

**INSTITUTE FOR CHILD AND FAMILY
HEALTH, INC.**

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2012

TABLE OF CONTENTS

INDEPENDENT AUDITORS’ REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position.	2
Statement of Activities.	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements.	6-13
SUPPLEMENTAL INFORMATION	
Independent Auditors’ Report on Supplemental Information.	14
Schedule of Program/Cost Center Actual Expenses and Revenues	15
Schedule of State Earnings	16
Schedule of Expenditures of Federal Awards and State Financial Assistance....	17
Notes to the Schedule of Federal Awards and State Financial Assistance	18
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>	19-20
Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650 Rules of the Auditor General.	21-22
Schedule of Findings and Questioned Costs - Federal Awards Programs and State Financial Assistance Projects.	23-25
Summary Schedule of Prior Year Audit Findings	26

INDEPENDENT AUDITORS' REPORT

Board of Directors of
Institute for Child and Family Health, Inc.
Miami, Florida

YESIE CASTRO, C.P.A.
VIVIAN M. GANT, C.P.A.
MARIA C. PEREZ-ABREU, C.P.A.
RICHARD F. PUERTO, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.

We have audited the accompanying statement of financial position of Institute for Child and Family Health, Inc. (the "Institute"), a nonprofit organization, as of June 30, 2012, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Institute'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 amount 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute 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 December 19, 2012, on our consideration of the Institute's internal control over financial reporting and 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.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 19, 2012

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,973,804
Accounts receivable (net of allowance for doubtful accounts of approximately \$150,000)	2,590,521
Grants receivables and other receivables, no allowance necessary	1,060,808
Prepaid expenses and other current assets	54,651
TOTAL CURRENT ASSETS	<u>6,679,784</u>

INVESTMENTS - temporarily and permanently restricted 731,663

PROPERTY AND EQUIPMENT, net of accumulated depreciation 1,484,651

OTHER ASSETS - security deposits 24,972

TOTAL ASSETS \$ 8,921,070

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 766,550
TOTAL CURRENT LIABILITIES/TOTAL LIABILITIES	<u>766,550</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Unrestricted	7,396,174
Temporarily restricted	508,346
Permanently restricted	250,000
TOTAL NET ASSETS	<u>8,154,520</u>

TOTAL LIABILITIES AND NET ASSETS \$ 8,921,070

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

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND OTHER INCOME				
Support:				
Federal, state, local and other grant contracts	\$ 9,254,880	\$ -	\$ -	\$ 9,254,880
Contributions	83,474	-	-	83,474
Total Support	9,338,354	-	-	9,338,354
Revenue:				
Medicaid	766,823	-	-	766,823
Managed care	10,104,417	-	-	10,104,417
Client fees for services	67,853	-	-	67,853
Total Revenue	10,939,093	-	-	10,939,093
Other income:				
Investment income, net	-	6,416	-	6,416
Net realized and unrealized gains on investments	-	16,891	-	16,891
Other income	32,664	-	-	32,664
Total Other Income	32,664	23,307	-	55,971
TOTAL SUPPORT, REVENUE, AND OTHER INCOME	20,310,111	23,307	-	20,333,418
OPERATING EXPENSES				
Program Services:				
Outpatient	5,309,857	-	-	5,309,857
Crisis Support Emergency	96,702	-	-	96,702
In-Home - On-Site	3,303,291	-	-	3,303,291
Prevention/Intervention	106,675	-	-	106,675
Prevention	232,104	-	-	232,104
Case management	1,054,750	-	-	1,054,750
Other programs	7,659,204	-	-	7,659,204
Total Program Services	17,762,583	-	-	17,762,583
Supporting Services:				
General and Administrative	2,396,851	-	-	2,396,851
Total Supporting Services	2,396,851	-	-	2,396,851
TOTAL OPERATING EXPENSES	20,159,434	-	-	20,159,434
CHANGE IN NET ASSETS	150,677	23,307	-	173,984
NET ASSETS - beginning of year	7,245,497	485,039	250,000	7,980,536
NET ASSETS - end of year	\$ 7,396,174	\$ 508,346	\$ 250,000	\$ 8,154,520

