liabilities and net assets	<u>\$ 7,688,377</u>	<u>\$ 148,394</u>	<u>\$ -</u>	<u>\$ 7,836,771</u>

*See accompanying notes to combining financial statements.*

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**

	River Region Human Services, Inc.			River Region Foundation, Inc.	Elimination	Total
	Unrestricted	Temporarily Restricted	Total			
<b>Revenues and other support:</b>						
Federal and state grants	\$ 7,786,429	\$ -	\$ 7,786,429	\$ -	\$ -	\$ 7,786,429
State match	515,965	-	515,965	-	-	515,965
Local grants	2,854,759	-	2,854,759	-	-	2,854,759
Medicaid	1,676,789	-	1,676,789	-	-	1,676,789
Other grants	256,231	-	256,231	-	-	256,231
Program fees	1,209,299	-	1,209,299	-	-	1,209,299
Contributions	-	32,950	32,950	-	-	32,950
Rental income	-	-	-	42,000	(42,000)	-
Miscellaneous income	19,418	-	19,418	73,906	-	93,324
Total revenues and other support	<u>14,318,890</u>	<u>32,950</u>	<u>14,351,840</u>	<u>115,906</u>	<u>(42,000)</u>	<u>14,425,746</u>
Net assets released from restriction	<u>2,746</u>	<u>(2,746)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses:</b>						
Program services	12,209,215	-	12,209,215	-	(42,000)	12,167,215
Management and general	1,837,887	-	1,837,887	115,427	-	1,953,314
Total expenses	<u>14,047,102</u>	<u>-</u>	<u>14,047,102</u>	<u>115,427</u>	<u>(42,000)</u>	<u>14,120,529</u>
Change in net assets	274,534	30,204	304,738	479	-	305,217
Net assets, beginning of year	<u>5,329,861</u>	<u>-</u>	<u>5,329,861</u>	<u>79,858</u>	<u>-</u>	<u>5,409,719</u>
Net assets, end of year	<u>\$ 5,604,395</u>	<u>\$ 30,204</u>	<u>\$ 5,634,599</u>	<u>\$ 80,337</u>	<u>\$ -</u>	<u>\$ 5,714,936</u>

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
<b>Revenues and other support:</b>				
Federal and state grants	\$ 7,841,187	\$ -	\$ -	\$ 7,841,187
State match	520,798	-	-	520,798
Local grants	2,467,224	-	-	2,467,224
Medicaid	1,185,966	-	-	1,185,966
Other grants	149,081	-	-	149,081
Program fees	1,008,161	-	-	1,008,161
Rental income	-	33,636	(33,636)	-
Miscellaneous income	62,864	80,189	-	143,053
Total revenues and other support	<u>13,235,281</u>	<u>113,825</u>	<u>(33,636)</u>	<u>13,315,470</u>
<b>Expenses:</b>				
Program services	11,153,250	-	(33,636)	11,119,614
Management and general	1,574,758	110,876	-	1,685,634
Total expenses	<u>12,728,008</u>	<u>110,876</u>	<u>(33,636)</u>	<u>12,805,248</u>
Change in net assets	507,273	2,949	-	510,222
Net assets, beginning of year	<u>4,822,588</u>	<u>76,909</u>	<u>-</u>	<u>4,899,497</u>
Net assets, end of year	<u>\$ 5,329,861</u>	<u>\$ 79,858</u>	<u>\$ -</u>	<u>\$ 5,409,719</u>

*See accompanying notes to combining financial statements.*



**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
**COMBINING STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

	River Region Human Services, Inc.		River Region Foundation, Inc.	Elimination	Total
	Program Services	Management and General			
<b>Salaries and related expenses:</b>					
Salaries	\$ 6,385,911	\$ 982,145	\$ -	\$ -	\$ 7,368,056
Payroll taxes	467,488	49,114	-	-	516,602
Fringe benefits	987,741	195,193	-	-	1,182,934
Total salaries and related expenses	<u>7,841,140</u>	<u>1,226,452</u>	<u>-</u>	<u>-</u>	<u>9,067,592</u>
<b>Expenses:</b>					
Building occupancy	929,509	92,864	-	-	1,022,373
Professional services	793,857	225,226	3,950	-	1,023,033
Travel	197,101	22,170	185	-	219,456
Equipment costs	253,311	19,303	-	(42,000)	230,614
Food services	279,328	144	-	-	279,472
Medical pharmacy	271,257	2,146	-	-	273,403
Insurance	85,945	24,512	-	-	110,457
Promotions and meetings	5,196	19,291	-	-	24,487
Interest and bank charges	45,323	3,399	3,798	-	52,520
Operating supplies and expenses	1,200,679	168,317	84,242	-	1,453,238
Total expenses before depreciation	11,902,646	1,803,824	92,175	(42,000)	13,756,645
Depreciation	<u>306,569</u>	<u>34,063</u>	<u>23,252</u>	<u>-</u>	<u>363,884</u>
Total expenses	<u>\$ 12,209,215</u>	<u>\$ 1,837,887</u>	<u>\$ 115,427</u>	<u>\$ (42,000)</u>	<u>\$ 14,120,529</u>

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
**COMBINING STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2010**

	River Region Human Services, Inc.		River Region Foundation, Inc.	Elimination	Total
	Program Services	Management and General			
<b>Salaries and related expenses:</b>					
Salaries	\$ 6,138,863	\$ 730,801	\$ -	\$ -	\$ 6,869,664
Payroll taxes	450,865	46,685	-	-	497,550
Fringe benefits	883,072	166,172	-	-	1,049,244
Total salaries and related expenses	<u>7,472,800</u>	<u>943,658</u>	<u>-</u>	<u>-</u>	<u>8,416,458</u>
<b>Expenses:</b>					
Building occupancy	840,259	78,773	-	-	919,032
Professional services	664,087	169,337	-	-	833,424
Travel	151,071	19,708	-	-	170,779
Equipment costs	228,927	13,168	-	(33,636)	208,459
Food services	264,945	463	-	-	265,408
Medical pharmacy	258,608	2,323	-	-	260,931
Insurance	81,751	26,354	-	-	108,105
Promotions and meetings	7,226	17,190	-	-	24,416
Interest and bank charges	4,636	17,575	3,442	-	25,653
Operating supplies and expenses	920,346	251,843	77,433	-	1,249,622
Total expenses before depreciation	10,894,656	1,540,392	80,875	(33,636)	12,482,287
Depreciation	258,594	34,366	30,001	-	322,961
Total expenses	<u>\$ 11,153,250</u>	<u>\$ 1,574,758</u>	<u>\$ 110,876</u>	<u>\$ (33,636)</u>	<u>\$ 12,805,248</u>

*See accompanying notes to combining financial statements.*

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2011**

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
<b>Cash flows from operating activities:</b>				
Change in net assets	\$ 304,738	\$ 479	\$ -	\$ 305,217
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	340,632	23,252	-	363,884
Loss on disposal of assets	17,325	-	-	17,325
Forgiveness of SHIP loan	(50,000)	-	-	(50,000)
Net changes in:				
Accounts receivable - grants	129,389	-	-	129,389
Restricted accounts receivable	(30,204)	-	-	(30,204)
Inventory	(3,635)	-	-	(3,635)
Prepaid expenses	(26,295)	2,000	-	(24,295)
Accounts payable and accrued liabilities	(83,003)	1,434	-	(81,569)
Tenant deposits	1,955	-	-	1,955
Net cash provided by operating activities	<u>600,902</u>	<u>27,165</u>	<u>-</u>	<u>628,067</u>
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	<u>(734,190)</u>	<u>(23,741)</u>	<u>-</u>	<u>(757,931)</u>
<b>Cash flows from financing activities:</b>				
Proceeds from note payable	-	23,740	-	23,740
Payments on notes payable	(46,889)	(25,996)	-	(72,885)
Net proceeds from the lines of credit	<u>294,388</u>	<u>-</u>	<u>-</u>	<u>294,388</u>
Net cash provided (used) by financing activities	<u>247,499</u>	<u>(2,256)</u>	<u>-</u>	<u>245,243</u>
Net increase in cash and cash equivalents	114,211	1,168	-	115,379
Cash and cash equivalents, beginning of year	<u>1,585,041</u>	<u>58,745</u>	<u>-</u>	<u>1,643,786</u>
Cash and cash equivalents, end of year	<u>\$ 1,699,252</u>	<u>\$ 59,913</u>	<u>\$ -</u>	<u>\$ 1,759,165</u>
<b>Supplemental disclosure:</b>				
Cash paid for interest	<u>\$ 48,722</u>	<u>\$ 3,798</u>	<u>\$ -</u>	<u>\$ 52,520</u>

