

**Twin Oaks Juvenile
Development, Inc.**

Audited Financial Statements

June 30, 2011

Twin Oaks Juvenile Development, Inc.
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June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Twin Oaks Juvenile Development, Inc.
Bristol, Florida

We have audited the accompanying statement of financial position of Twin Oaks Juvenile Development, Inc. as of June 30, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Twin Oaks Juvenile Development, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Twin Oaks Juvenile Development, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011 on our consideration of Twin Oaks Juvenile Development, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

To the Board of Directors
Twin Oaks Juvenile Development, Inc.
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Our audit was performed for the purpose of forming an opinion on the basic financial statements of Twin Oaks Juvenile Development, Inc. taken as a whole. The accompanying Schedule of Revenue and Functional Expenses is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards and state financial assistance 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 10.65, Rules of the Auditor General and is not a required part of the 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 general 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.

Carly Riggs & Ingram, L.L.C.

October 21, 2011

Twin Oaks Juvenile Development, Inc.
Statement of Financial Position

June 30, 2011

Assets	
Current assets	
Cash and cash equivalents	\$ 1,565,272
Restricted cash and cash equivalents	1,590,516
Accounts receivable	2,064,592
Prepaid expenses	85,064
Total current assets	5,305,444
Non-current assets	
Restricted cash and cash equivalents	2,300,424
Deferred charges - bonds	1,027,713
Property and equipment - net	17,189,357
Total non-current assets	20,517,494
Total assets	\$ 25,822,938
Liabilities and net assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 863,142
Accrued payroll liabilities	1,258,513
Accrued interest	677,188
Current portion of capital lease obligation	256,649
Current portion of bonds payable	780,000
Current portion of notes payable	892,922
Total current liabilities	4,728,414
Non-current liabilities	
Bonds payable, less current portion	19,669,972
Capital lease obligation, less current portion	193,297
Notes payable, less current portion	1,260,081
Total non-current liabilities	21,123,350
Total liabilities	25,851,764
Net Assets	
Unrestricted	(3,139,766)
Restricted for bond reserves and sinking funds	3,110,940
Total net assets (deficit)	(28,826)
Total liabilities and net assets	\$ 25,822,938

See accompanying notes to financial statements.

Twin Oaks Juvenile Development, Inc.
Statement of Activities

Year ended June 30, 2011

Revenue and other support	
Program service fees	\$ 21,047,192
Education - FTE	1,767,322
Medicaid	1,735,159
National school lunch program	485,014
Miscellaneous	20,690
<hr/>	
Total revenue and other support	25,055,377
<hr/>	
Expenses	
Program services	23,408,452
Management and general	1,820,221
Other expenses	11,142
<hr/>	
Total expenses	25,239,815
<hr/>	
Change in unrestricted net assets	(184,438)
<hr/>	
Beginning net assets - as previously reported	255,494
<hr/>	
Prior period adjustment - interest expense	(99,882)
<hr/>	
Beginning net assets - as restated	155,612
<hr/>	
Ending net assets	\$ (28,826)

See accompanying notes to financial statements.

Twin Oaks Juvenile Development, Inc.
Statement of Cash Flows

Year ended June 30, 2011

Operating activities	
Change in unrestricted net assets	\$ (184,438)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Depreciation	652,479
Amortization	20,250
(Increase) decrease in assets:	
Accounts receivable	(102,176)
Prepaid expenses	15,649
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(130,384)
Accrued payroll liabilities	(5,165)
Accrued interest	(134,480)

Net cash provided by operating activities	131,735
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Investing activities	
Change in restricted cash - noncurrent	(17,512)
Purchase of property and equipment	(1,010,850)

Net cash used in investing activities	(1,028,362)
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Financing activities	
Proceeds from borrowings and line of credit	6,959,944
Principal and line of credit repayments	(6,742,425)

Net cash provided by financing activities	217,519
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Net change in cash and cash equivalents	(679,108)
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Beginning cash and cash equivalents	3,834,896
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Ending cash and cash equivalents	\$ 3,155,788
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Ending cash and cash equivalents are presented on the statement of financial position as:

Cash and cash equivalents	\$ 1,565,272
Restricted cash and cash equivalents (current)	1,590,516

Total cash and cash equivalents	3,155,788
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Supplemental cash flow information:

Cash paid for interest	\$ 1,625,552
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See accompanying notes to financial statements.