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

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 173,984
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	107,466
Provision for bad debt	367,712
Net realized/unrealized (gain) on investments	(16,981)
Changes in operating assets and liabilities:	
Accounts receivable	(1,021,822)
Grants receivable and other receivable	109,963
Prepaid expenses and other current assets	(36,345)
Accounts payable and accrued expenses	261,398
NET CASH USED IN OPERATING ACTIVITIES	<u>(54,625)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(366,733)
Proceeds from investments	20,357
NET CASH USED IN INVESTING ACTIVITIES	<u>(346,376)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(401,001)
CASH AND CASH EQUIVALENTS - beginning of year	<u>3,374,805</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 2,973,804</u></u>

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

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services							Total Program Services	General and Administrative	Total Expenses
	Outpatient	Crisis Support/ Emergency	In-Home - On-Site	Prevention/ Intervention	Prevention	Case Management	Other Programs			
PERSONNEL COSTS										
Salaries	\$ 3,823,772	\$ 73,995	\$ 2,494,081	\$ 81,159	\$ 204,600	\$ 819,067	\$ 4,978,555	\$ 12,475,229	\$ 1,423,968	\$ 13,899,197
Payroll taxes and fringe benefits	645,882	13,173	341,506	20,439	24,532	142,667	1,185,810	2,374,009	291,817	2,665,826
TOTAL PERSONNEL COSTS	4,469,654	87,168	2,835,587	101,598	229,132	961,734	6,164,365	14,849,238	1,715,785	16,565,023
OPERATING EXPENSES										
Building occupancy	281,113	637	281,071	1,867	-	54,946	282,430	902,064	149,314	1,051,378
Depreciation	35,313	-	-	-	-	-	17,735	53,048	54,418	107,466
Equipment lease costs	11,452	167	18,040	-	-	1,025	15,188	45,872	13,442	59,314
Insurance	56,207	-	72,227	1,551	2,972	17,134	72,714	222,805	62,983	285,788
Operating supplies and expenses	79,321	1,986	79,282	659	-	16,398	536,563	714,209	210,025	924,234
Professional services	121,404	152	14,135	-	-	450	66,743	202,884	144,860	347,744
Program supplies and expenses	124,469	-	337	510	-	295	236,146	361,757	-	361,757
Travel and transportation	130,924	6,592	2,612	490	-	2,768	267,320	410,706	46,024	456,730
TOTAL OPERATING EXPENSES	840,203	9,534	467,704	5,077	2,972	93,016	1,494,839	2,913,345	681,066	3,594,411
TOTAL EXPENSES	\$ 5,309,857	\$ 96,702	\$ 3,303,291	\$ 106,675	\$ 232,104	\$ 1,054,750	\$ 7,659,204	\$ 17,762,583	\$ 2,396,851	\$ 20,159,434

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

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Institute for Child and Family Health, Inc. (the “Institute”) (formerly known as The Children’s Psychiatric Center, Inc.) was organized in 1959 as a not-for-profit organization under the laws of the State of Florida. The purpose of the Institute is to provide clinical services for emotionally disturbed children and their families within Miami-Dade County.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). In September 2009, the Financial Accounting Standards Board (“FASB”) implemented the Accounting Standards Codification (“ASC”) which establishes FASB ASC as the source of authoritative U.S. accounting and reporting standards for nongovernmental entities. Presented below is a summary of significant accounting principles followed in the preparation of the accompanying financial statements.

Basis of Presentation

The Institute reports 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.

All contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Any contributions received that are designated for future periods or are restricted by the donor for a specific purpose are reported as temporarily restricted or permanently restricted support that increases those respective net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted Net Assets – includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transactions (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted class.

Temporarily Restricted Net Assets – includes those net assets whose use by the Institute has been limited by donors to either later periods of time or after specified dates or specified purposes. At June 30, 2012, there was \$508,346 in temporarily restricted net assets.

Permanently Restricted Net Assets – are those net assets that must be maintained by the Institute in perpetuity. Permanently restricted net assets increase when the organization receives contributions for which donor-imposed restrictions limiting the organization’s use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the organization meeting certain requirements. At June 30, 2012, there was \$250,000 in permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and investments with a maturity of three months or less when purchased. Cash and cash equivalents include \$2,973,804 at June 30, 2012.

Net Medicaid and Managed Care Revenue

Medicaid and managed care revenue is reported at the estimated net realizable amounts and is recognized in the period that services are provided.

Grants from Government Agencies

Grants from government agencies are recognized as revenue when the grant funds have been expended in accordance with the grant provisions.