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2010**

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
<b>Cash flows from operating activities:</b>				
Change in net assets	\$ 507,273	\$ 2,949	\$ -	\$ 510,222
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	292,960	30,001	-	322,961
Loss (gain) on disposal of assets	56,777	(8,004)	-	48,773
Forgiveness of SHIP loan	(50,000)	-	-	(50,000)
Net changes in:				
Accounts receivable - grants	(406,267)	-	-	(406,267)
Inventory	14,401	-	-	14,401
Prepaid expenses and other assets	4,087	(2,000)	-	2,087
Accounts payable and accrued liabilities	344,600	(421)	-	344,179
Tenant deposits	1,400	-	-	1,400
Net cash provided by operating activities	<u>765,231</u>	<u>22,525</u>	<u>-</u>	<u>787,756</u>
<b>Cash flows from investing activities:</b>				
Proceeds from sale of property and equipment	-	28,732	-	28,732
Purchases of property and equipment	<u>(1,193,816)</u>	<u>(93,248)</u>	<u>-</u>	<u>(1,287,064)</u>
Net cash used by investing activities	<u>(1,193,816)</u>	<u>(64,516)</u>	<u>-</u>	<u>(1,258,332)</u>
<b>Cash flows from financing activities:</b>				
Proceeds from notes payable	750,000	69,747	-	819,747
Payments on notes payable	(58,197)	(32,080)	-	(90,277)
Net payments on the lines of credit	<u>(464,947)</u>	<u>-</u>	<u>-</u>	<u>(464,947)</u>
Net cash provided by financing activities	<u>226,856</u>	<u>37,667</u>	<u>-</u>	<u>264,523</u>
Net decrease in cash and cash equivalents	(201,729)	(4,324)	-	(206,053)
Cash and cash equivalents, beginning of year	<u>1,786,770</u>	<u>63,069</u>	<u>-</u>	<u>1,849,839</u>
Cash and cash equivalents, end of year	<u>\$ 1,585,041</u>	<u>\$ 58,745</u>	<u>\$ -</u>	<u>\$ 1,643,786</u>
<b>Supplemental disclosure:</b>				
Cash paid for interest	<u>\$ 22,211</u>	<u>\$ 3,442</u>	<u>\$ -</u>	<u>\$ 25,653</u>

*See accompanying notes to combining financial statements.*

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**1. Nature of Business**

River Region Human Services, Inc. is a not-for-profit organization incorporated under the laws of the State of Florida. River Region Human Services, Inc. provides services to the greater Jacksonville area, that focus on assisting persons in developing and maintaining a functional independent lifestyle free from the use of dependency-producing drugs, the debilitating effects of mental disorders, the commission of antisocial and criminal activities; and the ravages of sexually transmitted diseases by delivering an effective and coordinated continuum of education, prevention and treatment programs supported by medical and social services responsive to the needs of the clients.

River Region Foundation, Inc., (the “Foundation”) is a not-for-profit organization which provides financial and other support services and programs to River Region Human Services, Inc., (collectively the “Organization”).

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Organization is presented to assist in understanding the combining financial statements. The combining financial statements and accompanying notes are representations of the Organization’s management. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the combining financial statements.

Use of Estimates

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

Basis of Combination

The combining financial statements include the accounts of River Region Human Services, Inc. and River Region Foundation, Inc. All significant intercompany accounts and transactions have been eliminated.

Basis of Presentation

In accordance with authoritative guidance, the Organization is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted Net Assets* - Net assets representing resources generated from operations that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**2. Summary of Significant Accounting Policies (Continued)**

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that the assets must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. At June 30, 2011 and 2010, there were no permanently restricted net assets.

Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts. Management evaluates total accounts receivable, and includes in the allowance for doubtful accounts an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. The allowance for doubtful accounts was zero at June 30, 2011 and 2010.

Inventory

Inventory consists of medical and food supplies and is stated at lower of cost or market determined by the first-in first-out method.

Property and equipment

Property and equipment are recorded at cost and any purchases in excess of \$500 are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair market value. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in operations.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements recorded at the inception of the lease are depreciated over the life of the lease, or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, the depreciation period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonable assured). Asset lives for financial statement reporting of depreciation are:

Buildings and improvements	5 - 39 years
Leasehold improvements	5 - 10 years
Furniture and equipment	2 - 7 years
Vehicles	5 years

Restricted and Unrestricted Revenue and Support

In accordance with authoritative guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**2. Summary of Significant Accounting Policies (Continued)**

any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the combining statements of activities as net assets released from restrictions.

Income Taxes

Both organizations are private not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

The Organization evaluates its tax positions for any uncertainties based on the technical merits of the position taken. The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities.

Contribution of Services

A substantial number of volunteers have donated significant amounts of their time to the Organization. No amounts have been reflected in the combining statements for contributed services since the contribution of services did not create or enhance non-financial assets or require specialized skills. When professional services are donated, in-kind values are recorded as contributions.

Public Support

Public support revenues from government grants are recorded based on the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs or units of service of the specific grant provisions have been incurred or provided. Such revenue is subject to audit by the grantor and, if the examination results in a non-allowance of units of service or expenses, the Organization will be required to reimburse any overpayments.

Net Patient Service Revenue

Net patient service revenue included in program fees is recorded at standard rates which are reduced by allowances based upon the patient's financial capabilities and by amounts estimated by management to be non-reimbursable by third-party payers and state programs under the provisions of applicable program payment arrangements. Final determination of amounts earned is subject to third-party payer audit and retroactive adjustment.

Functional Expense Allocation

The costs of providing program and management activities have been summarized on a functional basis in the combining statement of activities and the combining statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
 NOTES TO COMBINING FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2011 AND 2010

**2. Summary of Significant Accounting Policies (Continued)**

Subcontractor Fees

Subcontractors with whom the Organization conducts business are deemed to be vendor relationships.

Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

Subsequent Events

The Organization has evaluated events through the date of the report of independent certified public accountants, the date the financial statements were available to be issued.

**3. Property and Equipment**

Property and equipment consisted of the following at June 30:

	2011	2010
Land	\$ 681,799	\$ 681,799
Buildings and improvements	4,070,998	3,066,309
Leasehold improvements	601,867	610,359
Furniture and equipment	1,154,206	1,034,262
Vehicles	272,257	248,517
Construction in progress	-	551,495
Total property and equipment	6,781,127	6,192,741
Less: accumulated depreciation	(1,723,148)	(1,511,484)
Property and equipment, net	\$ 5,057,979	\$ 4,681,257

Construction in progress at June 30, 2010, related to a community center.

**4. Fair Value Measurements**

Authoritative guidance provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability;



**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**4. Fair Value Measurements (Continued)**

inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2011 and 2010. Following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual funds:* Valued at the net asset value of the units reported on the active market on which the individual securities are traded.

