

Norman Levine, CPA

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(1934 - 2008)



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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

www.RibotskyLevine.com

August 9, 2012

To the Management of
Passageway Residence of Dade County, Inc.
Miami, Florida

We performed a study and evaluation of Passageway Residence of Dade County, Inc.'s (Agency) internal control structure for the purpose of planning and determining our audit procedures in connection with our audit of your financial statements as of June 30, 2012. As a result, we gathered certain observations and recommendations, none of which by itself are reportable conditions or material weaknesses. Further, these comments are offered as part of the Agency's ongoing evaluation of procedures and control structure. In this connection, we make the following observations and recommendations:

GENERAL

Observation

Funds are collected, deposited and maintained in the Agency's general operating bank accounts for the benefit of named clients' specified contingencies such as "burials".

Recommendation

Custodial funds should not be commingled with Agency general operating funds. A separate dedicated bank account should be opened for those funds with the inclusion in the account name indicating that the monies therein are the clients' own the funds, e.g. "client burial account".

Observation

The chart of accounts and resulting trial balance and general ledger account titles are not sufficiently descriptive and/or detailed.

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**PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
(A NOT-FOR-PROFIT CORPORATION)**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Passageway Residence of Dade County, Inc.
Miami, Florida

We have audited the accompanying balance sheet of Passageway Residence of Dade County, Inc. 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 Passageway Residence of Dade County, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States and the applicable provisions of Section 215.97, Florida Statutes, Florida Single Audit Act. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Passageway Residence of Dade County, Inc. as of June 30, 2012 and the changes in its net assets and its cash flows and functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards" and the Florida Single Audit Act, we have also issued reports dated August 9, 2012 on our consideration of Passageway Residence of Dade County, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and internal control over compliance applicable to major federal programs and state projects. The purpose of these reports 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. These reports are integral parts of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Passageway Residence of Dade County, Inc. taken as a whole. The accompanying Schedules of Federal Awards and State Financial Assistance which has been prepared in accordance with U.S. generally accepted accounting principles, and Schedule of Findings and Questioned Costs for the year ended June 30, 2012 are presented for purposes of additional analysis and pursuant to the requirements of OMB Circular A-133 and the Florida Single Audit Act, but are not required parts of the basic financial statements. The information in these schedules have been subjected to the procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Ribotsky, Levine & Co." in dark ink.

RIBOTSKY, LEVINE & COMPANY
Certified Public Accountants

North Miami, Florida
August 9, 2012

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

BALANCE SHEET

JUNE 30, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 700,011	\$ 21,587	\$ 721,598
United States Treasury Bill	250,000	-	250,000
Receivables:			
Grant	201,485	-	201,485
Medicaid	274,433	-	274,433
Clients	13,513	-	13,513
Interfund loans and advances	6,587	-	*
Prepaid expenses	91,249	-	91,249
Deferred financing costs - net	9,337	-	9,337
Property and equipment - net	1,423,681	-	1,423,681
Other assets	8,832	-	8,832
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,979,128</u>	<u>\$ 21,587</u>	<u>\$ 2,994,128</u>
 <u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES:			
Accounts payable and accrued expenses	\$ 191,127	\$ -	\$ 191,127
Mortgage payable	823,913	-	823,913
Amounts held for clients	16,158	-	16,158
Interfund loans and advances	-	6,587	*
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	1,031,198	6,587	1,031,198
 NET ASSETS	 <u>1,947,930</u>	 <u>15,000</u>	 <u>1,962,930</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,979,128</u>	 <u>\$ 21,587</u>	 <u>\$ 2,994,128</u>

* Eliminated in combination.

Attention is directed to the accompanying notes to these financial statements.