Accounts Receivable

Accounts receivable are stated at the amount the Institute expects to collect. The Institute maintains allowances for doubtful accounts and for estimated losses resulting from the inability of its clients to make required payments. Management considers the following factors when determining the collectability of specific client accounts; client credit-worthiness, past transaction history with the client, current economic industry trends, and changes in client payment terms. If the financial condition of the Institute clients were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Institute provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Institute has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments

Investments are reported at their fair values in the statement of financial position. Investment income, including realized and unrealized gains and losses, and interest and dividend income are included in the statement of activities as changes in unrestricted or temporarily restricted net assets. Market risk is inherent and is dependent on the future changes in market prices of the various investments held.

Property and Equipment

Property and equipment acquisitions in excess of \$500 are recorded at cost except for donated assets which are recorded at their estimated fair value at the date of donation. The costs of renewals and betterments are capitalized when the life of the property is materially extended. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets (3 to 39 years).

Expenses Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Institute is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the donations to the Institute qualify for the charitable contribution deduction under Section 170 (b) (1) (A) and have been classified as an organization other than a private foundation under Section 509 (a) (2).

The Institute has adopted the provisions of FASB ASC 740-10-25, which requires that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The Institute does not believe its financial statements include any uncertain tax positions.

Subsequent Events

The Institute has evaluated subsequent events through December 19, 2012, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments are restricted for an endowment fund and a capital campaign fund (see Notes 12 and 13).

Investments – restricted are stated at fair value and are summarized as follows as of June 30, 2012:

	<u>Fair Value</u>
Money market funds	\$ 505,713
Common stocks and exchange funds	143,541
Corporate bonds	82,409
	<u>\$ 731,663</u>

The components of total investment return for the year ended June 30, 2012 were as follows:

	<u>2012</u>
Interest and dividends, net of fees	\$ 6,416
Net realized and unrealized appreciation on investments reported at fair value	16,891
	<u>\$ 23,307</u>

Interest and dividends from investments are included in investment income in the accompanying statements of activities.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – FAIR VALUE MEASUREMENTS

The Institute adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, which 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 observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority.

FASB ASC establishes a three-level valuation hierarchy for measurement and disclosure of fair value. The valuation hierarchy is based upon the transparency of inputs used to measure fair value. The three levels are as follows:

Level 1 – asset value is based on actual quoted prices in active markets for identical securities (mark-to-market).

Level 2 – other significant observable inputs are used to arrive at fair value (including yield, quality, coupon rate, maturity, issue type, quoted prices for similar securities, prepayment speeds, trading characteristics, etc.).

Level 3 – significant unobservable inputs (including management’s own assumptions in determining the fair value of investments).

The Institute uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Institute measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. As of June 30, 2012, the Institute had no investments valued using Level 2 or 3 inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012.

Money market funds and corporate bonds- Evaluated prices using observable market-based inputs.

Common Stock- Valued at the closing price reported on the active market on which the individual securities are traded.

The following table represents the Institute’s investments reported at fair value as of June 30, 2012:

Assets	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Money market funds	\$ 505,713	\$ 505,713
Common stocks and exchange funds	143,541	143,541
Corporate bonds	82,409	82,409
Total	\$ 731,663	\$ 731,663

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 – ACCOUNTS RECEIVABLE, GRANTS RECEIVABLE, AND OTHER RECEIVABLE

As of June 30, 2012, accounts receivable were \$2,590,521, net of an allowance for doubtful accounts of \$150,000. Grants and other receivable at June 30, 2012 were \$1,060,808. Management believes that all grants and other receivables are fully collectible as of June 30, 2012, and therefore, has not provided a related valuation allowance on these amounts.

NOTE 5 – PROPERTY AND EQUIPMENT, NET

At June 30, 2012, property and equipment consisted of the following:

Land	\$ 172,029
Building and leasehold improvements	811,732
Computers and equipment	1,460,400
Furniture and fixtures	125,358
	<u>2,569,519</u>
Less: accumulated depreciation	<u>(1,084,868)</u>
	<u>\$ 1,484,651</u>

Depreciation expense was \$107,466 for the year ended June 30, 2012.

