

**BROWARD CHILDREN'S CENTER, INC.**

**FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

June 30, 2012

BROWARD CHILDREN'S CENTER, INC.  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
June 30, 2012

TABLE OF CONTENTS

	<u>PAGES</u>
FINANCIAL STATEMENTS	
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-15
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards and State Financial Assistance	16-17
Schedule of Local Financial Assistance	18
Notes to Schedule of Expenditures of Federal Awards, State and Local Financial Assistance	19
INTERNAL CONTROLS AND COMPLIANCE	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20-21
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General	22-23
Schedule of Findings and Questioned Costs – State Projects	24

# FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Broward Children's Center, Inc.  
Pompano Beach, Florida

We have audited the accompanying statement of financial position of Broward Children's Center, Inc. (the "Organization") (a not-for-profit organization) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Broward Children's Center, Inc. as of June 30, 2012, 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 September 25, 2012 on our consideration of Broward Children's Center, Inc. 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Broward Children's Center, Inc.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes and Chapter 10.650, Rules of the Auditor General, and is not a required part of the financial statements. Further, the schedules of expenditures of Federal awards and local financial assistance are 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 generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Keefe, McCullough & Co., LLP*  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
September 25, 2012

BROWARD CHILDREN'S CENTER, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2012

A S S E T S

CURRENT ASSETS:

Cash and cash equivalents	\$	1,281,043
Investments		708,792
Grants from Federal, state, and county agencies and reimbursements receivable, net		622,275
Due from a related organization		51,054
Inventories		15,814
Prepaid expenses		<u>167,155</u>
Total current assets		2,846,133
Property and equipment, net		669,987
Other assets		<u>7,160</u>
Total assets	\$	<u><u>3,523,280</u></u>

L I A B I L I T I E S   A N D   N E T   A S S E T S

LIABILITIES:

Accounts payable	\$	56,757
Accrued expenses		<u>375,890</u>
Total liabilities		<u>432,647</u>

COMMITMENTS AND CONTINGENCIES (Notes 6, 8 and 9) -

NET ASSETS:

Unrestricted		<u>3,090,633</u>
Total net assets		<u>3,090,633</u>
Total liabilities and net assets	\$	<u><u>3,523,280</u></u>

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

BROWARD CHILDREN'S CENTER, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012

CHANGE IN NET ASSETS:	
Public support and revenues:	
Grants and contracts, net	\$ 5,303,853
Private service fees, net	62,033
Contributions	53,773
Other program revenues, net	4,149,945
Management fee	144,000
Investment income	<u>8,798</u>
Total public support and revenue	<u>9,722,402</u>
Operating expenses:	
Program services:	
Group homes	1,509,636
School services	3,807,876
Home health	2,434,028
Prescribed pediatric extended care	493,795
Respite pediatrics and respite	695,227
Therapy	636,702
Kids Clinic	<u>107,575</u>
Total program services	9,684,839
Supporting services:	
General and administrative expenses	<u>250,183</u>
Total operating expenses	<u>9,935,022</u>
Nonoperating expenses (Note 6):	<u>218,726</u>
Change in net assets	(431,346)
NET ASSETS, July 1, 2011	<u>3,521,979</u>
NET ASSETS, June 30, 2012	<u>\$ 3,090,633</u>

