

CHILD AND FAMILY CONNECTIONS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

CHILD AND FAMILY CONNECTIONS, INC.
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JUNE 30, 2012

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JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Child and Family Connections, Inc.:

We have audited the accompanying statements of financial position of Child and Family Connections, Inc. (the "Organization") as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Child and Family Connections, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012, on our consideration of Child and Family Connections, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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.

James Moore & Co., P.L.

Daytona Beach, Florida
November 7, 2012

CHILD AND FAMILY CONNECTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2012	2011
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 2,972,234	\$ 3,680,830
Other accounts receivable	2,096	3,863
Prepaid expenses	264,781	152,883
Total current assets	3,239,111	3,837,576
Deposits	55,137	55,387
Other assets	48,000	46,000
Restricted client trust funds		
Cash and cash equivalents	170,113	175,754
Investments	132,232	198,729
Total restricted client trust funds	302,345	374,483
Property and equipment, net	13,358	104,778
Total Assets	\$ 3,657,951	\$ 4,418,224
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 2,369,325	\$ 2,108,405
Accrued expenses	257,350	372,355
Deferred revenue	248,467	1,102,331
Total current liabilities	2,875,142	3,583,091
Client trust funds	302,345	374,483
Total liabilities	3,177,487	3,957,574
Net assets		
Unrestricted	471,869	451,992
Temporarily restricted	8,595	8,658
Total net assets	480,464	460,650
Total Liabilities and Net Assets	\$ 3,657,951	\$ 4,418,224

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

CHILD AND FAMILY CONNECTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012			2011		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Child Services	Administrative Services	Total	Child Services	Administrative Services	Total
Purchased program services:						
Case management	\$ 6,201,904	\$ -	\$ 6,201,904	\$ 7,746,266	\$ -	\$ 7,746,266
Foster home licensing and recruiting	1,307,711	-	1,307,711	1,362,911	-	1,362,911
Mental health services	1,516,293	-	1,516,293	948,184	-	948,184
Maintenance adoption services	8,712,019	-	8,712,019	8,464,890	-	8,464,890
Residential and therapeutic care	10,670,044	-	10,670,044	9,266,466	-	9,266,466
Prevention and support services	952,772	-	952,772	916,651	-	916,651
Independent living and transitional support services	3,293,295	-	3,293,295	3,421,161	-	3,421,161
Other	7,257	-	7,257	31,787	-	31,787
Total purchased program services	32,661,295	-	32,661,295	32,158,316	-	32,158,316
Salaries and benefits	3,729,901	1,066,119	4,796,020	2,663,362	983,966	3,647,328
General and administrative	378,238	323,089	701,327	340,248	357,463	697,711
Professional fees and insurance	237,914	114,351	352,265	279,544	82,640	362,184
Occupancy	914,552	142,772	1,057,324	934,199	99,900	1,034,099
Depreciation	79,392	26,464	105,856	75,783	25,261	101,044
Loss on disposal of property and equipment	-	-	-	-	1,168	1,168
Total expenses	\$ 38,001,292	\$ 1,672,795	\$ 39,674,087	\$ 36,451,452	\$ 1,550,398	\$ 38,001,850

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

CHILD AND FAMILY CONNECTIONS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities		
Net increase in net assets	\$ 19,814	\$ 49,797
Adjustments to reconcile net increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	105,856	101,044
Loss on disposal of property and equipment	-	1,168
(Increase) decrease in certain assets:		
Other accounts receivable	1,767	13,360
Prepaid expenses and deposits	(111,648)	(70,443)
Restricted cash and cash equivalents - client trust funds	72,138	(32,227)
Other assets	(2,000)	-
Increase (decrease) in certain liabilities:		
Accounts payable	260,920	(42,576)
Accrued expenses	(115,005)	61,285
Deferred revenue	(853,864)	558,901
Client trust funds	(72,138)	32,227
Net cash provided by (used in) operating activities	(694,160)	672,536
Cash flows from investing activities		
Purchases of property and equipment	(14,436)	(11,202)
Net increase (decrease) in cash and cash equivalents	(708,596)	661,334
Cash and cash equivalents, beginning of year	3,680,830	3,019,496
Cash and cash equivalents, end of year	\$ 2,972,234	\$ 3,680,830

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

CHILD AND FAMILY CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(1) **Summary of Significant Accounting Policies:**

(a) **General**—Child and Family Connections, Inc., (the Organization) is a Florida nonprofit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization was organized as a corporation under the laws of the State of Florida in December 1999, for the purpose of administering, integrating, coordinating, and assuring the delivery of child protection services, emergency shelter, in-home protective services, relative care placements, foster care, foster care supervision, permanent foster care, intensive residential treatment, independent living, family reunification, and family prevention, adoption and appropriate related services in Palm Beach County, Florida.