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE AND OTHER SUPPORT:			
Grants - South Florida Behavioral Health Network, Inc.	\$ 1,974,472	\$ -	\$ 1,974,472
Grants - Other	42,500	-	42,500
Contributions	1,570	-	1,570
Medicaid	766,563	-	766,563
Residential rents and program fees	278,718	-	278,718
Interest income	529	-	529
Other	23,611	-	23,611
In-kind contributions	<u>23,576</u>	<u>-</u>	<u>23,576</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>3,111,539</u>	<u>-</u>	<u>3,111,539</u>
OPERATING EXPENSES:			
Residential Programs	976,800	-	976,800
Day/Night Program	283,003	-	283,003
Case Management Program	190,850	-	190,850
Comprehensive Community Service Teams	884,152	-	884,152
Medical Services	283,819	-	283,819
Incidental	6,286	-	6,286
Management and general	<u>413,908</u>	<u>-</u>	<u>413,908</u>
TOTAL OPERATING EXPENSES	<u>3,038,818</u>	<u>-</u>	<u>3,038,818</u>
CHANGE IN NET ASSETS	72,721	-	72,721
NET ASSETS - JULY 1, 2011	<u>1,875,209</u>	<u>15,000</u>	<u>1,890,209</u>
NET ASSETS - JUNE 30, 2012	<u>\$ 1,947,930</u>	<u>\$ 15,000</u>	<u>\$ 1,962,930</u>

Attention is directed to the accompanying notes to these financial statements.

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from grants	\$ 2,169,231	\$ -	\$ 2,169,231
Medicaid fees received	545,552	-	545,552
Rents and other fees received from service recipients	284,046	-	284,046
Contributions, interest and miscellaneous receipts	25,710	-	25,710
Cash paid to suppliers and employees	(2,767,854)	-	(2,767,854)
Interest paid	(51,269)	-	(51,269)
Interfund transfers	<u>(28)</u>	<u>28</u>	<u>-</u>
Net cash provided by operating activities	<u>205,388</u>	<u>28</u>	<u>205,416</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments in U.S. Treasury Bills - net	(67)	-	(67)
Purchases of property, furniture and equipment	(99,046)	-	(99,046)
Security deposit paid	<u>(4,832)</u>	<u>-</u>	<u>(4,832)</u>
Net cash (used) by investing activities	<u>(103,945)</u>	<u>-</u>	<u>(103,945)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on mortgage	(25,332)	-	(25,332)
Amounts held for clients	<u>16,158</u>	<u>-</u>	<u>16,158</u>
Net cash (used) by financing activities	<u>(9,174)</u>	<u>-</u>	<u>(9,174)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	92,269	28	92,297
CASH AND CASH EQUIVALENTS - JULY 1, 2011	<u>607,742</u>	<u>21,559</u>	<u>629,301</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2012	<u>\$ 700,011</u>	<u>\$ 21,587</u>	<u>\$ 721,598</u>

(Continued)

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

STATEMENT OF CASH FLOWS - CONTINUED

YEAR ENDED JUNE 30, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Change in net assets	\$ 72,721	\$ -	\$ 72,721
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation of property and equipment	104,926	-	104,926
Amortization of deferred finance costs	4,669	-	4,669
(Increase) decrease in certain assets:			
Grants receivable	152,259	-	152,259
Medicaid receivable	(221,011)	-	(221,011)
Client and other receivables	5,328	-	5,328
Prepaid expenses and other assets	63,191	-	63,191
Increase (decrease) in certain liabilities:			
Accounts payable and accrued expenses	23,333	-	23,333
Interfund	<u>(28)</u>	<u>28</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 205,388</u>	<u>\$ 28</u>	<u>\$ 205,416</u>

Attention is directed to the accompanying notes to these financial statements.