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

**BROWARD CHILDREN'S CENTER, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2012

	Program Services		
	Group Homes	School Services	Home Health
<b>PERSONNEL COSTS:</b>			
Salaries	\$ 950,249	\$ 2,341,463	\$ 2,109,267
Payroll taxes	82,987	204,471	192,212
Professional ancillary therapy costs	37,308	7,388	1,767
Group insurance	66,626	157,581	29,022
Workmen's compensation	7,793	6,512	40,503
	1,144,963	2,717,415	2,372,771
<b>OTHER EXPENSES:</b>			
Rent, including in-kind of \$ 2,028	76,800	385,450	9,732
Insurance	21,813	101,505	19,673
Vehicle expenses	5,964	145,037	-
Repairs and maintenance	28,482	61,880	2,218
Provision for depreciation	17,508	87,266	-
Food, beverage, and dietary supplies	39,358	72,796	52
Utilities	17,436	61,316	5,036
Professional fees	172	620	-
Housekeeping supplies, laundry, and linens	18,724	45,379	4,013
Communications	13,456	22,146	4,055
Medical supplies, equipment rental, and repairs	47,449	18,379	4,468
Advertising, recruiting, and training	13,281	19,038	6,969
Miscellaneous	30,440	3,933	2,452
Office supplies	1,598	11,695	2,589
Resident travel and activities	7,130	28,662	-
Clothing, incidentals, and personal supplies	24,336	1,880	-
Preschool supplies	-	23,467	-
Medications	726	12	-
	364,673	1,090,461	61,257
Total other expenses	364,673	1,090,461	61,257
Subtotal	1,509,636	3,807,876	2,434,028
Allocation of general and administrative expenses	38,152	102,221	60,932
Allocation to a related party organization (Note 6)	-	-	-
Subtotal	38,152	102,221	60,932
Total expenses	\$ 1,547,788	\$ 3,910,097	\$ 2,494,960

Program Services					Supporting Services	
Prescribed Pediatrics Extended Care	Respite Pediatrics and Respite	Therapy	Kids Clinic	Total Program Services	General and Administrative Expenses	Total
\$ 316,765	\$ 511,676	\$ 114,980	\$ 69,875	\$ 6,414,275	\$ -	\$ 6,414,275
26,574	47,400	45,028	6,025	604,697	-	604,697
2,345	963	430,917	133	480,821	-	480,821
21,708	20,304	27,288	4,113	326,642	-	326,642
2,251	4,340	2,478	363	64,240	-	64,240
<u>369,643</u>	<u>584,683</u>	<u>620,691</u>	<u>80,509</u>	<u>7,890,675</u>	<u>-</u>	<u>7,890,675</u>
50,688	32,700	-	5,772	561,142	78,535	639,677
16,098	7,969	6,968	5,455	179,481	22,484	201,965
27,596	-	-	2,975	181,572	17,868	199,440
3,932	20,528	296	1,070	118,406	57,135	175,541
617	836	-	130	106,357	14,343	120,700
67	2,412	-	29	114,714	3,888	118,602
5,369	5,918	-	3,105	98,180	14,742	112,922
-	-	-	-	792	102,102	102,894
4,222	7,966	-	2,053	82,357	9,943	92,300
3,753	6,693	1,911	2,102	54,116	35,793	89,909
5,078	2,828	-	1,698	79,900	8,241	88,141
3,085	13,233	5,367	1,578	62,551	5,289	67,840
844	485	94	98	38,346	11,067	49,413
931	7,082	1,375	577	25,847	21,965	47,812
-	1,690	-	-	37,482	-	37,482
1,834	191	-	32	28,273	-	28,273
-	-	-	-	23,467	-	23,467
38	13	-	392	1,181	-	1,181
<u>124,152</u>	<u>110,544</u>	<u>16,011</u>	<u>27,066</u>	<u>1,794,164</u>	<u>403,395</u>	<u>2,197,559</u>
<u>493,795</u>	<u>695,227</u>	<u>636,702</u>	<u>107,575</u>	<u>9,684,839</u>	<u>403,395</u>	<u>10,088,234</u>
12,639	17,495	16,070	2,674	250,183	(250,183)	-
-	-	-	-	-	(153,212)	(153,212)
<u>12,639</u>	<u>17,495</u>	<u>16,070</u>	<u>2,674</u>	<u>250,183</u>	<u>(403,395)</u>	<u>(153,212)</u>
<u>\$ 506,434</u>	<u>\$ 712,722</u>	<u>\$ 652,772</u>	<u>\$ 110,249</u>	<u>\$ 9,935,022</u>	<u>\$ -</u>	<u>\$ 9,935,022</u>

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

BROWARD CHILDREN'S CENTER, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2012