The Organization's primary source of funding is from the State of Florida's Department of Children and Families (DCF). As of July 1, 2009, a contract in the amount of \$108,555,459 was entered into which will expire on June 30, 2012. Amendment No. 10 effective May 11, 2011 increased the amount of the contract to \$114,463,867. The contract can be terminated without cause by either the Organization or DCF with 30 calendar days notice. In the event funding is unavailable, the contract with DCF can be terminated with 24 hours notice. See subsequent event Note (11) regarding the termination of contract.

(b) **Basis of financial reporting**—The Organization's financial statements have been prepared on an accrual basis. The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets—Net assets subject to donor-imposed stipulations that will not be met by either actions of the Organization or the passage of time. As of June 30, 2012 and 2011, there were no permanently restricted net assets.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

(c) **Contributions**—Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. The Organization records all revenues and gains that are spent in the same fiscal year as unrestricted revenue. Any amounts not spent are recorded as either temporarily restricted or permanently restricted revenue if donor restrictions exist.

(d) **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 for the statement of cash flows. Cash and cash equivalents do not include restricted client trust fund cash and cash equivalents.

(e) **Prepaid expenses**—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

CHILD AND FAMILY CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Income taxes**—The Organization is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified as a publicly supported organization that is not a private foundation under Section 509 (1) of the Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. The Organization had no net unrelated business income for the years ended June 30, 2012 and 2011.

The Organization files income tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2009. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

(g) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

(h) **Property and equipment**—Furniture and equipment acquired by the Organization is considered to be owned by the Organization. However, funding sources may maintain an equitable interest in the assets purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State of Florida has a reversionary interest in those assets purchased with its funds that have a cost of \$1,000 or more and an estimated useful life of at least one year. The Federal Government has a reversionary interest in those assets purchased with its funds that have a cost of \$5,000 or more and an estimated useful life of at least one year.

Furniture and equipment with a value greater than \$1,000 and an estimated useful life of at least one year is recorded at cost when purchased or at estimated fair market value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to seven years. Repairs and maintenance are expensed as incurred.

(i) **Other accounts receivable**—Other accounts receivable are stated at the amount management expects to collect from balances at year-end. Based on management's assessment of the current relationship and credit worthiness of entities having balances with the Organization, it has concluded that the realization of losses on balances outstanding at year-end will be immaterial.

(j) **Deferred revenue**—Deferred revenue primarily consists of advances received for contracted programs that apply to future periods.

(k) **Restricted client trust funds**—Restricted client trust funds consist of cash and cash equivalents in the amount of \$170,113 and \$175,754 and investments in the Florida Treasury Investment Pool – Special Purpose Investment Account (SPIA) in the amount of \$132,232 and \$198,729 at June 30, 2012 and 2011, respectively. These funds are managed by the Organization and represent client's personal funds. The cash and cash equivalents are held in demand deposits with two federally insured banks which were fully covered by the Federal Deposit Insurance Corporation at June 30, 2012 and 2011.

CHILD AND FAMILY CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(1) **Summary of Significant Accounting Policies:** (Continued)

The Organization's investments in the SPIA consist of ownership of shares of the Florida Treasury Investment Pool, not the underlying securities. These investments are stated at fair value based on other significant observable inputs either directly or indirectly (including quoted prices for similar securities, interest rates, yield curves, credit risk, etc.) – Level 2. At June 30, 2012 and 2011, the fair value factor for the SPIA was 1.0171 and 1.0099, respectively. The credit rating as of June 30, 2012 and 2011, as determined by Standard and Poor's, was Af and A+F, respectively. The effective duration of the SPIA as of June 30, 2012 and 2011 was 2.38 years and 2.13 years, respectively. Additional valuation information is available at the State of Florida's Comprehensive Annual Financial Report, which can be obtained through their website, www.myfloridacfo.com.

(l) **Functional allocation of expenses**—The costs of providing the various programs and other activities has been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(m) **Reclassification**—Certain 2011 amounts have been reclassified to conform with the 2012 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

(n) **Subsequent events**—The Organization has evaluated events and transactions for potential recognition and disclosure in the financial statements through November 7, 2012, which is the date that the financial statements were available to be issued. See Note 11 for disclosure of subsequent event regarding termination of the DCF contract.