*Interest accumulation account:* Valued at cost, which approximates fair value, plus interest earned.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 132,479	\$ -	\$ -	\$ 132,479
Retirement	20,287	-	-	20,287
Interest accumulation account	<u>93,477</u>	<u>-</u>	<u>-</u>	<u>93,477</u>
Total assets at fair value	<u>\$ 246,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,243</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 79,507	\$ -	\$ -	\$ 79,507
Retirement	13,835	-	-	13,835
Interest accumulation account	<u>66,930</u>	<u>-</u>	<u>-</u>	<u>66,930</u>
Total assets at fair value	<u>\$ 160,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,272</u>

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**5. Notes payable**

Notes payable consisted of the following at June 30:

	2011	2010
Mortgage payable to CNL Bank, payable in monthly installments of \$4,311, including interest at 6.25%, final payment due April 12, 2016; secured by certain real property of the Organization.	\$ 496,668	\$ -
Mortgage payable to CNL Bank, payable in monthly installments of \$3,663 including interest at 6.25%, final payment due January 14, 2016; secured by certain real property of the Organization.	315,100	-
Note payable to Ford Motor Credit, payable in monthly installments of \$570 including interest at 6.99%, final payment due June 23, 2015; secured by a 2010 Ford Econoline.	23,740	-
Note payable to Jacksonville Housing Trust Fund (SHIP program), forgiven at the rate of \$50,000 per year for 15 years, with the first \$50,000 forgiven in 2010.	650,000	700,000
Note payable for building renovations payable in monthly installments of \$3,108 including interest at 8%, final payment due March 15, 2012; secured by the renovations.	27,064	60,721
Note payable to CNL Bank, payable in monthly installments of \$767 including interest at 6.5%, final payment due August 27, 2012; secured by a 2006 RV – HIV Program.	10,311	18,542
Note payable to Ford Motor Credit, payable in monthly installments of \$584 including interest at 8.49%, final payment due February 16, 2014; secured by a 2009 Ford E350.	17,018	22,338
Note payable to Ford Motor Credit, payable in monthly installments of \$522 including interest at 8.49%, final payment due March 16, 2014; secured by a 2009 Ford E350.	15,211	19,966
Note payable to Ford Motor Credit, payable in monthly installments of \$442 including interest at 9.87%, final payment made on September 21, 2010; secured by 2005 Ford Freestar.	-	1,303
Note payable to Ford Motor Credit, payable in monthly installments of \$456 including interest at 9.89%, final payment made on July 26, 2010; secured by a 2005 Ford E350.	-	309
Note payable to Ford Motor Credit, payable in monthly installments of \$546 including interest at 10.19%, final payment made on August 8, 2011; secured by 2006 Ford E-350.	-	6,078
Total notes payable	\$ 1,555,112	\$ 829,257

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**5. Notes payable (Continued)**

Maturities of notes payable consisted of the following for the years subsequent to June 30, 2011:

2012	\$ 148,367
2013	118,436
2014	117,897
2015	112,378
2016	658,034
Thereafter	<u>400,000</u>
Total notes payable	<u>\$ 1,555,112</u>

In 2010, the Organization received a \$750,000 forgivable loan from the Jacksonville Housing Trust Fund (see above), through the SHIP program, to build and maintain single family homes for formerly homeless individuals. The terms of the loan require the Organization to continue to use the property for the stated purpose or the Organization will be in default and the loan will be due in full.

**6. Related Party Transactions**

Expenses for each of the years ended June 30, 2011 and 2010 include \$42,000 and \$33,636 paid to the Foundation for equipment and vehicle rent which has been eliminated in the combining financial statements.

**7. Matching Requirements**

The Organization had a fixed price and unit of service contract that required cost sharing or match. The Organization received a portion of its support from the State of Florida, under contract number DDO33 with the Department of Children and Family Services. Income was recognized based on services provided. The contract required a 1/3 local match.

During the years ended June 30, 2011 and 2010, the required local match was as follows:

	<u>2011</u>	<u>2010</u>
Amount received or receivable requiring match	\$ 2,574,871	\$ 3,295,970
Match required - 1/3	<u>858,290</u>	<u>1,098,657</u>
Total	<u>\$ 3,433,161</u>	<u>\$ 4,394,627</u>

During the years ended June 30, 2011 and 2010, the Organization received \$2,256,960 and \$2,390,324, respectively, of local matching funds.

**8. Employment and Retiree Benefits**

The Organization has a tax deferred annuity retirement plan. Under the provisions of the plan, eligible employees can elect to have a portion of their salary withheld and contributed to the plan. The Organization's contributions are a percentage of the participating employee's salary. Total contributions included in employee fringe benefits made by the Organization for the years ended June 30, 2011 and 2010, were \$283,682 and \$262,292, respectively.

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**8. Employment and Retiree Benefits (Continued)**

The Organization also has a non-qualified, deferred compensation plan for the benefit of certain members of management. At June 30, 2011 and 2010, investments related to the plan of \$246,243 and \$160,272 respectively, are included on the combining statements of financial position, and the related liability is included in accrued liabilities. Unrealized gains and losses on the investments and corresponding deferred compensation liability net to zero in the accompanying combining statements of activities. See note 4 for fair value measurements.

**9. Medicaid Reimbursement**

Laws and regulations governing the Medicaid program are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

**10. Lines of Credit**

The Organization has an unfunded \$750,000 line of credit collateralized by the Organization's assets. The line of credit bears interest at prime (4% at June 30, 2011).

The Organization had a \$500,000 line of credit with CNL Bank for the construction of an 8-bed homeless housing facility with a balance of \$52,395 outstanding at June 30, 2010. The line was secured by the housing facility and required interest only payments at 5% until it matured on December 19, 2010. At maturity the Organization refinanced this line of credit through a mortgage with CNL Bank (see note 5).

The Organization also had a \$500,000 line of credit with CNL Bank for the purchase of a new facility for providing comprehensive mental health services to low and moderate income persons, with a balance of \$478,217 outstanding at June 30, 2010. The line was secured by the services facility and required interest only payments at 5% until maturity on December 22, 2010. At maturity the Organization refinanced this line of credit through a mortgage with CNL Bank (see note 5).

**11. Temporarily Restricted Net Assets**

During 2011, the Organization received the use of a facility from June 2011 until May 2012, for the consideration of \$1. In accordance with authoritative guidance, the contribution was recorded as a temporarily restricted receivable, measured at the fair rental value of the facility. The asset is released from restriction ratably over the life of the lease; \$2,746 was released from restriction for the year ended June 30, 2011.

**12. Commitments and Contingencies**

Concentrations of Credit Risk

The Organization places its cash and temporary cash investments with FDIC insured financial institutions. At times such investments may be in excess of the FDIC insurance limits. The

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**

NOTES TO COMBINING FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**12. Commitments and Contingencies (Continued)**

Organization does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

Dependency on Government Support

The Organization receives a substantial amount of support from federal, state and local government agencies. A reduction in the level of future support from the federal, state or local governmental agencies could have a substantial effect on the Organization's programs and activities.

Operating Leases

The Organization leases certain equipment and facilities under operating lease agreements that expire at various dates as follows:

<u>Lease Location/Description</u>	<u>Lease Payment</u>	<u>Expiration Date</u>
390 Park Street	\$15,156/month	March 30, 2012
Lem Turner	2,900/month	Month-to-month
Neptune Beach	2,420/month	Month-to-month
Reyko Road	13,357/month	February 28, 2018
Copier equipment	5,044/month	June 15, 2013
Postage meter	146/month	October 31, 2012
Computer equipment	5,963/year	October 30, 2011

During the years ended June 30, 2011 and 2010, the Organization incurred expenses under these leases of \$539,835 and \$544,431, respectively. These expenses are included in building occupancy and equipment costs in the combining statements of functional expenses.