Twin Oaks Juvenile Development, Inc.
Notes to Financial Statements

NOTE 1 - DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

Twin Oaks Juvenile Development, Inc. (the Organization) is a Florida not-for-profit corporation. The Organization serves delinquent juveniles in five diverse programs in North Florida. The Organization operates various programs to serve youth offenders in a variety of programs in Liberty, Madison and Jackson County. Included in these operations is Greenville Hills Academy located in Madison County, which the Organization purchased in July of 2005 for approximately \$10 million. There are programs that provide services to juvenile offenders by providing them with a unique setting with a balanced approach to lead to successful and safe integration of the youth into the family and community as a responsible, productive and accountable citizen. Various services provide education and vocational opportunities. Programs also provide competency restoration services, case management and community liaison services, including treatment and/or retardation training, for the purpose of restoring the juvenile's competency to proceed.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets presented are unrestricted and restricted in nature. Restricted assets are comprised of cash for bond reserves and sinking fund accounts, less the current portion of bonds payable.

Accounts Receivable

Accounts receivable represent amounts due from contracts with Department of Juvenile Justice (DJJ), Department of Children & Families (DCF), Department of Transportation (DOT), Jackson County School Board (JCSB), Medicaid and the National School Lunch Program (NSLP) and the Boys and Girls Club of America. Allowance for doubtful accounts are based on management's judgment, including historical data and the age, nature and source of each receivable. Receivables are considered past due after 30 days. Management asserts that all receivables are 100% collectible as of June 30, 2011; therefore, no allowance for doubtful accounts has been recorded.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash deposits with banks, money market funds, and certificates of deposit with original maturities of 90 days or less attributable to the Organization's operating funds.

Property and Equipment

Property and equipment are recorded at cost. Major renewals and betterments are capitalized; maintenance and repairs are charged to expense. The Organization's policy is to capitalize property and equipment with a cost greater than \$500. The cost of assets sold or retired and the related accumulated depreciation is eliminated from the appropriate accounts and resulting gain or loss is included in other income. Provision for depreciation is computed using the straight line method over estimated useful lives, ranging from 5 to 39 years.

Twin Oaks Juvenile Development, Inc.
Notes to Financial Statements

NOTE 1 - DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue consists of fee-for-service contracts with various federal, state and local government agencies. Revenue is also received from Medicaid for Medicaid-eligible clients.

Grant revenue is recognized as expenses are incurred for cost reimbursement and as services are provided for fee-for-service and purchase of service contracts. Amounts earned but not received are reported as accounts receivable.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United State of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Bond Issue Costs

The costs incurred in connection with the issuance of long-term debt are being amortized over the term of the related indebtedness. They are presented as non-current assets.

Subsequent Events

Subsequent events have been evaluated through the date of the auditors' report.

NOTE 2 - PROPERTY & EQUIPMENT

Property and equipment held at June 30, 2011 are summarized as follows:

Buildings	\$ 13,953,301
Leasehold improvements	47,830
Office equipment	1,273,679
Equipment	525,072
<u>Total depreciable property and equipment</u>	<u>15,799,882</u>
<u>Less accumulated depreciation</u>	<u>(2,991,080)</u>
Total depreciable property and equipment, net	12,808,802
Land	4,380,555
<u>Total land and depreciable property and equipment - net</u>	<u>\$ 17,189,357</u>

Twin Oaks Juvenile Development, Inc.
Notes to Financial Statements

NOTE 2 - PROPERTY & EQUIPMENT (CONTINUED)

Various pieces of equipment are used in operations but not recorded on the statement of financial condition because title is held by the grantor agency. The Organization retains custody and control of the assets during the contract period, after which time they will be returned to the Grantor agency.

Depreciation expense totaled \$652,479 for the year ended June 30, 2011.

Buildings and land with a carrying value of \$17,189,357 are being used as collateral for the 2005A Series Madison County, Florida First Mortgage Revenue Bonds and the 2008 Liberty County, Florida Subordinate Revenue Bonds.

NOTE 3 - LONG TERM DEBT

Bonds and notes payable at June 30, 2011 are summarized as follows:

Madison County, Florida First Mortgage Revenue Bonds, due in annual installments of \$510,000 to \$1,440,000 from July 1, 2006 to July 1, 2025, interest at 6%, collateralized by land and buildings.	\$ 14,789,996
Liberty County, Florida Taxable Subordinate Revenue Bonds, Series 2008, due in annual installments of \$135,000 to \$565,000 from July 1, 2009 to July 1, 2028, interest at 8.25%, collateralized by land and buildings.	5,659,976
Prime Meridian, line of credit due October 8, 2011, interest at 5%, collateralized by life insurance.	599,000
Prime Meridian, due in monthly installments of \$14,984 from June 17, 2011 June 30, 2016, interest at 7%, collateralized by buildings and equipment.	754,352
Woodville Properties, Inc., due in monthly installments of \$1,312 from February 1, 2010 to December 1, 2025, interest at 6%, collateralized by land.	146,089
Centennial Bank, due in monthly installments of \$830 from December 1, 2010 to January 1, 2012, interest at 8%, collateralized by equipment.	12,551
Liberty Wilderness Crossroads Camp, Inc., subordinated and unsecured note due in monthly installments of \$7,254, from July 1, 2010 to July 1, 2015, interest at 5%, see Note 4 – Related Parties.	314,958
Liberty Wilderness Land Development, Inc., subordinated and unsecured note due in monthly installments of \$7,510 from July 1, 2010 to July 1, 2015, interest at 5%, see Note 4 – Related Parties	326,053
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Total	22,602,975
Less current portion	1,672,922
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Total – non-current portion	\$ 20,930,053

Twin Oaks Juvenile Development, Inc.
Notes to Financial Statements

NOTE 3 - LONG TERM DEBT (CONTINUED)

Current portion on long-term debt are presented as the following on the statement of financial position:

Current portion of bonds payable	\$	780,000
Current portion of notes payable		892,922
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Total current portion of long-term debt	\$	1,672,922

Principal payments are due over the next five years as follows:

Years ending June 30,		
2012	\$	1,672,922
2013		1,142,739
2014		1,212,391
2015		1,282,299
2016		1,187,184
Thereafter		16,105,440
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Total	\$	22,602,975

Interest expense for bonds payable, notes payable and capital leases was \$1,467,793 for the year ended June 30, 2011.

The Organization issued the Madison County, Florida First Mortgage Bonds, Series 2005A in the 2006 fiscal year. The Organization issued the Liberty County, Florida Subordinate Revenue Bonds in the 2008 fiscal year. The various bond agreements contain certain covenants and restrictions with which Twin Oaks Juvenile Development, Inc. must comply including mandatory bond redemption, meeting a minimum annual debt service coverage ratio, maintaining a minimum level of days cash on hand, maintaining reserve and sinking fund accounts, and certain other reporting requirements.

At June 30, 2011, the Organization had \$51,000 available on the line of credit with Prime Meridian Bank, secured by personal life insurance policies of Benjie Read and Donnie Read, to be drawn upon as needed with an interest rate at 6 percent at June 30, 2011.

NOTE 4 - RELATED PARTIES

Both Liberty Wilderness Crossroads Camp, Inc. and Liberty Wilderness Land & Development, Inc. are related parties to Twin Oaks Juvenile Development, Inc. Payables accrued to those entities are in the normal course of business. The amount owed is comprised of \$641,011 for notes payables, of which there are formal notes including interest at 5% with 60 monthly payments starting July 1, 2010 and \$140,945 included in accounts payable.

Twin Oaks Juvenile Development, Inc.
Notes to Financial Statements

NOTE 4 - RELATED PARTIES (CONTINUED)

The Organization leases vehicles and software from Liberty Wilderness Crossroads Camp, Inc. which is controlled by the Organization's officers. The vehicle leases are accounted for as operating leases and total \$456,194 for fiscal 2011. The software lease amounted to \$87,300 for fiscal 2011.

A line of credit with Prime Meridian is collateralized by personal life insurance policies on the lives of Benjie Read and Donnie Read. The outstanding balance on this line of credit at June 30, 2011 is \$599,000.

There are employees of the Organization who are relatives of management. The Chief Financial Officer's wife and daughter are employees within the Organization's education department. The Executive Director's wife is a certified teacher within the Organization's education department. The Executive Director and Chief Financial Officer's brother is the Human Resource Officer. Management asserts these salaries are within salary guidelines for their respective positions.

NOTE 5 - OPERATING AND CAPITAL LEASES

The Organization is the lessee for certain leases for equipment under operating and capital leases. All other leases are month to month. See Note 4 for related party information. The minimum future lease payments for operating leases are as follows for the years ending June 30:

2012	\$	516,898
2013		60,000
2014		60,000
2015		60,000
2016		30,000
<u>Total minimum future operating lease payments</u>		<u>\$ 726,898</u>

Rental expense for property and equipment for the year ended June 30, 2011 was \$489,503.

The Organization is lessee of equipment, with a gross value of \$875,575, under capital leases expiring in 2014. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments plus mandatory buy-back options. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense.

The Organization was involved in a sale leaseback agreement, which transferred all of the Organization's rights, titles and agreement to the lessor. The agreement involved the sale of \$87,432 in equipment to the lessor. The equipment was leased back to the Organization for 36 months. The minimum future lease payments are included in the schedule of capital leases below.