(2) **Significant Funding Source:**

The Organization receives a substantial amount of its funding (approximately 99% for the years ended June 30, 2012 and 2011) from the U.S. Department of Health and Human Services that is passed through the State of Florida and the Department of Children and Families (DCF). A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the Organization's programs and activities. See Note 11 for disclosure of subsequent event regarding termination of this funding source.

(3) **Concentration of Credit Risk:**

Significant concentrations of credit risk for cash and cash equivalents owned by the Organization for the years ended June 30, 2012 and 2011 are as follows:

Cash in bank—The Organization maintains demand deposits with one federally insured bank. At times, the balance in this account was in excess of federally insured limits. At June 30, 2012 and 2011, the account balance exceeded federally insured limits by \$3,392,017 and \$4,751,180, respectively. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

CHILD AND FAMILY CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(4) **Property and Equipment:**

Property and equipment consist of the following as of June 30, 2012 and 2011:

	2012	2011
Furniture and equipment	\$ 367,483	\$ 353,047
Less: Accumulated depreciation	354,125	248,269
	\$ 13,358	\$ 104,778

Depreciation expense for the years ended June 30, 2012 and 2011 was \$105,856 and \$101,044, respectively.

(5) **Line of Credit:**

On July 10, 2006, the Organization executed a line of credit, with a financial institution that allows borrowings up to \$1,000,000, with an interest rate equal to the Wall Street Journal Prime Rate. The interest rate at June 30, 2012 was 3.25%. There were no advances from this line of credit during June 30, 2012 and 2011 and as of June 30, 2012 and 2011, no amounts were outstanding on the line of credit. The line of credit is collateralized by the Organization's accounts receivable. The line of credit will expire on March 31, 2013.

(6) **Employee Leasing Company:**

The Organization utilizes the service of an employee leasing service for staffing purposes. The employee leasing service provides employee benefits, including health insurance and 401(k) plan participation. All expenses associated with the services provided by the employee leasing service are shown as salaries and benefits on the Statement of Functional Expenses. The Organization's 401(k) matching contribution was 4% for the year ended June 30, 2011 and from July 1, 2011 through December 31, 2012, until the Organization terminated the employee match. For the years ended June 30, 2012 and 2011, the Organization made retirement contributions totaling \$20,415 and \$38,926, respectively.

(7) **Grants and Match Requirements:**

The Organization has an agreement with and receives a substantial portion of its support from the State of Florida Department of Children and Families and the U.S. Department of Health and Human Services. The agreement with DCF has a requirement that a specified amount of the grant be funded by matching funds from specified sources. The Organization is subject to audit by the granting agencies and, if these audits are unfavorable, the agencies can require a refund of a portion of the contracts. It is management's opinion that the terms of the agreement have been substantially met and costs submitted for reimbursements are allowable under the agreement. Management believes that the matching requirements were met during the years ended June 30, 2012 and 2011.

CHILD AND FAMILY CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(8) Operating Leases:

The Organization leases certain office space under agreements classified as operating leases. Office space leases expire at various dates through March 2013. Total rent expense for the years ended June 30, 2012 and 2011, was approximately \$1,058,000 and \$1,034,000, respectively. Future minimum lease payments under all such leases having initial non-cancelable terms in excess of one year for each of the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 783,789

Included in the \$783,789 of future minimum lease payments is \$252,525 of real estate commission amortization due to a lessor upon termination of the lease. This amount is currently in dispute as the Organization believes they are not liable for this amount.

(9) Contingencies:

Amounts received or receivable from governmental agencies are subject to audit and adjustment by grantor agencies, principally federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

(10) Other Asset – Child Welfare Trust:

In 2009, the limited partners of The Community Based Care Partnership, Ltd. formed the Child Welfare Trust (the "Trust") which is a risk pool formed to provide assets to meet the obligations of the prepaid mental health program. Each partner made an initial contribution to the Trust of \$45,000. The balance at June 30, 2012 and 2011 was \$48,000 and \$46,000 respectively. The Organization shares in this risk pool based on their respective ownership percentage. The Organization may be required to fund the risk pool on an annual basis based on the medical loss ratio. Quarterly, the General Partner makes a determination whether the assets held in the risk pool are sufficient to meet the obligations of the prepaid mental health program in the Organization's service areas. If funding of the risk pool is required, the Organization may be required to utilize unrestricted funds as it is not a chargeable expense under the grant agreement with the State of Florida, Department of Children and Families as discussed in Note 1(a). During the years ended June 30, 2012 and 2011, the Organization was not required to make any additional contributions to the Trust.