Future minimum lease payments under non-cancelable leases with initial or remaining lease terms in excess of one year consisted of the following at June 30, 2011:

2012	\$ 382,825
2013	218,734
2014	160,284
2015	160,284
2016	160,284
Thereafter	267,140
Total minimum lease payments	<u>\$ 1,349,551</u>

## OTHER FINANCIAL INFORMATION

**RIVER REGION HUMAN SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS**  
**YEAR ENDED JUNE 30, 2011**

<u>Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project</u>	<u>Period</u>	<u>CFDA CFSA Number</u>	<u>Pass - Through Grantors Numbers</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>					
<i>Passed through Florida Department of Children and Family Services:</i>					
Block Grant for Prevention & Treatment of Substance Abuse (Children & Families)	7/1/10- 6/30/11	93.959	DD033-7	\$ 2,234,089	\$ -
Temporary Assistance for Needy Families (TANF)	7/1/10- 6/30/11	93.558	DD033-7	214,552	-
				<u>2,448,641</u>	<u>-</u>
Sister Rise	9/30/09 - 9/29/10	93.243	5U79SP015073-02	119,237	-
Sister Rise	9/30/10 - 9/29/13	93.243	5U79SP015073-03	237,418	-
WCFT (f.k.a. Pregnant and Postpartum Women )	9/30/09 - 9/29/10	93.243	5H79TI019596-02	108,855	-
WCFT (f.k.a. Pregnant and Postpartum Women )	9/30/10 - 9/29/11	93.243	5H79TI019596-03	341,811	-
Safe for Life Program-SFL	9/30/10- 9/29/11	93.243	1U79SP018136-01	201,589	-
Youth and Families @ LAST	9/30/10- 9/29/11	93.243	1H79TI023322-01	229,827	-
HIV Prevention Projects for Community Based Organizations	7/01/10- 6/30/11	93.939	1U65PS002267-01	305,972	-
				<u>1,544,709</u>	<u>-</u>
<i>Passed through State of Florida Department of Health:</i>					
HIV Prevention Activities (Jail Linc)	7/1/10- 3/31/11	93.917	DV056	43,650	-
HIV Testing and Counseling Initiative	9/30/09- 9/29/10	93.940	DV938	11,343	-
HIV Testing and Counseling Initiative	9/30/10 - 9/29/11	93.940	DV155	50,000	-
Promise/Bart	1/1/10 - 12/31/10	93.940	COD11	122,000	-
Promise/Bart	1/1/11 - 12/31/11	93.940	COD11	122,000	-
DOH Mobile Unit- ATTI	4/1/10 - 9/29/10	93.940	DV058	18,750	-
DOH Mobile Unit- AATI	9/30/10-9/29/11	93.940	DV156	33,333	-
DOH Mobile Unit- Ryan White	4/1/10 - 3/31/12	93.918	DV057	52,000	-
				<u>453,076</u>	<u>-</u>

**RIVER REGION HUMAN SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2011**

<u>Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project</u>	<u>Period</u>	<u>CFDA CFSA Number</u>	<u>Pass - Through Grantors Numbers</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<i>Passed through the City of Jacksonville, Florida:</i>					
HIV Emergency Relief Project Grants (Ryan White)	3/1/10 - 2/28/11	93.914	9442.02	\$ 312,172	\$ -
HIV Emergency Relief Project Grants (Ryan White)	3/1/11 - 2/28/12	93.914	9442.11	171,456	-
				<u>483,628</u>	<u>-</u>
Small Business Administration Grant	9/30/09-9/29/11	59.070	SBAHQ-09-B-0023	97,816	-
				<u>97,816</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>					
<i>Passed through the City of Jacksonville, Florida:</i>					
Housing Opportunities for Person with AIDS (HOPWA ANDYS PLACE)	10/1/09 - 9/30/10	14.241	5658-98	57,993	-
Housing Opportunities for Person with AIDS (HOPWA ANDYS PLACE)	10/1/10 - 9/30/11	14.241	9442-06	173,981	-
Housing Opportunities for Person with AIDS (HOPWA ALF)	10/1/09 - 9/30/10	14.241	5658-98	12,624	-
Housing Opportunities for Person with AIDS (HOPWA ALF)	10/1/10 - 9/30/11	14.241	9442-06	145,480	-
SHAP	4/1/10-3/31/11	N/A	FL0322B4H100901	105,018	-
SHAP	4/1/11-3/31/12	N/A	FL0322B4H101002	32,525	-
CHAMP	8/1/09 - 7/31/10	14.249	FL0134B4H100801	21,566	-
CHAMP	8/1/10 - 7/31/11	14.249	FL0134B4H100802	237,220	-
				<u>786,407</u>	<u>-</u>
<b>FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES:</b>					
Adult Community Mental Health Community Support Services	7/1/10 - 6/30/11	60.053	DD033-7	-	1,176,547
Substance Abuse Prevention Services for Children	7/1/10 - 6/30/11	60.029	DD033-7	-	131,839
Substance Abuse Treatment & Aftercare Services for Adults	7/1/10 - 6/30/11	60.033	DD033-7	-	197,238



**RIVER REGION HUMAN SERVICES, INC.**  
 SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS (CONTINUED)  
 YEAR ENDED JUNE 30, 2011

<u>Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project</u>	<u>Period</u>	<u>CFDA CFSA Number</u>	<u>Pass - Through Grantors Numbers</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Community Forensic Beds	7/1/10 - 6/30/11	60.114	DD033-7	\$ -	\$ 80,107
Substance Abuse Treatment & Aftercare Services for Children	7/1/10 - 6/30/11	60.030	DD033-7	-	386,421
				<u>-</u>	<u>1,972,152</u>
Total expenditures of financial awards				<u>\$ 5,814,277</u>	<u>\$ 1,972,152</u>

*See accompanying notes to schedule of expenditures of financial awards.*

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
NOTES TO SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS  
YEAR ENDED JUNE 30, 2011

**1. Basis of Accounting**

The accompanying schedule of expenditures of financial awards includes the federal and state activity of River Region Human Services, Inc. and River Region Foundation, Inc. and is prepared on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Type A programs are those programs with expenditures of \$300,000 or more. All other programs are considered Type B.

**2. Pass-through Awards**

The Organization receives certain federal awards and state financial assistance from pass-through awards of the state, local government and other entities. The total amount of such pass-through awards is included in the schedule of expenditures of financial awards.

**RIVER REGION HUMAN SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

Program Services

	Program Services									Total Program Services	Management and General	Total
	Case Management	Intervention	Methadone	Outpatient	Prevention	Residential	Adult Living Facilities	Corrections	Other Programs			
Salaries	\$ 623,044	\$ 90,991	\$ 863,667	\$ 567,691	\$ 1,086,061	\$ 1,262,766	\$ 141,150	\$ 1,398,447	\$ 352,094	\$ 6,385,911	\$ 982,145	\$ 7,368,056
Payroll taxes	45,502	6,521	63,008	40,607	82,583	91,440	9,474	100,859	27,494	467,488	49,114	516,602
Fringe benefits	94,667	30,263	127,093	75,072	181,677	189,717	23,067	212,691	53,494	987,741	195,193	1,182,934
Total salaries and related services	<u>763,213</u>	<u>127,775</u>	<u>1,053,768</u>	<u>683,370</u>	<u>1,350,321</u>	<u>1,543,923</u>	<u>173,691</u>	<u>1,711,997</u>	<u>433,082</u>	<u>7,841,140</u>	<u>1,226,452</u>	<u>9,067,592</u>
Building occupancy	114,997	16,874	78,599	158,440	171,746	190,103	74,934	68,912	54,904	929,509	92,864	1,022,373
Professional services	100,620	285	292,962	28,832	311,064	29,541	11,086	10,402	9,065	793,857	225,226	1,019,083
Travel	23,801	1,147	12,770	19,630	64,592	17,731	618	34,360	22,452	197,101	22,170	219,271
Equipment costs	29,024	250	24,149	25,308	47,969	70,971	5,021	41,407	9,212	253,311	19,303	272,614
Food services	44,012	-	31	371	24,193	145,496	50,681	40	14,504	279,328	144	279,472
Medical pharmacy	-	-	238,578	142	3,314	10,796	-	294	18,133	271,257	2,146	273,403
Insurance	9,156	3,223	7,327	10,316	15,521	6,905	15,895	5,776	11,826	85,945	24,512	110,457
Conferences and meetings	820	-	250	95	1,258	515	142	2,116	-	5,196	19,291	24,487
Interest and bank charges	16,983	-	8,525	59	-	638	17,490	1,628	-	45,323	3,399	48,722
Operating supplies and expenses	122,934	26,857	41,688	24,507	115,454	80,822	7,297	248,762	532,358	1,200,679	168,317	1,368,996
Sub-total	<u>462,347</u>	<u>48,636</u>	<u>704,879</u>	<u>267,700</u>	<u>755,111</u>	<u>553,518</u>	<u>183,164</u>	<u>413,697</u>	<u>672,454</u>	<u>4,061,506</u>	<u>577,372</u>	<u>4,638,878</u>
Total expenses before depreciation	1,225,560	176,411	1,758,647	951,070	2,105,432	2,097,441	356,855	2,125,694	1,105,536	11,902,646	1,803,824	13,706,470
Depreciation	<u>30,657</u>	<u>10,219</u>	<u>28,954</u>	<u>30,657</u>	<u>30,657</u>	<u>137,955</u>	<u>20,438</u>	<u>17,032</u>	<u>-</u>	<u>306,569</u>	<u>34,063</u>	<u>340,632</u>
Total expenses	<u>\$ 1,256,217</u>	<u>\$ 186,630</u>	<u>\$ 1,787,601</u>	<u>\$ 981,727</u>	<u>\$ 2,136,089</u>	<u>\$ 2,235,396</u>	<u>\$ 377,293</u>	<u>\$ 2,142,726</u>	<u>\$ 1,105,536</u>	<u>\$ 12,209,215</u>	<u>\$ 1,837,887</u>	<u>\$ 14,047,102</u>