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (431,346)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Provision for depreciation	120,700
Loss on disposition of property and equipment	19,971
Realized and unrealized loss, net	16,098
Changes in assets and liabilities:	
Decrease in grants from Federal, state and county agencies and reimbursements receivable, net	141,173
Decrease in due from a related organization	139,760
Decrease in inventories	22,005
Increase in prepaid expenses	(38,760)
Decrease in other assets	485
Increase in accounts payable	5,597
Increase in accrued expenses	17,659
	<hr/>
Net cash provided by operating activities	13,342
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Sales of securities	534,961
Proceeds from sale of property and equipment	9,900
Purchases of property and equipment	(225,155)
Purchases of securities	(328,277)
	<hr/>
Net cash used in investing activities	(8,571)
	<hr/>
Net increase in cash	4,771
CASH AND CASH EQUIVALENTS, July 1, 2011	<hr/> 1,276,272
CASH AND CASH EQUIVALENTS, June 30, 2012	\$ <hr/> <hr/> 1,281,043
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>	
Cash received during the year for -	
Interest and dividend income	\$ <hr/> <hr/> 24,896

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

**BROWARD CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 - ORGANIZATION AND OPERATIONS**

Broward Children's Center, Inc. (the "Organization") is a not-for-profit organization incorporated on February 8, 1971 under the laws of the State of Florida. The Organization provides quality medical, educational, and therapeutic services for children with special needs, primarily from the South Florida area. Support and revenues are primarily derived from grants and contracts with the government of the State of Florida, other Federal and local agencies, and private service fees.

The Organization is related to the Children's Comprehensive Care Center, Inc. (the "Center") and the Broward Children's Center Supporting Foundation, Inc. (the "Foundation"). Additional information is provided in Note 6.

Program Services:

Two preschools, one in the South West area of Broward County and one in the North East area of Broward County served approximately one hundred and sixty-five (165) developmentally delayed children and over thirty (30) typically normal developing children. The programs offer certified teachers, physical, occupational and speech therapies, recreational activities, after school care and nutritious breakfast, lunches and snacks. The schools are open for summer camp sponsored by the Children's Services Council of Broward County and are also open for working parents during holiday and school vacations. The Organization also provides subsidized child care in these locations. The North Preschool was awarded the National Re-Accreditation ("NAC"). The most impressive award earned at Preschool North was the Broward County Quality Rating and Improvement System (5 Stars). Preschool North is the first developmental special needs preschool to receive this honor in Broward County. During the last fiscal year, the Broward County School system cut funding to the birth to three year olds. The Organization was able to provide services to these children and their families through a grant from CVS Pharmacy and the City of Hollywood. Because of the critical nature of the needs of birth to three year olds, the administration is hoping that these two entities continue the sponsorship of this program.

A preschool for typically developing children called Building Bridges is sponsored in cooperation with St. Martin's Episcopal Church which accommodates approximately forty (40) children and a voluntary Pre-Kindergarten class. This preschool program provides employees child care. During the past year, the enrollment was at capacity. During the next fiscal year, arrangements are being made to provide cultural activities (i.e. - drama, music, and voice lessons). This program also provides a classroom for medically fragile children.

Medical child care is provided on a daily basis for up to forty (40) children in the Center's Prescribed pediatric extended care ("PPEC"). Registered nurses, teachers, physical, occupational, speech and respiratory services are provided in this program.

Transportation is provided to all children in the school programs and the PPEC program. Two new buses were funded through the State of Florida's Department of Transportation for a total fleet of eighteen school buses.

The Organization sponsors two group homes, one for developmentally disabled children and young adults and one for ventilator assisted young adults. The home for ventilator assisted young adults is the only home of its kind in the United States.

BROWARD CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 - ORGANIZATION AND OPERATIONS (continued)

The Respite Home, located in Pompano Beach, is the only respite home in the State of Florida. Staff is available seven days a week, twenty four hours per day to provide temporary care and shelter for children with complex medical problems, developmental delays, attention deficit disorder, and autism. Parents can find accommodations for their children when they just "need a break" from stress or have a family or medical emergency themselves. Sibling and parent groups are offered on a regular basis by a licensed clinical social worker who is also the Director of the program. The Respite Home Program has changed location and services are now provided in the Stark Building. The Respite Home is being used to pilot a new program sponsored by the State. It is called the "Diaphragmatic Packing System", which is a small unit that replaces the ventilator.