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	PROGRAM SERVICES										SUPPORTING SERVICES	
	Residential Level II	Room and Board With Supervision Level II	Community Forensic Level II	Total Residential	Day/ Night	Case Management	Comprehensive Service Teams	Medical Services	Incidental	Total Program Services	Management And General	Total Expenses
Salaries	\$ 140,606	\$ 123,554	\$ 219,695	\$ 483,855	\$ 152,714	\$ 110,586	\$ 535,174	\$ 204,825	\$ -	\$ 1,487,154	\$ 215,215	\$ 1,702,369
Payroll taxes	12,105	10,568	18,919	41,592	13,140	9,726	46,396	18,017	-	128,871	16,934	147,805
Employee benefits	28,905	26,485	45,133	100,523	28,264	23,483	109,323	33,319	-	294,922	54,157	349,079
Total salaries and employee benefits	181,616	160,607	283,747	625,970	194,118	143,805	690,893	256,161	-	1,910,947	288,306	2,199,253
Occupancy	19,590	16,520	29,450	65,560	31,999	15,989	55,602	4,860	-	174,020	47,684	221,704
Professional fees and contract services	20,335	11,105	17,272	48,712	-	-	23,911	1,986	-	74,609	26,813	101,422
Travel and automobile	1,777	1,551	2,777	6,105	1,929	1,427	6,810	2,645	-	18,916	2,779	21,695
Conferences and training	1,798	1,399	2,598	5,795	1,799	1,199	6,395	2,398	-	17,586	2,398	19,984
Food services (including \$23,576 in-kind contributions)	20,215	17,578	32,520	70,313	-	-	17,578	-	-	87,891	-	87,891
Telephone	1,435	1,253	2,243	4,931	1,557	1,153	5,500	2,136	-	15,277	2,244	17,521
Interest and finance charges	6,142	5,119	9,214	20,475	10,237	5,119	10,237	-	-	46,068	5,118	51,186
Insurance	11,163	9,591	17,205	37,979	14,657	9,114	33,476	10,196	-	105,422	14,325	119,747
Operating supplies and expenses	13,457	10,097	20,551	44,105	4,573	1,931	10,977	3,152	5,282	70,020	3,541	73,561
Other	987	944	1,087	3,018	215	143	854	285	1,004	5,519	9,740	15,259
Depreciation and amortization	13,151	10,959	19,727	43,837	21,919	10,960	21,919	-	-	98,635	10,960	109,595
Total operating expenses	291,686	246,723	438,391	976,800	283,003	190,850	884,152	283,819	6,286	2,624,910	413,908	3,038,818
Allocation of management and general expenses *	45,985	38,905	69,128	154,028	44,625	30,083	139,417	44,754	991	413,908	(413,908)	-
	\$ 337,681	\$ 285,628	\$ 507,519	\$ 1,130,828	\$ 327,628	\$ 220,943	\$ 1,023,569	\$ 328,573	\$ 7,277	\$ 3,038,818	\$ -	\$ 3,038,818

* Supporting Services - Management and General expenses aggregate 13.62% of Total Expenses and 15.77% of Program Service expenses.

Attention is directed to the accompanying notes to these financial statements.

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
Notes to Financial Statements
JUNE 30, 2012

Note 1 - Organization and Activities

ORGANIZATION AND PURPOSE - Passageway Residence of Dade County, Inc. (Passageway) was incorporated in the State of Florida in 1981, as a not-for-profit corporation, for the purpose of assisting individuals with a history of forensic mental health problems by providing such transitional support needs as a residential community, vocational training and resocialization services to enable such individuals to adjust to an acceptable social lifestyle. Passageway derives its principal support and revenue from a grant from the State of Florida managed by South Florida Behavioral Health Network, Inc., provider fees from the Florida Medicaid Program and rental charges to clients. The principal programs of Passageway are as follows:

- a) Residential Program
Provides supervised residential group housing facilities.
- b) Day/Night Program
Provides community center activities and assists participants in developing both social skills and general skills applicable to a work environment in addition to providing assistance in transitional employment leading to stabilization in employment.
- c) Case Management
Provides counseling to assist clients in developing an acceptable social lifestyle.
- d) Comprehensive Community Service Teams
The program includes components of Passageway's aforementioned programs i.e. supported housing, case management and supported employment in addition to outreach, out patient, in-house/on-site, information and referral and prevention/intervention services under a team approach.
- e) Medical Services
This program provides licensed psychiatric and nursing care including prescribed medicines to program participants.