Twin Oaks Juvenile Development, Inc.
Notes to Financial Statements

NOTE 5 - OPERATING AND CAPITAL LEASES (CONTINUED)

Minimum future lease payments under capital leases as of June 30, 2011 and for each year until expiration are:

2012	\$	265,852
2013		144,519
2014		49,902
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Total minimum future lease payments		460,273
Less: Amount representing interest		(10,327)
Present value of net minimum lease payments	\$	449,946

Interest expense for capital leases was \$28,779 for the year ended June 30, 2011.

NOTE 6 - INCOME TAXES

The Organization is a not-for-profit Florida corporation that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (iv).

The wholly owned for-profit subsidiary uses the asset and liability method of accounting for income taxes as required by FASB ASC 740, *Income Taxes*. Therefore, federal and state income taxes are provided on income reported for financial statement purposes and include both current and deferred income tax expense. Current income tax expense is recorded to reflect income taxes based upon the tax returns filed with the appropriate taxing agencies. Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at year-end. The change in deferred income taxes is recognized as deferred income tax expense or benefit. The tax benefit related to operating loss carry forwards, if any, are recognized if management believes, based on available evidence, that it is more likely than not that they will be realized.

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash deposits and money market funds. Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Twin Oaks Juvenile Development, Inc.'s bank balances exceeded the \$250,000 limit by \$1,233,300 at June 30, 2011. Twin Oaks Juvenile Development, Inc.'s money market funds of \$3,890,940 which are included in restricted cash and cash equivalents, are not insured.

The majority of the Organization's funding comes from government contracts described more fully in Note 1. Twin Oaks Juvenile Development, Inc. is dependent on these funds to carry out its program activities. The majority of the Organization's accounts receivable is from government contracts and Medicaid.

Twin Oaks Juvenile Development, Inc.
Notes to Financial Statements

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Organization received Federal and State Grants for services that are subject to review and audit by Federal and State Agencies. Such audits could result in the request for reimbursement by the Federal and State Agencies for amounts disallowed under the terms and conditions of the appropriate agency. In the opinion of the management of Twin Oaks Juvenile Development, Inc., such disallowances, if any, will not be significant to the Organization's financial statements.

The Organization has financed commercial liability insurance under a premium financing agreement. Under the terms of the agreement, the Organization has committed to make monthly payments of \$25,723 until January of 2012 in exchange for insurance coverage through that date. The total annual premium is approximately \$301,487. Prepaid expense associated with agreement totaled \$30,496 at June 30, 2011.

NOTE 9 - RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan. All employees of the Organization who have completed one year of service and have attained the age of 18 are eligible in the plan. Participants can elect to defer a portion of their compensation for the year, not to exceed the limit set forth in the Internal Revenue Code. For 2011, the Organization contributed a 25% match for employee salary deferrals. The balance in each participant's elective account shall be fully vested at all times. Retirement expense was \$31,010 for the year ended June 30, 2011.

NOTE 10 - RESTRICTED CASH AND CASH EQUIVALENTS

Cash and cash equivalents with a carrying value of \$3,890,940 are used to fulfill requirements for the Organization's 2005A Series Madison County, Florida First Mortgage Revenue Bonds and the 2008 Liberty County, Florida Subordinate Revenue Bonds. They are comprised of various sinking and reserve funds as required by the Bond Resolution. They are invested in money market funds and are carried at their fair market value. The sinking funds are presented as current assets and the reserve funds are presented as non-current assets. See Note 7 for the concentration of credit risk associated with these funds.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to year end, the Organization was awarded a grant contract through Project Connect, effective October 1, 2011, in the amount of \$700,000

NOTE 12 - PRIOR PERIOD ADJUSTMENT

Beginning net assets were restated as of July 1, 2010 for Twin Oaks Juvenile Development, Inc. to reflect an increase in interest expense in the amount of \$99,882. Net assets were decreased in the amount of \$99,882 as of July 1, 2010.