(11) Subsequent Events:

On August 23, 2012, the Organization received notice from the Department of Children and Families (DCF) in which DCF stated their right to terminate the contract with 30 day notice was being exercised. The contract between the Organization and DCF was terminated without cause effective September 30, 2012. Therefore, the Organization's programs and activities will be significantly reduced in future years.

CHILD AND FAMILY CONNECTIONS, INC.
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

CHILD AND FAMILY CONNECTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Program/Federal Agency/State Agency, Pass-Through Entity, State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Grantor's Contract Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
U.S. Department of Health and Human Services			
Passed through State of Florida			
Department of Children and Families:			
Temporary Assistance for Needy Families (TANF)	93.558	IJ701	\$ 2,637,640
Access and Visitation Program	93.597	IJ701	43,475
Chafee Education and Training Vouchers Program	93.599	IJ701	125,931
Stephanie Tubbs Jones Child Welfare Services Program	93.645	IJ701	369,411
Promoting Safe and Stable Families	93.556	IJ701	594,869
Promoting Safe and Stable Families - IV-B, Part II Caseworkers	93.556	IJ701	50,812
			<u>645,681</u>
Title IV-E Foster Care	93.658	IJ701	8,692,092
Adoption Assistance	93.659	IJ701	4,330,106
Social Services Block Grant	93.667	IJ701	3,417,257
Child Abuse and Neglect Grant	93.669	IJ701	551
Chafee Foster Care Independence Program	93.674	IJ701	320,941
Medical Assistance Program - Medicaid Cluster	93.778	IJ701	51,342
Adoption Incentive Payments	93.603	IJ701	312,034
Total Expenditures of Federal Awards			<u><u>\$ 20,946,461</u></u>
STATE FINANCIAL ASSISTANCE			
Department of Children and Families			
Community Based Care Supports	60.094	IJ701	\$ 14,201,365
Total Expenditures of State Financial Assistance			<u><u>\$ 14,201,365</u></u>
STATE MATCHING OF FEDERAL AWARDS			
Department of Children and Families			
Chafee Education and Training Vouchers Program	93.599	IJ701	\$ 31,484
Stephanie Tubbs Jones Child Welfare Services Program	93.645	IJ701	123,137
Adoption Assistance	93.659	IJ701	3,609,506
Chafee Foster Care Independence Program	93.674	IJ701	80,237
Medical Assistance Program	93.778	IJ701	83,912
Block Grants for Community Mental Health Services	93.958	IJ701	454,289
Promoting Safe and Stable Families	93.556	IJ701	16,937
Total Expenditures of State Matching of Federal Awards			<u><u>\$ 4,399,502</u></u>
Total Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards			<u><u>\$ 39,547,328</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards,
State Financial Assistance, and State Matching of Federal Awards.

**CHILD AND FAMILY CONNECTIONS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

(1) Basis of Accounting

The Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards (the Schedule) is prepared on the accrual basis of accounting.

(2) Service Provided Contracts

Only revenues earned in accordance with the contract terms are reported as expenditures on the Schedule.

(3) Sub-recipients

Of the expenditures presented in the accompanying Schedule, Child and Family Connections, Inc. provided federal awards, state financial assistance, and state matching of federal awards under contract number IJ701 to the following sub-recipients:

4 Kids of South Florida	\$ 161,569
Alpha House	26,989
Alternate Family Care	42,677
Camelot Community Care	81,735
Childrens Home Society	4,928,620
Choices Children's & Family Consortium	214,392
Eckerd Youth Alternatives	2,345,767
Family Preservation	63,218
Father Flanagan's Boys Home	513,621
Florida Baptist Childrens Home	36,704
Foster Adoptive Parent Association	146,949
Grandma's Place	417,335
Kid's in Distress	642,673
Parent Child Center	399,522
Place of Hope	2,023,705
TCHPS	778,892
The 12 for Children	8,790
The Haven	684,660
Vision Quest Life Corp	641,995
Vita Nova	670,840
Total payments to sub-recipients	\$ 14,830,653

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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 of
Child and Family Connections, Inc.:

We have audited the financial statements of Child and Family Connections, Inc., (the Organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 7, 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

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.