NOTE 6 – OPERATING LEASES

The Institute is obligated under various operating leases expiring through 2017 related to operational facilities and office equipment. Future minimum lease payments required under these operating leases as of June 30, 2012 are as follows:

	<u>Years Ending June 30,</u>	
	2013	\$ 289,341
	2014	87,889
	2015	69,698
	2016	69,698
	2017	31,633
		<u>\$ 548,259</u>

Total rent expense charged to operations was \$469,855 for the year ended June 30, 2012.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7 – SUPPORT AND REVENUE

During the year ended June 30, 2012, the Institute received its primary funding support from not-for-profit agencies and government agencies, as follows:

Florida Department of Children and Families/South Florida Behavioral Network

Agreements have been entered into with the Florida Department of Children and Families for the funding of Outpatient, Crisis/Support Emergency, On-Site, Prevention-Intervention, Prevention, Case Management, and Non-ADM services for emotionally disturbed children, adolescents and their families. As of October 2010, all grant contracts were transferred from the Florida Department of Children and Families to South Florida Behavioral Network.

United Way

Funding is based on annual budgets prepared by the Institute and approved by the United Way.

Miami-Dade County

The Institute entered into agreements with Miami-Dade County for the funding of out-patient service programs.

Miami-Dade County School Board

The Institute entered into agreements with the Miami-Dade County School Board to provide educational tutoring and out-patient psychiatric services.

The Children's Trust

The Institute entered into agreements with the Children's Trust to provide out-patient prevention programs.

Florida Department of Juvenile Justice

The Institute entered into agreements with the Florida Department of Juvenile Justice for the funding of out-patient programs.

Florida Department of Education

The Institute entered into an agreement with the Florida Department of Education to provide all-aboard educational services.

Medicaid and Managed Care

The Institute entered into agreements with Medicaid and Managed Care agencies for the funding of covered services provided to persons enrolled in mental health care plans.

Healthy Start Coalition of Miami-Dade, Inc.

The Institute entered into an agreement with Healthy Start Coalition of Miami-Dade, Inc. to provide funding for educational and referral services to pregnant women, infants and children.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8 – EMPLOYEE BENEFIT PLAN

The Institute maintains a defined contribution pension plan covering all employees who meet eligibility requirements. Contributions to the plan during the fiscal year ended June 30, 2012 were based on 5% of each participant’s compensation. For the year ended June 30, 2012, the amount of defined contribution expense was approximately \$453,000. The Institute also established a 403 (b) tax deferred annuity pension plan for the participants to make voluntary pre-tax contributions.

NOTE 9 – FUNDING/ECONOMIC DEPENDENCE

For the year ended June 30, 2012, 50% and 49% of the Institute’s total revenues were derived from billings to various governmental programs and managed care contracts, respectively, (See Note 7). A significant reduction in the government funding or managed care contracts, if this were to occur, may have an adverse effect on the Institute’s programs and activities.

NOTE 10 – LINE OF CREDIT

The Institute has available an unsecured line of credit of up to \$500,000 (the “Line”) with interest payable monthly at prime plus one-half percent and with each principal advance due 60 days after date of advance. The Line was renewed in January 2012, with interest payable monthly at the bank’s prime rate and expires January 20, 2013. This line of credit is due and payable in full on demand. There were no borrowings under the line of credit at June 30, 2012.

NOTE 11 – RESTRICTED NET ASSETS

Temporarily restricted net assets are those net assets whose use by the Institute is limited by donor-imposed stipulations that either expires by the passage of time or that can be fulfilled or otherwise removed by actions of the Institute pursuant to those stipulations. As of June 30, 2012, temporarily restricted assets consisted of \$508,346 held in investments for the Institute’s capital campaign. In addition, the Institute has an endowment of \$250,000, which is permanently restricted, (See Note 12). Earnings on the endowment are available for use in the Institute’s capital campaign fund.

NOTE 12- ENDOWMENTS

Endowment net asset composition by type of fund as of June 30, 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 508,346	\$ 250,000	\$ 758,346
Total Funds	\$ -	\$ 508,346	\$ 250,000	\$ 758,346

As indicated in Note 11, the Institute received a permanently restricted donation of \$250,000 which it has recorded as an endowment and is held in investments.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12- ENDOWMENTS (Continued)

Changes in endowment net assets for the year June 30, 2012
were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 485,039	\$ 250,000	\$ 735,039
Investment Return:			
Interest and Dividends, net of fees	6,416	-	6,416
Net appreciation (realized and unrealized)	16,891	-	16,891
Total investment return	23,307	-	23,307
Appropriation of expenditures	-	-	-
Endowment net assets, end of year	\$ 508,346	\$ 250,000	\$ 758,346

As of June 30, 2012 there were permanently restricted endowments of \$250,000 held in investments as reflected in these financial statements.