Supplementary Information

Twin Oaks Juvenile Development, Inc.
Schedule of Revenue and Functional Expenses
Year ended June 30, 2011

	LWCC/JUST		DOVE IMH		DOVE		TOVA		RAMC		LCSB
	DJJ Residential Level 6	DJJ Residential Level 6	DJJ Residential Level 6	DJJ Residential Level 6	DJJ Residential Level 6	DJJ Residential Level 6	DJJ Residential Level 6	DJJ Residential Level 6	DJJ Residential Level 6		
Revenues											
State of Florida DJJ											
State of Florida DCF											
State of Florida DOT											
State of Florida DOE											615,473
Board of Education											
Medicaid											
NSLP											
Boys & Girls Club											
Vocational Donations											
Interest Income											
Workforce Florida											
Miscellaneous Revenue											
Total	\$ 12,874,295.00	\$ 2,071,174	\$ 1,836,220	\$ 2,273,895	\$ 3,685,505	\$ 3,007,501	\$ -	\$ -	\$ -	\$ -	\$ -
State of Florida DJJ	6,750,313	-	-	-	-	-	-	-	-	-	-
State of Florida DCF	674,288	-	-	-	-	-	-	-	-	-	-
State of Florida DOT	548,897	-	-	-	-	-	-	-	-	-	-
State of Florida DOE	1,767,322	-	-	-	-	-	-	-	-	-	615,473
Board of Education	1,735,159	-	-	-	-	-	-	-	-	-	-
Medicaid	485,014	-	-	-	-	-	-	-	-	-	-
NSLP	112,416	58,030	50,831	68,471	132,155	108,127	-	-	-	-	-
Boys & Girls Club	16,335	-	-	-	-	-	-	-	-	-	-
Vocational Donations	3,555	-	-	-	-	-	-	-	-	-	-
Interest Income	86,983	-	-	-	-	-	-	-	-	-	-
Workforce Florida	800	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenue											
Total Receipts	25,055,377	2,129,204	1,887,051	2,342,366	3,817,660	3,115,628	615,473	615,473	615,473	615,473	615,473
Operating Expenses											
Academic Supplies	41,624	-	-	-	-	-	-	-	-	-	2,360
Contractual Services	84,188	7,632	3,320	3,652	22,737	20,313	400	2,360	20,313	20,313	400
Equipment	65,733	-	22,725	1,616	226	202	254	226	202	202	254
Facility Supplies	143,380	14,214	20,594	24,044	12,808	11,772	2,459	12,808	11,772	11,772	2,459
Insurance	443,850	38,965	27,884	34,595	56,111	45,093	7,024	56,111	45,093	45,093	7,024
Occupancy: Depreciation	652,479	26,280	30,248	118,281	126,455	113,866	695	126,455	113,866	113,866	695
Bond Interest	1,346,198	99,619	44,425	137,312	152,120	127,889	-	152,120	127,889	127,889	-
Taxes	59,471	-	6,677	8,394	17,055	15,260	-	17,055	15,260	15,260	-
Office/Postage	271,054	15,636	54,502	27,201	26,486	23,604	-	26,486	23,604	23,604	-
Professional Fees	1,288,097	39,885	53,523	74,042	62,602	55,775	-	62,602	55,775	55,775	-
Rent	29,263	-	3,099	1,710	1,145	1,024	-	1,145	1,024	1,024	-
Repairs & Maintenance	349,135	46,054	19,750	46,535	65,112	45,032	-	65,112	45,032	45,032	-
Salaries	15,534,695	1,341,447	1,008,032	1,409,978	2,555,656	2,011,529	-	2,555,656	2,011,529	2,011,529	-
Student Clothing, Dorm, Food	1,683,104	174,120	150,690	209,099	361,177	273,503	-	361,177	273,503	273,503	-
Telephone & Utilities	701,950	55,904	53,920	64,875	143,104	123,161	-	143,104	123,161	123,161	-
Training	9,212	-	660	750	713	638	-	713	638	638	-
Travel	224,112	441	3,359	6,858	1,980	3,117	-	1,980	3,117	3,117	-
Vehicle Costs	394,507	78,115	30,941	42,582	37,896	34,239	-	37,896	34,239	34,239	-
Vocational Supplies	86,400	-	-	2,719	-	-	-	-	-	-	-
Total Operating Expenses	23,408,452	1,938,312	1,534,349	2,214,243	3,643,383	2,906,017	783,364	3,643,383	2,906,017	2,906,017	783,364
Overhead Allocation											
Overhead Cost Allocation	1,820,221	157,003	124,282	177,139	291,471	232,165	-	291,471	232,165	232,165	-
Total Overhead Allocation	1,820,221	157,003	124,282	177,139	291,471	232,165	-	291,471	232,165	232,165	-
Total Other Expenses	11,142	-	-	-	-	-	-	-	-	-	-
Total Expenses	25,239,815	2,095,315	1,658,631	2,391,382	3,934,854	3,138,182	846,816	3,934,854	3,138,182	3,138,182	846,816
Change in Net Assets	\$ (184,436)	\$ 33,889	\$ 228,420	\$ (49,016)	\$ (117,194)	\$ (22,554)	\$ (231,343)	\$ (117,194)	\$ (22,554)	\$ (22,554)	\$ (231,343)