Respite services are also accessible for children in their own homes. These two programs are offered through the Children's Services Council of Broward County and are accessible only to residents of Broward County.

The Mobile Medical Clinic makes medical care available to children in areas where medical care is inaccessible either due to lack of mass transit or lack of providers. There is a collaborative agreement between *Pace Program for Girls*, which is sponsored by the Juvenile Justice System to provide well and sick visits to the young women in their care.

In cooperation with the Broward County School Board, nursing services are being provided in several schools in the County. Another contract allows nurses to accompany technologically dependent children to their public school classes.

The Organization collaborates in part with a 501(c)(4) organization called Florida Association for Medically Fragile Children and Young Adults. There are no fees or monies involved in this organization. It is free to families and functions as an advocacy group and resource center to assist families and young adults in their quest for services and support. There are presently eighty members and meetings are held quarterly on the internet.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958 *Not-for-Profit Entities*. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Noncash contributions are recorded at their fair value on the date received.

BROWARD CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of June 30, 2012, the Organization had no temporarily or permanently restricted net assets.

Cash and cash equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents consist of money market funds of \$ 221,309 at June 30, 2012.

Investments:

Investments include fixed income securities, mutual funds, and a certificate of deposit. Investments are measured at fair value, based on publicly quoted prices or other means. Realized and unrealized gains and losses are included in the accompanying statement of activities.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization had no unconditional or conditional promises to give as of June 30, 2012.

Allowance for doubtful accounts:

Management periodically reviews the receivable balances and provides an allowance for amounts which may be uncollectible. At June 30, 2012, management considered \$ 34,686 of its receivable balances to be uncollectible. Grants, contracts, private service fees, and other program revenues are presented net of a provision for uncollectible accounts, contractual adjustments, and ability to pay adjustments in the accompanying financial statements.

Inventories:

Inventories consist mainly of food supplies, laundry, linen, office, nursing, medical, and respiratory supplies; all carried at cost.

Property and equipment:

Property and equipment are carried at cost if purchased or, if donated, at fair value on the date of donation, less accumulated depreciation. The Organization follows the policy of providing for depreciation using the straight-line method over the estimated useful life of each type of asset which is as follows:

Vehicles	3-7 years
Nonmedical equipment	5-10 years
Furniture and fixtures	5 years
Medical equipment	5-10 years
Leasehold improvements	5-10 years

BROWARD CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The capitalization policy of the Organization is to capitalize any item of property and equipment with an individual cost of over \$ 500 and an estimated useful life of over one year.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. The Organization received no donated property and equipment for the year ended June 30, 2012.

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renewals are capitalized. When assets are retired or otherwise disposed of, the cost or donated value and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Deferred revenue:

Grants, contracts, private service fees, and other program revenues that are not recognized because the allowable costs as defined by the individual grant or contract have not been incurred and/or the unit of service has not been provided is considered deferred revenue.

Grants, contracts, private service fees, and other program revenues:

Grants, contracts, private service fees, and other program revenues are recognized when the allowable costs as defined by the individual grant or contract are incurred and/or the unit of service has been provided.

Donated services:

The Organization pays for most services requiring specific expertise. However, when and if the value of donated services requires specific expertise, they are recorded in the financial statements as revenues and expense. During the year ended June 30, 2012, the value of contributed services meeting requirements for recognition in the financial statements was not material and is not recorded.

Functional expenses:

Program and supporting services are charged with their direct expenses. Other expenses are allocated based on their proportionate share of total expenses, as well as various other estimates developed by management. It is the Organization's policy to allocate all personnel costs directly to each program.

Income taxes:

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the IRC) and is therefore exempt from Federal income taxation under Section 501(a) of the IRC. No provision of income taxes was recorded for the year ended June 30, 2012 since the Organization had no unrelated business income.