NOTE 13 – CREDIT RISK

Credit risk with respect to governmental agency and program receivables is mitigated by the taxing authority of the governmental entity funding the programs. The Institute’s investments in stocks and corporate bonds are subject to the usual risk of market fluctuations inherent in these types of investments.

NOTE 14 – LITIGATION

The Institute is subject to both internal and external audits related to its medical billings to insurance companies and Medicaid. Such audits may lead to recoveries or paybacks to the insurance companies or Medicaid. The Institute records a liability when the likelihood of the paybacks are probable. Management believes that it has accrued for all probable liabilities for paybacks and recoveries, and does not believe any other potential paybacks and recoveries are significant.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors of
Institute for Child and Family Health, Inc.
Miami, Florida

We have audited the financial statements of Institute for Child and Family Health, Inc. (the "Institute") as of and for the year ended June 30, 2012 and have issued our report thereon dated December 19, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650 Rules of the Auditor General of the State of Florida, and the schedules of state earnings, program/cost center actual expenses and revenues as required by the Florida Department of Children and Families (the "Department"), *Guide to Performance Contracting for Alcohol, Drug Abuse and Mental Health Services*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 19, 2012

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
FOR THE YEAR ENDED JUNE 30, 2012

	Substance Abuse and Mental Health									
	Children's Substance Abuse and Mental Health									
	Outpatient	Crisis Support/ Emergency	In-Home - On-Site	Prevention/ Intervention	Prevention	Case Management	Other Programs	Total Program Activities	General and Administrative	Total
Part I: Actual Funding Sources and Revenues										
IA. State SAMH Funding										
FL Comm MH contracts	\$ 68,393	\$ 123,750	\$ 431,145	\$ 67,605	\$ 206,511	\$ 34,197	\$ 150	\$ 931,751	\$ -	\$ 931,751
Other DCF contracts	455,757	-	455,756	-	-	455,756	-	1,367,269	-	1,367,269
DCAF District XI	524,150	123,750	886,901	67,605	206,511	489,953	150	2,299,020	-	2,299,020
IB. Non-State SAMH Funding										
Federal grants							399,098	399,098	-	399,098
Other state contracts	159,358	-	96,315	-	-	2,460	(80,372)	177,761	-	177,761
MDC DHS contracts	-	-	-	-	-	-	1,209,152	1,209,152	-	1,209,152
Total Other State and Local Funding	159,358	-	96,315	-	-	2,460	1,527,878	1,786,011	-	1,786,011
IC. Other Revenues										
Local Government Contract net of MDC DHS Contracts	70	-	138,606	-	-	-	4,880,060	5,018,736	-	5,018,736
FL CMH Medicaid Fees	5,418,793	-	3,912,752	-	-	1,276,720	29,956	10,638,221	-	10,638,221
FL Case Management Medicaid Fees	-	-	-	-	-	55,257	-	55,257	-	55,257
United Way	-	-	-	-	-	-	328,871	328,871	-	328,871
Total Other Funding	5,418,863	-	4,051,358	-	-	1,331,977	5,238,887	16,041,085	-	16,041,085
ID. Public Support and Revenues										
Program service fees	(40,282)	-	(18,808)	-	-	(631)	127,575	67,854	-	67,854
Public support	3,007	-	-	-	-	-	5,327	8,334	77,140	85,474
Other revenue	-	-	-	-	-	-	-	-	47,558	47,558
Interest Income	-	-	-	-	-	-	-	-	6,416	6,416
Total All Other Revenues	(37,275)	-	(18,808)	-	-	(631)	132,902	76,188	131,114	207,302
Total Support and Revenue	6,065,096	123,750	5,015,766	67,605	206,511	1,823,759	6,899,817	20,202,304	131,114	20,333,418
Part II: Actual Operating Expenses										
IIA. Personnel Costs										
Salaries	3,823,772	73,995	2,494,081	81,159	204,600	819,067	4,978,555	12,475,229	1,423,968	13,899,197
Payroll taxes and fringe benefits	645,882	13,173	341,506	20,439	24,532	142,667	1,185,810	2,374,009	291,817	2,665,826
Total Personnel Costs	4,469,654	87,168	2,835,587	101,598	229,132	961,734	6,164,365	14,849,238	1,715,785	16,565,023
IIB. Other Expenses										
Building occupancy	281,113	637	281,071	1,867	-	54,946	282,430	902,064	149,314	1,051,378
Depreciation	35,313	-	-	-	-	-	17,735	53,048	54,418	107,466
Equipment lease costs	11,452	167	18,040	-	-	1,025	15,188	45,872	13,442	59,314
Insurance	56,207	-	72,227	1,551	2,972	17,134	72,714	222,805	62,983	285,788
Operating supplies and expenses	79,321	1,986	79,282	659	-	16,398	536,563	714,209	210,025	924,234
Professional services	121,404	152	14,135	-	-	450	66,743	202,884	144,860	347,744
Program supplies and expenses	124,469	-	337	510	-	295	236,146	361,757	-	361,757
Provision for doubtful accounts	-	-	-	-	-	-	-	-	-	-
Travel and transportation	130,924	6,592	2,612	490	-	2,768	267,319	410,705	46,025	456,730
Total Other Expenses	840,203	9,534	467,704	5,077	2,972	93,016	1,494,838	2,913,344	681,067	3,594,411
TOTAL EXPENSES BEFORE ALLOCATION OF GENERAL AND ADMINISTRATIVE EXPENSES	5,309,857	96,702	3,303,291	106,675	232,104	1,054,750	7,659,203	17,762,582	2,396,852	20,159,434
ALLOCATION OF ADMINISTRATIVE AND GENERAL BASED ON SALARIES AND RELATED EXPENSES	716,503	13,049	445,740	14,394	31,320	142,326	1,033,520	2,396,852	(2,396,852)	-
Total Expenses	\$ 6,026,360	\$ 109,751	\$ 3,749,031	\$ 121,069	\$ 263,424	\$ 1,197,076	\$ 8,692,723	\$ 20,159,434	\$ -	\$ 20,159,434
Supplemental Disclosure:										
Federal and state unallowable costs	\$ 64,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,620	\$ -	\$ 64,620