See Independent Auditors' Report

Twin Oaks Juvenile Development, Inc.
Schedule of Revenue and Functional Expenses
 Year ended June 30, 2011

	JCSB	MCSB	AFYC - DCF		TOFOS		DOT	Connections	21st Century 9/10-6/11
			Residential Level III	Outpatient	DCF	Outpatient			
Revenues									
State of Florida DJJ	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Florida DCF	-	-	4,810,307	1,940,006	-	-	-	-	-
State of Florida DOT	-	-	-	-	674,288	-	-	-	-
State of Florida DOE	-	-	-	-	-	-	-	-	512,495
Board of Education	426,062	725,787	-	-	-	-	-	-	-
Medicaid	-	-	-	-	-	-	-	-	-
NSLP	-	-	67,400	-	-	-	-	-	-
Boys & Girls Club	-	-	-	-	-	-	-	-	-
Vocational Donations	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-
Workforce Florida	-	-	-	-	-	-	86,983	-	-
Miscellaneous Revenue	-	-	-	800	-	-	-	-	-
Total Receipts	426,062	725,787	4,877,707	1,940,806	674,288	86,983	86,983	512,495	
Operating Expenses									
Academic Supplies	9,400	29,864	-	-	-	-	-	-	-
Contractual Services-Safety	697	5,982	7,680	225	-	-	-	-	-
Equipment	287	59	39,874	-	-	-	-	-	-
Facility Supplies	2,961	4,559	30,250	2,284	76,016	1,599	-	282	-
Insurance	6,035	13,098	69,525	39,783	-	-	-	-	-
Depreciation	695	1,390	124,723	5,910	1,043	-	-	-	-
Interest	-	-	636,751	-	-	-	-	-	-
Taxes	1,717	-	-	-	-	-	-	-	-
Office/Postage	9,117	15,386	31,049	26,288	337	2,814	2,814	1,466	-
Professional Fees	8,032	11,873	221,822	663,384	-	18,524	-	15,000	-
Rent	645	301	-	20,550	-	-	-	-	-
Repairs & Maintenance	9,377	33,212	47,062	4,355	110	460	-	183	-
Salaries	288,526	792,721	2,666,934	702,453	251,256	62,350	-	539,565	-
Student Clothing, Dorm, Food	9,142	8,599	278,140	-	184,461	-	-	6,024	-
Telephone & Utilities	10,835	29,416	74,640	53,534	3,011	1,143	-	1,982	-
Training	135	188	2,840	360	1,500	-	-	-	-
Travel	2,176	824	1,962	114,371	-	9,538	-	39,579	-
Vehicle Costs	380	4,313	53,791	-	90,869	-	-	-	-
Vocational Supplies	657	17,025	-	-	56,398	-	-	-	-
Total Operating Expenses	360,814	968,810	4,287,043	1,633,497	667,001	96,428	96,428	604,081	
Overhead Allocation									
Overhead Cost Allocation	29,226	78,474	347,250	132,313	54,027	-	-	-	-
Total Overhead Allocation	29,226	78,474	347,250	132,313	54,027	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-
Total Expenses	390,040	1,047,284	4,634,293	1,765,810	721,028	96,428	96,428	604,081	
Net Assets	\$ 36,022	\$ (321,497)	\$ 243,414	\$ 174,996	\$ (46,740)	\$ (9,445)	\$ (9,445)	\$ (91,586)	

See Independent Auditors' Report

Twin Oaks Juvenile Development, Inc.
Schedule of Revenue and Functional Expenses
Year ended June 30, 2011