BROWARD CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates:

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

Reclassification:

Certain accounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

Date of management review:

Subsequent events were evaluated by management through September 25, 2012, which is the date the financial statements were available for issuance.

NOTE 3 - INVESTMENTS

Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly; and Level 3 inputs that are unobservable inputs for the investments and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. An investment's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following table represents the investments as held by the Organization at June 30, 2012:

<u>Asset Class</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. Government securities - Agencies	\$ -	\$ 182,869	\$ 182,869
Mutual funds	418,760	-	418,760
Certificate of deposit	-	107,163	107,163
 Total investments	 \$ 418,760	 \$ 290,032	 \$ 708,792

**BROWARD CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 3 – INVESTMENTS (continued)**

Investment income (loss) relative to these investments, and other cash equivalents, held by the Organization for the year ended June 30, 2012, is composed of:

Interest and dividend income	\$	24,896
Realized and unrealized loss, net		<u>(16,098)</u>
Total	\$	<u><u>8,798</u></u>

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2012:

Vehicles	\$	1,063,761
Nonmedical equipment		360,501
Furniture and fixtures		175,587
Medical equipment		108,217
Leasehold improvements		<u>54,396</u>
		1,762,462
Less accumulated depreciation		<u>1,092,475</u>
Net property and equipment	\$	<u><u>669,987</u></u>

**NOTE 5 – UNRESTRICTED NET ASSETS**

As of June 30, 2012, the Organization set aside unrestricted net assets of \$ 2,788,623 for the following purposes:

Renovations	\$	800,000
Working capital		788,623
Equipment replacement		550,000
Program expansion		450,000
Natural disasters		<u>200,000</u>
		2,788,623
	\$	<u><u>2,788,623</u></u>

**NOTE 6 – RELATED PARTY TRANSACTIONS**

As indicated in Note 1, the Organization is related to the Children’s Comprehensive Care Center, Inc. (the “Center”) and the Broward Children’s Center Supporting Foundation, Inc. (the “Foundation”). The three organizations share common management, occasionally employees and other resources, but not common Board members. The Organization performs all accounting related functions for the Center and Foundation.

The Foundation owns the real estate for substantially all facilities operated by the Organization. Monthly rent amounts range from \$ 910 to \$ 22,500 based on square footage and location. Also, the Organization leases certain warehouse space from the Foundation for \$ 1,625 per month or \$ 19,500 per year. In addition, the Organization leases real estate from a third party for \$ 2,792 per month through June 30, 2013. Total rent expense related to these arrangements, and other month-to-month agreements with third parties, amounted to approximately \$ 637,600.

**BROWARD CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 6 – RELATED PARTY TRANSACTIONS (continued)**

Future rents expected to be paid under current lease arrangements, including third parties, are approximately as follows:

Year ending <u>June 30,</u>		
2013	\$	572,000
2014	\$	333,100
2015	\$	325,500
2016	\$	54,250

During the fiscal year ended June 30, 2012, the Organization allocated/charged for general overhead and payroll expenses to the Center amounting to approximately \$ 153,000 and \$ 331,300, respectively. At year-end, the Center owes the Organization \$ 51,054.

During the fiscal year ended June 30, 2012, the Foundation provided donations of \$ 52,126 to the Organization.

During the year ended June 30, 2012, the Organization transferred grants and contracts revenue of \$ 218,726 to the Center, as sub-recipient organization. At June 30, 2012, \$ 8,937 is owed to the Center by the Organization; which is included in accrued expenses in the accompanying statement of financial position.

The Organization received a management fee of \$ 12,000 per month (\$ 144,000 annually) for office space, personnel and to manage certain administrative affairs of the Foundation.

The Organization has guaranteed Foundation debt with an aggregate principal balance of \$ 1,081,985 at June 30, 2012. The future payments related to these financing arrangements are approximately \$ 1,407,000, including interest of approximately \$ 325,000. All debt is without recourse from guarantor to debtor. Among other provisions, the lender requires a minimum debt service coverage ratio of 1.25 to 1.00 on a combined basis (Organization and Foundation). The Organization and the Foundation are in compliance with this financial covenant.