**RIVER REGION HUMAN SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2010**

Program Services

	Program Services							Total Program Services	Management and General	Total		
	Case Management	Intervention	Methodone	Outpatient	Prevention	Residential	Adult Living Facilities					
Salaries	\$ 507,650	\$ 220,496	\$ 839,725	\$ 427,687	\$ 1,018,163	\$ 1,147,251	\$ 244,247	\$ 1,279,098	\$ 454,546	\$ 6,138,863	\$ 730,801	\$ 6,869,664
Payroll taxes	36,639	15,805	61,083	31,710	75,232	84,627	17,918	93,993	33,858	450,865	46,685	497,550
Fringe benefits	88,587	30,924	139,834	73,822	133,093	144,934	42,394	188,798	40,686	883,072	166,172	1,049,244
Total salaries and related expenses	<u>632,876</u>	<u>267,225</u>	<u>1,040,642</u>	<u>533,219</u>	<u>1,226,488</u>	<u>1,376,812</u>	<u>304,559</u>	<u>1,561,889</u>	<u>529,090</u>	<u>7,472,800</u>	<u>943,658</u>	<u>8,416,458</u>
Building occupancy	79,350	17,249	68,250	148,292	130,260	183,596	78,201	52,289	82,772	840,259	78,773	919,032
Professional services	84,349	2,230	170,305	33,907	204,036	115,843	13,671	22,287	17,459	664,087	169,337	833,424
Travel	15,029	7,877	9,071	14,752	31,865	20,444	281	31,112	20,640	151,071	19,708	170,779
Equipment costs	22,868	805	20,696	22,180	39,014	66,833	18,413	29,545	8,573	228,927	13,168	242,095
Food services	23,185	-	-	-	28,985	144,834	49,516	-	18,425	264,945	463	265,408
Medical pharmacy	-	-	214,531	-	540	20,410	-	4,813	18,314	258,608	2,323	260,931
Insurance	9,969	2,991	5,981	7,975	14,953	8,972	8,972	18,941	2,997	81,751	26,354	108,105
Conferences and meetings	206	51	374	32	614	1,228	969	3,686	66	7,226	17,190	24,416
Interest and bank charges	-	-	3,544	-	-	-	-	1,092	-	4,636	17,575	22,211
Operating supplies and expenses	118,079	32,492	33,833	19,285	58,179	83,145	5,771	137,938	431,624	920,346	251,843	1,172,189
Sub-total	<u>353,035</u>	<u>63,695</u>	<u>526,585</u>	<u>246,423</u>	<u>508,446</u>	<u>645,305</u>	<u>175,794</u>	<u>301,703</u>	<u>600,870</u>	<u>3,421,856</u>	<u>596,734</u>	<u>4,018,590</u>
Total expenses before depreciation	985,911	330,920	1,567,227	779,642	1,734,934	2,022,117	480,353	1,863,592	1,129,960	10,894,656	1,540,392	12,435,048
Depreciation	<u>25,859</u>	<u>8,620</u>	<u>24,566</u>	<u>25,860</u>	<u>25,859</u>	<u>116,798</u>	<u>17,240</u>	<u>13,792</u>	<u>-</u>	<u>258,594</u>	<u>34,366</u>	<u>292,960</u>
Total expenses	<u>\$ 1,011,770</u>	<u>\$ 339,540</u>	<u>\$ 1,591,793</u>	<u>\$ 805,502</u>	<u>\$ 1,760,793</u>	<u>\$ 2,138,915</u>	<u>\$ 497,593</u>	<u>\$ 1,877,384</u>	<u>\$ 1,129,960</u>	<u>\$ 11,153,250</u>	<u>\$ 1,574,758</u>	<u>\$ 12,728,008</u>

*See report of independent certified public accountants.*

**RIVER REGION HUMAN SERVICES, INC.**  
**SCHEDULE OF LOCAL GRANT PROGRAMS**  
**YEAR ENDED JUNE 30, 2011**

*Jacksonville Juvenile Drug Court Program (no budget amount or grant number)*

City FY 2009-2010

Item	Budgeted	Actual 10/1/09- 6/30/10	Actual 7/1/10- 9/30/10	Total Actual	Remaining Balance
Salaries and wages	\$ -	\$ 95,585	\$ 26,890	\$ 122,475	\$ -
Total	<u>\$ -</u>	<u>\$ 95,585</u>	<u>\$ 26,890</u>	<u>\$ 122,475</u>	<u>\$ -</u>

City FY 2010-2011

Item	Budgeted	Actual 10/1/10- 6/30/11	Actual 7/1/11- 9/30/11	Total Actual	Remaining Balance
Salaries and wages	\$ -	\$ 82,175	\$ -	\$ 82,175	\$ -
Total	<u>\$ -</u>	<u>\$ 82,175</u>	<u>\$ -</u>	<u>\$ 82,175</u>	<u>\$ -</u>

*Jacksonville Adult Drug Court Program (no budget amount or grant number)*

City FY 2009-2010

Item	Budgeted	Actual 10/1/09- 6/30/10	Actual 7/1/10- 9/30/10	Total Actual	Remaining Balance
Salaries & wages	\$ -	\$ 68,135	\$ 315	\$ 68,450	\$ -
Total	<u>\$ -</u>	<u>\$ 68,135</u>	<u>\$ 315</u>	<u>\$ 68,450</u>	<u>\$ -</u>

**RIVER REGION HUMAN SERVICES, INC.**  
**SCHEDULE OF LOCAL GRANT PROGRAMS**  
**YEAR ENDED JUNE 30, 2011**

*City of Jacksonville Public Service Grant*

<u>Receipt of Funds</u>	City FY 2009- 2010 Grant No. 5658-97	City FY 2010- 2011 Grant No. 9442-08
Amount of award (per city budget ordinance)	\$ 33,097	\$ 33,942
Actual funds received from city in last audit period	(26,418)	-
Actual amount received this period	<u>(6,679)</u>	<u>(23,967)</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 9,975</u>

City FY 2009-2010 Grant No. 5658-97 - \$33,097

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/09- 6/30/10</u>	<u>Actual 7/1/10- 9/30/10</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries & wages	\$ 6,980	\$ 5,314	\$ 1,666	\$ 6,980	\$ -
Supplies	617	130	487	617	-
Direct client expense	<u>25,500</u>	<u>20,974</u>	<u>4,526</u>	<u>25,500</u>	<u>-</u>
Total	<u>\$ 33,097</u>	<u>\$ 26,418</u>	<u>\$ 6,679</u>	<u>\$ 33,097</u>	<u>\$ -</u>

City FY 2010-2011 Grant No. 9442-08 - \$33,942

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/10- 6/30/11</u>	<u>Actual 7/1/11- 9/30/11</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Property and liability insurance	\$ 1,124	\$ 843	\$ -	\$ 843	\$ 281
Supplies	658	369	-	369	289
Direct client expense	<u>32,160</u>	<u>22,755</u>	<u>-</u>	<u>22,755</u>	<u>9,405</u>
Total	<u>\$ 33,942</u>	<u>\$ 23,967</u>	<u>\$ -</u>	<u>\$ 23,967</u>	<u>\$ 9,975</u>