	Boys & Girls Club	Admin	DOVE BHOS	TOVA BHOS	21st Century 7/10-8/10	GYVC DJJ Residential Level 6
Revenues						
State of Florida DJJ	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Florida DCF	-	-	-	-	-	-
State of Florida DOT	-	-	-	-	-	-
State of Florida DOE	-	-	-	36,402	-	-
Board of Education	-	-	-	-	-	-
Medicaid	-	-	579,919	1,155,240	-	-
NSLP	-	-	-	-	-	-
Boys & Girls Club	108,018	-	-	-	-	-
Vocational Donations	16,271	64	-	-	4,398	-
Interest Income	-	3,555	-	-	-	-
Workforce Florida	-	-	-	-	-	-
Miscellaneous Revenue	-	-	-	-	-	-
Total Receipts	124,289	3,619	579,919	1,155,240	40,800	-
Operating Expenses						
Academic Supplies	-	-	-	10,784	-	(140)
Contractual Services-Safety	-	-	896	107	-	-
Equipment	-	-	383	-	-	-
Facility Supplies	5,920	-	3,893	5,144	2,064	132
Insurance	-	-	6,637	19,485	-	-
Depreciation	2,267	-	41,154	59,472	-	-
Interest	-	-	48,463	99,619	-	-
Taxes	-	-	2,289	8,079	-	-
Office/Postage	13,354	-	5,297	13,332	1,272	455
Professional Fees	-	-	8,032	20,048	6,800	546
Rent	-	-	86	542	-	161
Repairs & Maintenance	1,617	-	1,635	23,136	1,125	292
Salaries	128,456	-	332,340	622,180	85,158	28,082
Student Clothing, Dorm, Food	17,393	-	-	-	500	-
Telephone & Utilities	406	-	14,138	64,015	659	3,234
Training	341	-	180	338	420	-
Travel	11,615	-	166	926	25,974	64
Vehicle Costs	-	-	1,555	18,005	-	577
Vocational Supplies	-	-	-	-	-	-
Total Operating Expenses	181,369	-	467,144	965,222	123,972	33,403
Overhead Allocation						
Overhead Cost Allocation	14,691	-	37,839	78,183	-	2,706
Total Overhead Allocation	14,691	-	37,839	78,183	-	2,706
Other Expenses	-	11,142	-	-	-	-
Total Expenses	196,060	11,142	504,983	1,043,405	123,972	36,109
Net Assets	\$ (71,771)	\$ (7,523)	\$ 74,936	\$ 111,835	\$ (83,172)	\$ (36,109)

See Independent Auditors' Report

MANAGEMENT LETTER

To the Board of Directors
Twin Oaks Juvenile Development, Inc.
Bristol, Florida

We have audited the financial statements of the Twin Oaks Juvenile Development, Inc., Florida, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 21, 2011.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Compliance and Internal Control over Financial Reporting, Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 21, 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, that have occurred, or likely to have occurred, and (2) deficiencies in internal control that are that are not significant deficiencies. Our audit revealed the following matter to be disclosed:

Deficit in Net Assets

The Organization had a deficit in ending net assets at June 30, 2011.

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.

Carr, Riggs & Ingram, L.L.C.

October 21, 2011

**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
Twin Oaks Juvenile Development, Inc.
Bristol, Florida

We have audited the financial statements of Twin Oaks Juvenile Development, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 21, 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 Twin Oaks Juvenile Development Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Twin Oaks Juvenile Development, Inc.'s internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Twin Oaks Juvenile Development Inc.'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.

To the Board of Directors
Twin Oaks Juvenile Development, Inc.
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Twin Oaks Juvenile Development, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-01.

We noted certain matters that we reported to management of Twin Oaks Juvenile Development, Inc. in a separate letter dated October 21, 2011.

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

Cam, Riggs & Ingram, L.L.C.

October 21, 2011

Twin Oaks Juvenile Development, Inc.
Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2011

Federal / State Agency Pass through entity Federal Program / State Project	CFDA CSFA No.	Contract / Grant No.	Expenditures
FEDERAL AWARDS			
U.S. Department of Justice Passed through Boys and Girls Club of America Strengthening Youth Partnership Pilot	16.541	Various	\$ 112,416
U.S. Department of Education Passed through the Florida Department of Education Twenty-First Century Community Learning Centers	84.287	403-244A-OPCC1	548,897
U.S. Department of Agriculture Passed through Florida Department of Education National School Lunch Program	10.555	01-0356	485,014
U.S. Department of Labor Passed through Chipola Regional Workforce Board WIA Youth Activities	17.258	N/A	86,983
Total expenditures of federal awards			1,233,310
STATE FINANCIAL ASSISTANCE			
Florida Department of Children and Families Children's Mental Health Juvenile Restoration Juvenile Residential Level III (AFYC) Community Restoration Services	60.049	LH882 LH990	4,586,185 1,772,430
Florida Department of Juvenile Justice Delinquency Non-Secure Residential Services Juvenile Residential Level 6 (LWCC/JUST) Greenville Hills - South Greenville Hills - North Dove - IMH	80.016	B8DO3 B8D02 B8DO4 R2086	2,035,457 3,685,505 3,007,501 1,614,429
Vocational Training Services Juvenile Residential Level 7 (DOVE)	80.013	L8G02	2,273,895
Total expenditures of state financial assistance			18,975,402
Total expenditures of federal awards and state financial assistance			\$ 20,208,712