Readers of the Organization's financial statements should reference the audited financial statements dated September 25, 2012 of the Center and Foundation for additional information.

**NOTE 7 – RETIREMENT PLAN**

The Organization offers its employees a defined contribution plan, Broward Children's Center, Inc. Retirement Plan. The plan is a defined contribution plan (401k) covering all employees, for both the Organization and the Center, after one year of service. Contributions to the plan by the Organization and Center are discretionary. Employees have the option to contribute to the plan via salary deferrals and are limited only by certain provisions of the Internal Revenue Code. Due to the nature of the plan, there is no liability for past service cost or unfunded vested benefits. There was no contribution by the employer for the fiscal year ended June 30, 2012.

**BROWARD CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 8 – GRANTS AND CONTRACTS**

The Organization receives financial assistance from Federal, state, and local governmental agencies in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specific in the grant/contract agreements and may be subject to audit by the grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In certain instances, the grantor may increase its grant of funds to the Organization to offset amounts which would otherwise be repayable based on audits. In the opinion of management, all grant expenditures are in compliance with the terms of the agreements and applicable Federal, state, and local laws and regulations.

**NOTE 9 – ECONOMIC DEPENDENCY**

The Organization received a substantial amount of its public support and revenues from the State of Florida, including Medicaid, the Federal government, and other state and county/local agencies. If a significant reduction in the level of funding were to occur, there would be an adverse effect on the Organization's programs and activities.

# SUPPLEMENTAL INFORMATION

**BROWARD CHILDREN'S CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2012

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
<b>FEDERAL AGENCY NAME:</b>				
Indirect Programs:				
United States Department of Agriculture, Office: Food and Nutrition Service - Passed through the State of Florida Department of Education - School Breakfast Program National School Lunch Program	10.553 10.555	01-0182 01-0182	\$ 68,193 100,300	\$ 15,788 23,201
Passed through State of Florida Department of Health - Child and Adult Care Food Program	10.558	I-3539 & I-3242	8,241	-
United States Department of Transportation - Passed through State of Florida Department of Transportation - Capital Assistance Program	20.513	FY2012/YR36	107,163	-
Department of Health and Human Services - Passed through State of Florida Department of Children and Families - Passed through ChildNet, Inc. - Social Service Block Grant Foster Care - Title IV-E	93.667 93.658	-- --	13,642 19,474	- -
Total Expenditures of Federal Awards			\$ 317,013	\$ 38,989

The accompanying notes to the supplemental information are an integral part of these schedules.

**BROWARD CHILDREN'S CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**

(continued)

For the Year Ended June 30, 2012

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
<b>STATE AGENCY NAME:</b>				
<b>Direct Project:</b>				
State of Florida Department of Transportation - Capital Assistance Program	N/A	FY2012/YR36	\$ 13,395	\$ -
<b>Indirect Projects:</b>				
State of Florida Department of Children and Families - Passed through ChildNet, Inc. Community Bond Care (CBC) Supports	60.094	--	15,568	-
Passed through Agency for Persons With Disabilities - Long Term Residential Care Group Home	60.XXX	--	4,382	-
State of Florida Department of Education - Passed through the School Board of Broward County, Florida - Facility Use	* 48.XXX	--	151,290	-
Transportation	* 48.XXX	--	473,650	21,398
Preschool	* 48.XXX	--	2,101,487	-
Medical support	* 48.XXX	--	416,512	-
Early Learning Standards & Accountability	48.098	--	117,135	-
State of Florida Department of Health: Division of Family Health Services - Brain and Spinal Cord Injury Program	* 64.040	--	610,020	158,195
Total Expenditures of State Financial Assistance			\$ 3,903,439	\$ 179,593

\* Denotes a major program

The accompanying notes to the supplemental information are an integral part of these schedules.