**RIVER REGION HUMAN SERVICES, INC.**  
**SCHEDULE OF LOCAL GRANT PROGRAMS**  
**YEAR ENDED JUNE 30, 2011**

*City of Jacksonville Corrections Program*

	City FY 2009- 2010 Grant No. 5658-89	City FY 2010- 2011 Grant No. 5658-89
<u>Receipt of Funds</u>		
Amount of award (per city budget ordinance)	\$ 1,487,761	\$ 1,487,761
Actual funds received from city in last audit period	(1,026,152)	-
Actual amount received this period	<u>(461,609)</u>	<u>(1,080,122)</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 407,639</u>

City FY 2009-2010 Grant No.5658-89- \$1,487,761

Item	Budgeted	Actual 10/1/09- 6/30/10	Actual 7/1/10- 9/30/10	Total Actual	Remaining Balance
Salaries and wages	\$ 1,144,904	\$ 786,973	\$ 301,763	\$ 1,088,736	\$ 56,168
Indirect cost	137,388	94,439	36,212	130,651	6,737
Equipment, materials, supplies	34,764	44,221	35,457	79,678	(44,914)
Aftercare	20,500	13,993	8,277	22,270	(1,770)
Special services	14,540	6,968	2,697	9,665	4,875
Client assistance	116,665	68,941	67,991	136,932	(20,267)
Training and mileage	<u>19,000</u>	<u>10,617</u>	<u>9,212</u>	<u>19,829</u>	<u>(829)</u>
Total	<u>\$ 1,487,761</u>	<u>\$ 1,026,152</u>	<u>\$ 461,609</u>	<u>\$ 1,487,761</u>	<u>\$ -</u>

City FY 2010-2011 Grant No.5658-89- \$1,487,761

Item	Budgeted	Actual 10/1/10- 6/30/11	Actual 7/1/11- 9/30/11	Total Actual	Remaining Balance
Salaries and wages	\$ 1,144,428	\$ 809,742	\$ -	\$ 809,742	\$ 334,686
Indirect cost	137,331	97,169	-	97,169	40,162
Equipment, materials, supplies	35,298	41,443	-	41,443	(6,145)
Aftercare	21,500	10,960	-	10,960	10,540
Special services	14,540	4,825	-	4,825	9,715
Client assistance	115,664	101,396	-	101,396	14,268
Training and mileage	<u>19,000</u>	<u>14,587</u>	<u>-</u>	<u>14,587</u>	<u>4,413</u>
Total	<u>\$ 1,487,761</u>	<u>\$ 1,080,122</u>	<u>\$ -</u>	<u>\$ 1,080,122</u>	<u>\$ 407,639</u>

**RIVER REGION HUMAN SERVICES, INC.**  
**SCHEDULE OF LOCAL GRANT PROGRAMS**  
**YEAR ENDED JUNE 30, 2011**

*Case Management & Drop-in Services (City Match)*

<u>Receipt of Funds</u>	City FY 2009- 2010 Grant No. 9442	City FY 2010- 2011 Grant No. 9442-10
Amount of award (per city budget ordinance)	\$ 43,266	\$ 43,266
Actual funds received from city in last audit period	(32,450)	-
Actual amount received this period	<u>(10,816)</u>	<u>(32,450)</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 10,816</u>

City FY 2009-2010 Grant No.9442 - \$43,266

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/09- 6/30/10</u>	<u>Actual 7/1/10- 9/30/10</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 43,266	\$ 32,450	\$ 10,816	\$ 43,266	\$ -
Total	<u>\$ 43,266</u>	<u>\$ 32,450</u>	<u>\$ 10,816</u>	<u>\$ 43,266</u>	<u>\$ -</u>

City FY 2010-2011 Grant No.9442-10 - \$43,266

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/10- 6/30/11</u>	<u>Actual 7/1/11- 9/30/11</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 43,266	\$ 32,450	\$ -	\$ 32,450	\$ 10,816
Total	<u>\$ 43,266</u>	<u>\$ 32,450</u>	<u>\$ -</u>	<u>\$ 32,450</u>	<u>\$ 10,816</u>



**RIVER REGION HUMAN SERVICES, INC.**  
**SCHEDULE OF LOCAL GRANT PROGRAMS**  
**YEAR ENDED JUNE 30, 2011**

*City of Jacksonville Substance Abuse (City Match)*

<u>Receipt of Funds</u>	City FY 2009- 2010 Grant No. 5658-99	City FY 2000- 2011 Grant No. 9442-09
Amount of award (per city budget ordinance)	\$ 593,345	\$ 593,345
Actual funds received from city in last audit period	(445,009)	-
Actual amount received this period	<u>(148,336)</u>	<u>(445,009)</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 148,336</u>

City FY 2009-2010 Grant No. 5658-99-\$593,345

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/09- 6/30/10</u>	<u>Actual 7/1/10- 9/30/10</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 593,345	\$ 445,009	\$ 148,336	\$ 593,345	\$ -
Total	<u>\$ 593,345</u>	<u>\$ 445,009</u>	<u>\$ 148,336</u>	<u>\$ 593,345</u>	<u>\$ -</u>

City FY 2010-2011 Grant No. 9442-09-\$593,345

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/10- 6/30/11</u>	<u>Actual 7/1/11- 9/30/11</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 593,345	\$ 445,009	\$ -	\$ 445,009	\$ 148,336
Total	<u>\$ 593,345</u>	<u>\$ 445,009</u>	<u>\$ -</u>	<u>\$ 445,009</u>	<u>\$ 148,336</u>

**RIVER REGION HUMAN SERVICES, INC.**  
**SCHEDULE OF LOCAL GRANT PROGRAMS**  
**YEAR ENDED JUNE 30, 2011**

*Jacksonville Children's Commission Grant*

	City FY 2009- 2010 Grant No. 5358-95
<u>Receipt of Funds</u>	
Amount of award (per city budget ordinance)	\$ 45,000
Actual funds received from city in last audit period	(22,500)
Actual amount received this period	(7,400)
Amount remaining to be distributed	\$ 15,100

City FY 2009-2010 Grant No. 5658-95-\$45,000

Item	Budgeted	Actual 10/1/09- 6/30/10	Actual 7/1/10- 9/30/10	Total Actual	Remaining Balance
Salaries and wages	\$ 45,000	\$ 22,500	\$ 7,400	\$ 29,900	\$ 15,100
Total	\$ 45,000	\$ 22,500	\$ 7,400	\$ 29,900	\$ 15,100

**RIVER REGION HUMAN SERVICES, INC.**  
**SCHEDULE OF LOCAL GRANT PROGRAMS**  
**YEAR ENDED JUNE 30, 2011**

*City of Jacksonville Community Development Block Grant (CDBG)*

	City FY 2009- 2010 Grant No. PDC 001
<u>Receipt of Funds</u>	
Amount of award (per city budget ordinance)	\$ 307,675
Actual funds received from city in last audit period	(307,675)
Actual amount received this period	-
Amount remaining to be distributed	\$ -

City FY 2009-2010 Grant No. PDC 001

Item	Budgeted	Actual 10/1/09- 6/30/10	Actual 7/1/10- 9/30/10	Total Actual	Remaining Balance
Purchase of real property	\$ 307,675	\$ 307,675	\$ -	\$ 307,675	\$ -
Total	\$ 307,675	\$ 307,675	\$ -	\$ 307,675	\$ -

*See report of independent certified public accountants.*



**LBA CERTIFIED PUBLIC ACCOUNTANTS, PA**

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
River Region Human Services, Inc.  
and River Region Foundation, Inc.  
Jacksonville, Florida

We have audited the combining financial statements of River Region Human Services, Inc. and River Region Foundation, Inc. (collectively the "Organization") as of and for the year ended June 30, 2011, and have issued our report thereon October 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

**THE LBA GROUP**

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*LBA Certified Public Accountants, P.A.*

October 27, 2011



**LBA CERTIFIED PUBLIC ACCOUNTANTS, PA**

**Report on Compliance with Requirements That Could  
Have a Direct and Material Effect on Each Major Program and on Internal  
Control over Compliance in Accordance with OMB Circular A-133 and  
Chapter 10.650, Rules of the Auditor General of the State of Florida**

To the Board of Directors  
River Region Human Services, Inc.  
and River Region Foundation, Inc.  
Jacksonville, Florida

Compliance

We have audited River Region Human Services, Inc. (a not-for-profit organization) and River Region Foundation, Inc.'s (a not-for-profit organization), (collectively, the "Organization") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement*, and the 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 the Organization's major federal programs and state projects for the year ended June 30, 2011. The Organization'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 the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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

**THE LBA GROUP**

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General* of the State of Florida and which are described in the accompanying schedule of findings and questioned costs as items 2011-2, 2011-4 and 2011-6.

### Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program or a state project to determine the 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* of the State of Florida, but not for the purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Organization'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. However, we identified certain deficiencies in internal control over compliance that we consider being significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1, 2011-3, and 2011-5. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Organization's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Organization's responses and, accordingly, we express no opinion on the responses.

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

*LBA Certified Public Accountants, P.A.*

October 27, 2011



**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2011**

**Summary of Auditor's Results**

Financial Statement Section

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency(ies) identified, not considered to be material weakness(es)?	___ Yes <u>X</u> No
Control deficiency(ies) identified not considered to be significant deficiency(ies)?	___ Yes <u>X</u> No
Noncompliance material to financial statement noted?	___ Yes <u>X</u> No

Federal Awards and State Financial Assistance Section

Dollar Threshold used to determine Type A programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee for federal awards purposes?	___ Yes <u>X</u> No
Auditee qualified as low-risk auditee for state financial assistance purposes?	___ Yes <u>X</u> No
Type of auditor's report on compliance for major programs/projects:	<u>Unqualified</u>
Internal control over compliance:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency (ies) identified not considered to be material weakness(es)?	<u>X</u> Yes    ___ No
Control deficiency(ies) identified, not considered to be significant deficiency(ies)?	___ Yes <u>X</u> No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section 501(a)) and Chapter 10.650, <i>Rules of the Auditor General</i> of the State of Florida	<u>X</u> Yes    ___ No

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2011**

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grant for Prevention and Treatment of Substance Abuse
93.940	Promise/Bart
93.939	HIV Prevention Projects for Community Based Organizations
93.558	Temporary Assistance for Needy Families
93.243	WCFT
93.243	Sister Rise
14.241	Housing Opportunities for Persons with AIDS

Identification of major state projects:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
60.029	Substance Abuse Prevention Services for Children
60.030	Substance Abuse Treatment & Aftercare Services for Children
60.033	Substance Abuse Treatment & Aftercare Services for Adults
60.053	Adult Community Mental Health Community Support Services
60.114	Community Forensic Beds

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
**SUMMARY SCHEDULE OF FINDINGS - FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

There were no findings required to be reported.

There were no findings required to be reported to management through a comment letter.

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS AND STATE PROJECTS  
YEAR ENDED JUNE 30, 2011

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Finding 2011-1 Significant Deficiency**

Sister Rise – CFDA 93.243, WCFT – CFDA 93.243

Grant numbers: 5U79SP015073-02 and 03 – Year ending 9/28/2013  
5H79TI019596-02 and 03 – Year ending 9/28/2011

**Condition:** On October 22, 2010, the Organization implemented an electronic time keeping system, to track employee hours worked by grant. To correct any input errors, employees can make adjustments to their time allocation before midnight of the day the time was entered. The employee's supervisor can adjust time for employee input errors up until the end of the bi-monthly pay period. The Payroll Specialist can adjust time for employee input error, up until the date the payroll information is recorded in the general ledger. During the year ended June 30, 2011, we noted that the Payroll Specialist adjusted certain employees' time based on their salary allocation in grant budgets, which differed from the time the employees entered.

**Criteria:** OMB Circular A-133 requires that allowable costs and activities of a non-profit be maintained in accordance with the cost principles of OMB Circular A-122. OMB Circular A-122 section 8m specifically requires that salaries and wages charged to awards be based on actual time employees worked on awards and cannot be based on budgets or estimates.

**Cause:** If an employee was not following the Organization's policy of allocating his or her time to the appropriate grant code, the Payroll Specialist would reallocate the time based on the employee's hours budgeted for in the grant.

**Effect:** The adjusted time sheets may not have been the actual allocation of time worked by the employee. Salaries and wages charged to awards based on budgets may be disallowed.

**Context:** The amount of salaries charged under these grants from October 22, 2010 through June 30, 2011 was \$69,666 for Sister Rise and \$113,723 for WCFT. Of the 30 time sheets we tested during that time, 2 had been adjusted. The Payroll specialist adjusted both employee's original time sheets to reallocate time from the WCFT grant code to an administrative code.

**Auditor's Comment:** The Payroll Specialist should only adjust employee's time allocation if they notify her that they made an input error. In order to comply with the cost principles of OMB Circular A-122, she should not reallocate time based on grant budgets.

**Views of Responsible Officials and Planned Corrective Action Plan:** The implementation of the automated time-keeping system was a major undertaking for the Organization as we have an average of 250 employees preparing timesheets on a bi-weekly basis.

During the first six months of the implementation period, we held training meetings with the staff on the proper usage of the hand scan devices and coding for the automated timesheets. Both the staff and the Payroll Specialist did their best to allocate the time properly for the work performed on each individual grant.

In the future, the Payroll Specialist will adjust time allocation only when notified of an error by an employee or supervisor.

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS AND STATE PROJECTS  
YEAR ENDED JUNE 30, 2011

**Finding 2011-2** Sister Rise – CFDA 93.243, WCFT – CFDA 93.423  
Grant numbers: 5U79SP015073-02 and 03 – Year ending 9/28/2013  
5H79TI019596-02 and 03 – Year ending 9/28/2011

**Condition:** During our testing of monthly payroll charges submitted to these awards, instances occurred where the time keeping records did not support the salaries submitted for reimbursement.

**Criteria:** OMB Circular A-133 requires that allowable costs and activities of a non-profit be maintained in accordance with the cost principles of OMB Circular A-122. OMB Circular A-122 section 8m specifically requires that salaries and wages charged to awards be based on actual time employees worked on awards and cannot be based on budgets or estimates.

**Effect:** The amount of salaries charged to the grant in excess of the time sheet could be deemed unallowable by the funding source.

**Cause:** The Organization has two pay classifications for staff, exempt, (salaried) and non-exempt (hourly). With the implementation of the new automated timekeeping system, the Organization reclassified all staff with the exception of senior managers and above to non-exempt (hourly) status. Of the 250 employees, only 30 are now classified as exempt (salaried) status.

The automated timekeeping system allocates time directly for non-exempt (hourly) employees to each grant general ledger account. For exempt (salaried) employees, the allocation cannot be done directly as with the non-exempt (hourly) staff. It is done by budgeted percentages and this caused the amount charged to the grant to differ from the hours on the timesheet.

**Context:** The amount of salaries charged under these grants for the year ended June 30, 2011 was \$132,402 for Sister Rise and \$176,217 for WCFT. Of the 48 time sheets (\$26,980 in salaries) we tested, 7 time sheets (15%) reported less time than the time charged to the grant, for a total of \$1,089 in known questioned costs.

**Auditor's Comment:** We recommend that the Organization institute a procedure to reconcile the salary amount charged to the grant to the actual time worked per the employee's time sheet.

**Views of Responsible Officials and Planned Corrective Action Plan:** In the future, for the exempt (salaried) employees, if the budgeted allocation does not agree with the timesheet hours, a journal entry will be made for each pay period to ensure the proper time and dollars are allocated to the grant, in accordance with the timesheets.

**Finding 2011-3** HIV Prevention Projects for Community Based Organizations – CFDA 93.939  
Grant number: 1U65PS002267-01– Year ending 6/30/2011

**Significant Deficiency:** The significant deficiency noted at Finding 2011-1 under the Sister Rise and WCFT grants also applies to this grant. Of the 23 time sheets tested, 2 were modified (9%). The Payroll Specialist modified both employees original time sheets from the grant time code to an administrative time code.

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS AND STATE PROJECTS  
YEAR ENDED JUNE 30, 2011

**Finding 2011-4** HIV Prevention Projects for Community Based Organizations – CFDA 93.939  
Grant number: 1U65PS002267-01– Year ending 6/30/2011

**Condition:** During our testing of monthly payroll charges submitted to these awards, an instance occurred where the time keeping record did not support the salary submitted for reimbursement.