See Independent Auditors' Report
on Supplemental Information.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SCHEDULE OF STATE EARNINGS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>KH225-33</u>	<u>KH225-61</u>
1. Total Expenditures	\$ 20,159,434	\$ 20,159,434
2. Less other State and Federal Funds	(1,786,011)	(1,786,011)
3. Less Non-Match ADM Funds	(711,756)	(1,292,316)
4. Less Unallowable Costs, per 65E-14, F.A.C.	(64,620)	(64,620)
5. Less Unallowable Patient Fees	<u>-</u>	<u>-</u>
6. Total Allowable Expenditures (Sum of lines 1,2,3,4 and 5)	17,597,047	17,016,487
7. Maximum Available Earnings (Line 6 times 75%)	13,197,785	12,762,365
8. Less Amount of Funds Requiring Match	<u>(460,460)</u>	<u>-</u>
9. Amount Due to Department, if negative (Subtract line 8 from line 7)	<u>\$ 12,737,325</u>	<u>\$ 12,762,365</u>

See Independent Auditors' Report
on Supplemental Information.

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

Federal Grantor/State Agency Pass-Through Grantor Program Title	CFDA/ CSFA Number	Grant/Contract Number	Expenditures	Transfer to Subrecipients
FEDERAL AWARDS				
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Services	93.243	5H79TL1022695-02	\$ 399,098	\$ -
<i>Pass-through South Florida Behavioral Health Network</i>				
Community Mental Health Services	93.667	KH225-33	32,094	-
Community Mental Health Services	93.104	KH225-33	60,000	-
Community Mental Health Services	93.958	KH225-33	216,046	-
Substance Abuse Prevention and Treatment	93.959	KH225-33	139,147	-
The Children Health Insurance Program	93.767	KH225-61	1,269,000	-
Total South Florida Behavioral Health Network			<u>1,716,287</u>	<u>-</u>
<i>Pass-through Healthy Start Coalition of Miami-Dade, Inc.</i>				
Medical Assistance Program	93.778	HSICF1112	142,100	-
Maternal and Child Health Services	93.944	HSICF1112	29,518	-
Total Healthy Start Coalition of Miami-Dade, Inc.			<u>171,618</u>	<u>-</u>
U.S. Department of Education				
<i>Pass-through School Board of Miami-Dade County</i>				
Special Education	84.027	K02384384	130,148	-
Total Expenditures of Federal Awards			<u>\$ 2,417,151</u>	<u>\$ -</u>
STATE FINANCIAL ASSISTANCE				
Florida Department of Children and Families				
<i>Pass-through South Florida Behavioral Health Network</i>				
Children's Mental Health - Community Support	60.057	KH225-33	\$ 67,219	\$ -
Children's Mental Health - Community Support	60.048	KH225-33	298,281	-
Children's Mental Health - Community Support	60.055	KH225-33	25,000	-
Children's Substance Abuse - Treatment & Aftercare	60.029	KH225-33	7,092	-
Children's Substance Abuse - Treatment & Aftercare	60.102	KH225-33	153,780	-
Total South Florida Behavioral Health Network			<u>551,372</u>	<u>-</u>
Florida Department of Juvenile Justice				
<i>Pass-through Evidence Based Associates</i>				
Conditional Release Services and Contracted Intensive Probation	80.019	FFT Redirections	351,276	-
Conditional Release Services and Contracted Intensive Probation	80.019	MST	393,300	-
Total Evidence Based Associates			<u>744,576</u>	<u>-</u>
Total State Financial Assistance			<u>\$ 1,295,948</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 3,713,099</u>	<u>\$ -</u>

See Independent Auditors' Report
on Supplemental Information.

INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
NOTES TO THE SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012

1. General

The accompanying Schedule of Federal Awards and State Financial Assistance (the “Schedule”) presents the activity of all federal and state award programs of Institute for Child and Family Health, Inc. for the year ended June 30, 2012. All federal and state awards received directly from federal and state agencies, as well as federal and state awards received from other government agencies are included in the Schedules. The information in these schedules is in accordance with U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government, and Non-Profit Organizations and Chapter 10.650, Rules of the Auditor General.

2. Basis of Accounting