**BROWARD CHILDREN'S CENTER, INC.**  
**SCHEDULE OF LOCAL FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2012

<u>Grantor</u>	<u>Program Title</u>	<u>Contract Number</u>	<u>Expenditures</u>
<b>LOCAL FINANCIAL ASSISTANCE:</b>			
Broward County, Board of County Commissioners - Department of Human Services -	* Special Health Care Needs, Repite In-Home	12-CP-CSA-8207-01	\$ 326,995
	* Special Health Care Needs, Respite Out-of-Home	11-CP-CSA-8207-01	206,078
	* Special Health Care Needs, Medical Home (1)	12-CP-CSA-8207-02	2,994
Childrens Service Council of Broward County	* "MOST" Aftercare	08-2288	<u>547,334</u>
Total Local Financial Assistance			<u>\$ 1,083,401</u>

\* Broward Children's Center, Inc.'s fiscal year is from July 1 to June 30. Therefore, the above revenue/expeditures reflects three months of prior year contracts.

(1) Transfers to subrecipients amounted to \$ 144.

The accompanying notes to the supplemental information are an integral part of these schedules.

**BROWARD CHILDREN'S CENTER, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS, STATE AND LOCAL FINANCIAL ASSISTANCE**  
June 30, 2012

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedules of Expenditures of Federal Awards, State and Local Financial Assistance include the grant activity of Broward Children's Center, Inc. and are presented on the accrual basis of accounting. The information in the Schedule of Expenditures of Federal Awards and State Financial Assistance is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the financial statements.

**NOTE 2 – CONTINGENCY**

The grants and contracts revenue received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal, state and local laws and regulations.

**NOTE 3 – INTEREST**

No funds, including interest earned on such funds, are due back to the Federal, state or county government.

**NOTE 4 – CATALOG OF STATE FINANCIAL ASSISTANCE**

Complete Catalog of State Financial Assistance (“CSFA”) numbers are presented for those programs for which such numbers were available. CSFA prefixes are presented for programs for which a complete CSFA number is not available.

# INTERNAL CONTROLS AND COMPLIANCE



INDEPENDENT AUDITORS' 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  
Broward Children's Center, Inc.  
Pompano Beach, Florida

We have audited the financial statements of Broward Children's Center, Inc. (a not-for-profit organization) (the "Organization") as of and for the year ended June 30, 2012, and have issued our report thereon dated September 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective 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 effectiveness of 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.

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*.

Broward Children's Center, Inc.

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

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
September 25, 2012



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors  
Broward Children's Center, Inc.  
Fort Lauderdale, Florida

Compliance

We have audited Broward Children's Center, Inc.'s (a not-for-profit organization) (the "Organization") compliance with the types of compliance requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Organization's major state projects for the year ended June 30, 2012. The Organization's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major 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; and Chapter 10.650, Rules of Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about 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.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state projects for the year ended June 30, 2012.

Internal Control over Compliance

The 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 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 state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Broward Children's Center, Inc.

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 state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis.

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

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

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
September 25, 2012

**BROWARD CHILDREN'S CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**STATE PROJECTS**  
For the Year Ended June 30, 2012

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Broward Children's Center, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' 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. No instances of noncompliance material to the financial statements of Broward Children's Center, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major state projects are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General.
5. The auditors' report on compliance for the major state projects for Broward Children's Center, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major state projects for Broward Children's Center, Inc. reported in Part C of this schedule.
7. The projects tested as major projects are the following:

<u>State Projects:</u>	<u>State CSFA No.</u>
State of Florida Department of Education - Facility Use, Transportation, Preschool and Medical Support	48.XXX
State of Florida Department of Health - Brain and Spinal Cord Injury Program	64.040

8. The threshold for distinguishing Types A and B projects was \$ 300,000.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

No matters are reported.

**C. FINDINGS AND QUESTIONED COSTS – STATE FINANCIAL ASSISTANCE PROJECTS  
AUDIT**

No matters were reported.

**D. OTHER ISSUES**

1. No management letter is required because there were no findings required to be reported in a separate management letter.
2. No schedule of prior year audit findings and recommendations is required because there were no prior year audit findings and recommendations related to state projects.
3. No corrective action plan is required because there were no findings reported under the Florida Single Audit Act.