See Independent Auditors' Report and Note to Schedule of Expenditures of Federal Awards and State Financial Assistance

Twin Oaks Juvenile Development, Inc.
Note to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2011

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance include the grant activity of Twin Oaks Juvenile Development, Inc. and are presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Florida Single Audit Act. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

To the Board of Directors
Twin Oaks Juvenile Development, Inc.
Bristol, Florida

Compliance

We have audited the Twin Oaks Juvenile Development, Inc.'s compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2011. Twin Oaks Juvenile Development, Inc.'s major federal awards and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal awards and state projects is the responsibility of the Twin Oaks Juvenile Development, Inc.'s management. Our responsibility is to express an opinion on the Twin Oaks Juvenile Development, Inc.'s compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Twin Oaks Juvenile Development, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Twin Oaks Juvenile Development, Inc.'s compliance with those requirements.

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

To the Board of Directors
Twin Oaks Juvenile Development, Inc.
Page Two

Internal Control Over Compliance

The management of Twin Oaks Juvenile Development, Inc. 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 Twin Oaks Juvenile Development, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program and state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133 and Chapter 10.650 Rules of the Auditor General, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Twin Oaks Juvenile Development, Inc.'s internal control over compliance.

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

This report is intended solely for the information and use of management, the Board of Directors, others within the organization and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carly Riggs & Ingram, L.L.C.

October 21, 2011

Twin Oaks Juvenile Development, Inc.
Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Section I - Summary of Audit Results

1. The Independent Auditors' Report expresses an unqualified opinion on the financial statements of Twin Oaks Juvenile Development, Inc.
2. No significant deficiencies are reported in the 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*.
3. An instance of noncompliance material to the financial statements of Twin Oaks Juvenile Development, Inc. was disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards or state projects are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650 Rules of the Auditor General.
5. The Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650 of the Rules of the Auditor General of Twin Oaks Juvenile Development, Inc. expresses an unqualified opinion.
6. Our audit disclosed no findings required to be reported related to Federal programs under section 501(a) of OMB Circular A-133, or did our audit disclose any findings related to State projects required to be disclosed under Chapter 10.650.
7. The federal awards and state programs tested as a major program or project includes:

<u>Federal Awards</u>	<u>Federal CFDA No.</u>
US Department of Agriculture National School Lunch Program	10.555
US Department of Education Twenty-First Century Community Learning Centers	84.287
 <u>State Projects</u>	 <u>State CSFA No.</u>
Department of Children & Families Children's Mental Health Juvenile Restoration	60.049
Department of Juvenile Justice Delinquency Non-secure Residential Services	80.016
Department of Juvenile Justice Vocational Training Services	80.013
8. The threshold for distinguishing Type A and B projects was \$300,000 for federal programs and \$569,262 for state projects.
9. Twin Oaks Juvenile Development, Inc. was determined to be a low-risk auditee.

**Twin Oaks Juvenile Development, Inc.
Schedule of Findings and Questioned Costs (Continued)**

Year ended June 30, 2011

Section II - Financial Statement Findings

Debt Service Coverage Ratio – Finding 2011-01

COMMENT: The Organization did not meet its debt service coverage ratio requirements of its Madison County, Florida First Mortgage Bonds, Series 2005A and the 2008 Liberty County, Florida Subordinate Revenue Bonds.

RECOMMENDATION: We recommend the Organization implement business practices to bring the Organization into compliance with its debt service coverage ratio requirements.

Section III - State Award Findings and Questioned Costs

No current year findings.

Section IV - Federal Award Findings and Questioned Costs

No current year findings.

**Twin Oaks Juvenile Development, Inc
Summary Schedule of Prior Audit Findings**

Year ended June 30, 2011

PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS

MAJOR FEDERAL PROGRAMS AND STATE PROJECTS

No prior year findings.

FINANCIAL STATEMENTS

No prior year findings



October 26, 2011

Carr, Riggs and Ingram, LLC
Tony Pumphrey
4267 Lafayette Street
Marianna, FL 32447

Re: Response to Finding of 2011 Audit

Dear Tony,

Please use this letter as our response to the two comments in the recently completed 2011 audit concerning the unrestricted net assets at a deficit and that we did not meet the debt service ratio for the year audited.

I believe that these two issues are obviously related and we have been proactive in addressing this early by engaging the services of a third party consultant to help us create and implement a plan beginning in May that involves cutting salary expenses and identifying other one-time events such as the interest charge and legal fees that we don't believe will be repeated. By moving to positive net income, we will achieve positive outcomes in both areas noted.

Please let me know if you have any questions.

Sincerely,

Benjie Read
CFO