The accompanying Schedule is presented on the accrual basis of accounting.

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

Board of Directors of
Institute for Child and Family Health, Inc.
Miami, Florida

We have audited the financial statements of Institute for Child and Family Health, Inc. (the "Institute") a nonprofit organization, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 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 Institute is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Institute'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 Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over financial reporting.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, audit committee, management, others within the entity, 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.

A handwritten signature in blue ink that reads "Verdeja & De Armas, CPA". The signature is written in a cursive style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 19, 2012

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

To the Board of Directors of
Institute for Child and Family Health, Inc.
Miami, Florida

Compliance

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

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

In our opinion, the Institute 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 projects for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Institute's internal control over compliance with requirements that could have a direct and material effect on a major federal program or 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 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 Institute'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 the audit committee, management, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
December 19, 2012

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

SECTION I - SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Type of auditor’s report issued on compliance for major program: *Unqualified*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

Name Federal Program or Cluster	CFDA Number	Expenditures
The Children Health Insurance Program	93.767	\$ 1,269,000
Community Mental Health Services	93.243	\$ 399,098

Dollar threshold used to distinguish between type A and type B programs. \$ 300,000

Auditee qualified as low-risk auditee? yes no

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

SECTION I - SUMMARY OF AUDITOR’S RESULTS (Continued)

State Financial Assistance

Type of auditor's report issued on compliance for major projects:

Unqualified

Internal control over major projects:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650 "Rules of the Auditor General?"

yes no

Identification of major projects:

Name of State Project or Cluster	CSFA Number	Expenditures
Conditional Release Services and Contracted Intensive Probation	80.019	\$ 744,576

Dollar threshold used to distinguish between type A and type B projects.

\$ 300,000

Auditee qualified as low-risk auditee?

N/A

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

SECTION II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no matters that are reportable.

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS

The audit disclosed no matters that are reportable.

SECTION IV - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

The audit disclosed no matters that are reportable.

SECTION V - OTHER ISSUES

1. A management letter was issued and reported to management in a separate letter dated December 19, 2012.
2. A Summary Schedule of Prior Audit Findings was required and included on page 26.
3. No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.

**INSTITUTE FOR CHILD AND FAMILY HEALTH, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDING	DESCRIPTION OF FINDING	STATUS
MW 2011-1 Recording of Transactions	Audit adjustments were proposed for various accounts including accounts receivable, net assets, and grant revenues.	Corrective action taken.