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
Notes to Financial Statements
JUNE 30, 2012

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accounts of Passageway are maintained on the accrual basis of accounting and in accordance with the principles of fund accounting, in order to ensure observance of the limitations and restrictions placed on the use of its resources. Passageway adheres to The Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958. Under FASB ASC 958, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Passageway is required to present a statement of cash flows. Passageway does not have any permanently restricted net assets and accordingly grouped its funds for financial statement presentation as follows:

- a) Unrestricted net assets - That part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- b) Temporarily restricted net assets - That part of net assets resulting from contributions, grants and other inflows of assets whose use by Passageway is limited by donor-imposed stipulations that either expire by passage of time or by actions of Passageway that satisfy those stipulations. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions upon satisfaction of the donor stipulation. At June 30, 2012 temporarily restricted net assets are designated by donors for use in conducting research toward the development of a clinical profile of Passageway past and present clients to better serve the needs of the mentally ill involved in the criminal justice system.

FASB ASC 958 also requires among other things the immediate recognition as support (income) all unconditional contributions received and makes an important distinction between restrictions and conditions.

Concentration of Credit Risk

Passageway at times maintains funds in excess of insured limits in a financial institution. Uninsured balances maintained at June 30, 2012 aggregated \$444,085.

(Continued)

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
Notes to Financial Statements
JUNE 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Donated Materials and Services

Donated assets are recorded as contributions at their estimated values at date of receipt. Donated services are recorded if such services enhance a nonfinancial asset e.g. buildings or require specialized skills that would need to be purchased. During the year ended June 30, 2012 Passageway's non cash donations comprised food received from another not-for-profit organization.

Cash and Cash Equivalents

Passageway considers investments in highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. Accordingly, Passageway's investment in a United States Treasury Bill is not considered a cash equivalent since it was purchased with a six month maturity date (July 19, 2012) and upon maturity reinvested with a maturity date of January 17, 2013. The investment yields approximately .10 percent annually and is carried at market value, which approximates amortized cost.

Property and Equipment

Property and equipment are recorded at cost when purchased or constructed or at their estimated fair values when donated. Additions, improvements and expenditures for maintenance that add materially to productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance are charged to operations. In the case of disposals, the assets and related accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to operations. Depreciation of property and equipment is computed by the straight line method over the estimated useful lives of the assets. In addition, Passageway evaluates the carrying value of long-lived assets when management makes a decision to dispose of the asset or circumstances indicate that the carrying amount of an asset may not be recoverable. Passageway compares the carrying amount of the asset to net future undiscounted cash flows that an asset is expected to generate. Impairment is recognized to the extent that the carrying value is greater than expected future cash flows and is reflected as a separate line item on the statement of activities and not included in the statement of functional expenses. During the year ended June 30, 2012, Passageway has not recognized any impairment losses.

(Continued)

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
Notes to Financial Statements
JUNE 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

Passageway is a not-for-profit corporation exempt from taxation under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is required.

Passageway files annual returns in the U.S. federal jurisdiction. With few exceptions, Passageway is no longer subject to U.S. federal examinations by tax authorities for years before 2008.

Deferred Financing Costs

Deferred financing costs at June 30, 2012 comprise costs associated with Passageway obtaining mortgage financing for its primary offices and residential facility to service its clients. Deferred financing costs, are being amortized on the straight-line method over the term of the respective financing.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U. S. requires the use of estimates and assumptions by management. Such estimates which are based on prior operating history and industry standards, affect the reported amounts in the financial statements and disclosures in the accompanying notes. Actual results could differ from those estimates.

Note 3 - Property and Equipment

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

		<u>Estimated Useful Lives (In Years)</u>
Land	\$ 100,000	
Buildings	1,750,101	27-40
Building Improvements	121,615	10-39
Vehicles	86,499	5
Furniture, equipment and computer software	<u>298,820</u>	5-10
	2,357,035	
Less accumulated depreciation	<u>952,354</u>	
	1,404,681	
Property held for sale or development	<u>19,000</u>	
	<u>\$ 1,423,681</u>	

(Continued)

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
Notes to Financial Statements
JUNE 30, 2012

Note 3 - Property and Equipment – (Continued)

Passageway entered into an agreement with a developer to build a residential treatment facility (Facility) on land presently occupied under a sublease expiring January 2033 (\$1 a year) from the State of Florida. Construction of the Facility began in April 1993 and Passageway occupied the Facility in February 1994.