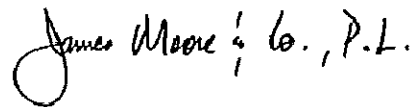
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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*.

We noted certain matters that we reported to management of the Organization in a separate letter dated November 7, 2012.

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

James Moore & Co., P.L.

Daytona Beach, Florida
November 7, 2012

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the Board of Directors of
Child and Family Connections, Inc.:

Compliance

We have audited Child and Family Connections, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs and state financial assistance projects for the year ended June 30, 2012. The Organization's major federal programs 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 programs and state projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General. 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance 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 of 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 each of its major federal programs and state financial assistance projects for the year ended June 30, 2012.

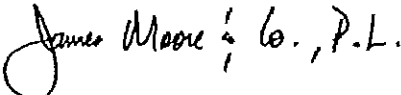
Internal Control Over Compliance

Management of Child and Family Connections, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, 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.

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

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

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



Daytona Beach, Florida
November 7, 2012

CHILD AND FAMILY CONNECTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS
PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2012

I. Summary of Auditors' Results:

Financial Statements:

- Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- No significant deficiencies or material weaknesses were reported related to internal control over financial reporting.
- No instances of noncompliance material to the financial statements were noted.

Federal Awards:

- No significant deficiencies or material weaknesses were identified related to internal control over major programs.
- Type of auditors' report issued on compliance for major programs: *Unqualified*
- The audit disclosed no audit findings, which are required to be reported in accordance with Section 510(a) of Circular A-133.
- Identification of Major programs:
 - CFDA No. 93.658 – Foster Care – Title IV-E
- Dollar threshold used to distinguish between Type A and Type B programs was \$628,394.
- Auditee is considered to be a low risk auditee pursuant to OMB Circular A-133.

State Financial Assistance:

- No significant deficiencies or material weaknesses were reported related to internal control over major projects.
- Type of auditors' report issued on compliance for major projects: *Unqualified*
- The audit disclosed no audit findings, which are required to be reported in accordance with Rules of the Auditor General, Chapter 10.650.
- Identification of Major projects:
 - CSFA No. 60.094 – Community Based Care Supports.
- Dollar threshold used to distinguish between Type A and Type B projects was \$426,041.

CHILD AND FAMILY CONNECTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS
PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)

II. Financial Statement Findings:

None

III. Findings and Questioned Costs Major Federal Programs and State Projects:

None

IV. Prior Year Audit Findings:

None

V. Corrective Action Plans:

Not required as there were no findings related to the year ended June 30, 2012.

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS'
REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Child and Family Connections, Inc.:

We have audited the financial statements of Child and Family Connections, Inc. (the Organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 7, 2012.

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; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 7, 2012, 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 are likely to have occurred, (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, the following matters are required to be disclosed:

Independent Living Supplemental Funding Request Form:

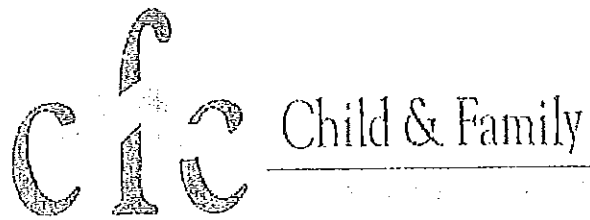
During grant testing, we noted one client of twenty-five tested did not have a fully complete Independent Living Supplemental Funding Request Form documented in the file. This checklist acts as a control over complete documentation and support for Independent Living subsidies to ensure eligibility of participants. We recommend that the checklist be fully utilized and the review process be continued to make certain all participants remain eligible for grant funds.

The Organization's response to the finding identified in our audit is included on Page 23. We did not audit the Organization's response and, accordingly, we express no opinion on the response.

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

James Moore & Co., P.L.

Daytona Beach, Florida
November 7, 2012



October 30, 2012

James Halleran
James Moore and Co.
Daytona Beach, FL

Re: Response to Management Letter Finding FY11-12

Management's Response: As a result of the comment in the Management Letter related to the Independent Living Supplemental Funding Request Form which noted that one of twenty-five forms tested was not completed, staff was reminded of its importance as well as its success in serving to ensure all documentation is completed as required. This form was implemented by Child and Family Connections as a control and has proven to serve its function well. Staff will ensure that this form is complete for all eligibility requirements.

Sincerely,

A handwritten signature in cursive script that reads 'Rochelle Prince'.

Rochelle Prince
Chief Executive Officer