**Criteria:** OMB Circular A-133 requires that allowable costs and activities of a non-profit be maintained in accordance with the cost principles of OMB Circular A-122. OMB Circular A-122 section 8m specifically requires that salaries and wages charged to awards be based on actual time employees worked on awards and cannot be based on budgets or estimates.

**Effect:** The amount of salaries charged to the grant in excess of the time sheet could be deemed unallowable by the funding source.

**Cause:** The Organization has two pay classifications for staff, exempt, (salaried) and non-exempt (hourly). With the implementation of the new automated timekeeping system, the Organization reclassified all staff with the exception of senior managers and above to non-exempt (hourly) status. Of the 250 employees, only 30 are now classified as exempt (salaried) status.

The automated timekeeping system allocates time directly for non-exempt (hourly) employees to each grant general ledger account. For exempt (salaried) employees, the allocation cannot be done directly as with the non-exempt (hourly) staff. It is done by budgeted percentages and this caused the amount charged to the grant to differ from the hours on the timesheet.

**Context:** The amount of salaries charged under this grant for the year ended June 30, 2011 was \$155,534. Of the 23 time sheets (\$19,872 in salaries) we tested, 1 time sheet (4%) reported less time than the time charged to the grant, for a total of \$256 (1%) in known questioned costs.

**Auditor's Comment:** We recommend that the Organization institute a procedure to reconcile the salary amount charged to the grant to the actual time worked per the employee's time sheet.

**Views of Responsible Officials and Planned Corrective Action Plan:** In the future, for the exempt (salaried) employees, if the budgeted allocation does not agree with the timesheet hours, a journal entry will be made for each pay period to ensure the proper time and dollars are allocated to the grant, in accordance with the timesheets.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT passed through City of Jacksonville**

**Finding 2011-5** Housing Opportunities for Persons with Aids – CFDA 14.241  
Grant numbers: 5658-98– Year ending 9/30/2010  
9442-06– Year ending 9/30/2011

**Significant Deficiency:** The significant deficiency noted at Finding 2011-1 under the Sister Rise and WCFT grants also applies to this grant. Of the 133 time sheets tested, 25 were modified (19%). In 14 of the 25 modifications, the Payroll Specialist allocated additional time to this grant. Based on these test results there was \$986.34 in known questioned costs.

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS AND STATE PROJECTS  
YEAR ENDED JUNE 30, 2011

**Finding 2011-6**      Housing Opportunities for Persons with Aids – CFDA 14.241  
Grant numbers:    5658-98– Year ending 9/30/2010  
                          9442-06– Year ending 9/30/2011

**Condition:** During our testing of monthly payroll charges submitted to these awards, instances occurred where the time keeping records did not support the salaries submitted for reimbursement.

**Criteria:** OMB Circular A-133 requires that allowable costs and activities of a non-profit be maintained in accordance with the cost principles of OMB Circular A-122. OMB Circular A-122 section 8m specifically requires that salaries and wages charged to awards be based on actual time employees worked on awards and cannot be based on budgets or estimates.

**Effect:** The amount of salaries charged to the grant in excess of the time sheet could be deemed unallowable by the funding source. In addition that amount of fringe benefits calculated on the excess time could be deemed unallowable by the funding source.

**Cause:** The Organization has two pay classifications for staff, exempt, (salaried) and non-exempt (hourly). With the implementation of the new automated timekeeping system, the Organization reclassified all staff with the exception of senior managers and above to non-exempt (hourly) status. Of the 250 employees, only 30 are now classified as exempt (salaried) status.

The automated timekeeping system allocates time directly for non-exempt (hourly) employees to each grant general ledger account. For exempt (salaried) employees, the allocation cannot be done directly as with the non-exempt (hourly) staff. It is done by budgeted percentages and this caused the amount charged to the grant to differ from the hours on the timesheet.

**Context:** The amount of salaries and benefits charged under this grant for the year ended June 30, 2011 was \$114,056. Of the 189 time sheets (\$74,865 in salaries) we tested, 21 time sheets (11%) reported less time than the time charged to the grant, for a total of \$14,817 (20%) in known questioned costs.

**Auditor's Comment:** We recommend that the Organization institute a procedure to reconcile the salary and fringe benefit amounts charged to the grant to the actual time worked per the employee's time sheet.

**Views of Responsible Officials and Planned Corrective Action Plans:** In the future, for the exempt (salaried) employees, if the budgeted allocation does not agree with the timesheet hours, a journal entry will be made for each pay period to ensure the proper time and dollars are allocated to the grant, in accordance with the timesheets.

There were no additional findings required to be reported to management through a comment letter.

**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Finding 2010-1** Sister Rise – CFDA 93.243, Pregnant and Postpartum Women – CFDA 93.423  
Grant numbers: 5U79SP010573-01 and 02 – Year ending 9/28/2011  
5H79TI019596-01 and 02 – Year ending 9/28/2011

**Condition:** From July 1, 2009 through September 30, 2009, exempt employees were not required to maintain time sheets, and hourly time sheets were not maintained at a level of detail to indicate specific time spent on individual grant programs. The salaries reported related to the grants noted above were based on the budgeted salary amounts for that time period.

**Auditor's Comment:** We noted that beginning on October 1, 2009, all employees were required to keep time sheets with appropriate level of detail to comply with the cost principles of OMB Circular A-122. Those salaries tested for October 1, 2009 through June 30, 2010 were supported by appropriate records.

**Current Status:** Based on our testing, all employees maintain time sheets with the appropriate level of detail to comply with the cost principles of OMB Circular A-122. See Findings 2011-1 and 2011-2 for additional reporting of the Organization's compliance with payroll record keeping.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT passed through City of Jacksonville**

**Finding 2010-2** Housing Opportunities for Persons with Aids – CFDA 14.241  
Grant number: 5658-91– Year ending 9/30/2009

**Condition:** From July 1, 2009 through September 30, 2009, exempt employees were not required to maintain time sheets, and hourly time sheets were not maintained at a level of detail to indicate specific time spent on individual grant programs. The salaries reported related to the grant noted above were based on the budgeted salary amounts for that time period.

**Auditor's Comment:** We noted that beginning on October 1, 2009, all employees were required to keep time sheets with appropriate level of detail to comply with the cost principles of OMB Circular A-122.

**Current Status:** All employees tested in the current year maintained time sheets with the appropriate level of detail to comply with the cost principles of OMB A-122. See Findings 2011-3 and 2011-4 for additional reporting of the Organization's compliance with payroll record keeping.

**Finding 2010-3** Housing Opportunities for Persons with Aids – CFDA 14.241  
Grant number: 5658-98– Year ending 9/30/2010

**Condition:** As noted in Finding 2010-1, beginning October 1, 2009, River Region Human Services Inc.'s time keeping policies complied with the cost principles of OMB Circular A-122 section 8m. During our testing of this documentation, instances occurred where the records did not support the salaries submitted for reimbursement.

**Auditor's Recommendation:** We recommend that the Organization institute a system of controls that will allow for timely and accurate reporting of time worked, and time charged to the grant.

**Current Status:** See Finding 2011-4.



**RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011

**DEPARTMENT OF HEALTH, passed through FLORIDA DEPARTMENT OF HEALTH**

**Finding 2010-4**      Promise/Bart – CFDA 93.940  
Grant number:    COD11– Year ending 12/31/2010

**Condition:** Three participants tested in the B.A.R.T. program did not have a completed program assessment questionnaire (“Questionnaire”) on file. The Questionnaire is required to assess the participant’s sexual behaviors, attitudes, and knowledge of HIV risk factors.

**Auditor’s Recommendation:** The Organization should develop a checklist that addresses all of the grant requirements. This checklist should be completed by the facilitator and reviewed timely by the program manager for completeness.

**Current Status:** Beginning on October 1, 2010 a checklist that addresses all of the grant requirements was completed by the facilitator and reviewed by the program manager for B.A.R.T. No similar findings were noted in the 2011 audit.

There were no prior audit findings related to Federal Programs or State Projects that were required to be reported to management through a comment letter.