The cost of constructing the Facility was funded substantially by amounts drawn under a \$1,250,000 construction loan from a bank. The loan was repaid from long-term financing obtained through bond financing, which was repaid in July 2004 (prior to maturity) from the proceeds of mortgage financing (Note 4). During the fiscal year ended June 30, 2009, Passageway purchased and occupied an additional residential facility. The cost of the new facility approximated \$353,000 including \$100,000 allocated to the cost of the land. Further, property held for sale or development represents the cost of a four-plex located in Miami, Dade County acquired in December 2009. Passageway acquired the four-plex "as-is" from a bank. Upon subsequent engineering inspections it was concluded that the four-plex could not be rehabilitated and accordingly Passageway demolished the four-plex. Passageway has not determined whether it will sell or build on the property and recognized an impairment loss at June 30, 2011 (\$121,707) equal to the differences between its prior carrying value and anticipated proceeds on sale.

In addition, Passageway occupies administrative offices under a month to month lease for a monthly rental of approximately \$4,000. Rent expense under this lease approximated \$48,500 during the year ended June 30, 2012. The lease was terminated effective July 31, 2012. Prior thereto Passageway entered into a new long term lease for its administrative offices at a different location expiring June 30, 2015.

Note 4 – Mortgage Payable

Mortgage payable at June 30, 2012 represents a first mortgage on Passageway's residential treatment facility payable based on a 20-year amortization period plus interest at 2% above the prime rate (minimum 6% a year) with maturity on July 5, 2014.

The principal balance of the mortgage is payable as follows:

Fiscal year ending June 30:	
2013	\$ 27,051
2014	28,745
2015	<u>768,117</u>
	<u>\$ 823,913</u>

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
Notes to Financial Statements
JUNE 30, 2012

Note 5 – Medicaid Funding

Passageway participates in the Florida Medicaid program. Medicaid funds received are subject to a future audit of the documentation of the program as required by the funding agreement. As a result of such audits, certain amounts may be required to be returned or additional funds may be awarded. In management's opinion, the probability of any significant reimbursement requests is considered unlikely.

Note 6 – Major Grantor

Passageway received a substantial portion of its support from the State of Florida under contract No. ME 225-44 entered into with and managed by South Florida Behavioral Health Network, Inc. and expiring June 30, 2012. Maximum annual amounts are established under a grant negotiation process and, support is generally recognized on an exchange basis to the extent of units of service provided (Unrestricted).

Passageway's performance under contracts with the State of Florida and South Florida Behavioral Health Network, Inc. are subject to audit by the State of Florida and South Behavioral Health Network, Inc.. No provision for any liability that may result from audits of the above or other past contracts has been made in the financial statements and management is of the opinion that no material liability will result from such audits.

Note 7 – Profit Sharing Plan

On April 20, 2000 Passageway adopted a 401(k) defined contribution profit sharing plan (Plan) for their qualified full-time employees. The Plan for the benefit of eligible employees upon their retirement, death or disability, provided that employees may contribute annually any amount up to 15% of their compensation with Passageway making a matching annual contribution equal to 100% of the first 8% of each employee's compensation. Passageway contributions to the plan aggregated \$75,906 for the year ended June 30, 2012 net of forfeiture credits of \$3,623. During the fiscal year ended June 30, 2008 the Plan was amended to enable Passageway to make Plan contributions that do not require salary reduction employee contributions. In this connection Passageway made additional Plan contributions allocated to employees with one year of service based on their respective compensation of \$54,345 equal to 5% of the participant's annual compensation. Pension expense aggregated \$130,251 for the year ended June 30, 2012.

PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
Notes to Financial Statements
JUNE 30, 2012

Note 8 – Subsequent Events

Passageway has evaluated subsequent events through August 9, 2012, the date which these financial statements were available to be issued.

**PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
SCHEDULES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal or State Agency/ Pass-Through Entity Federal Program/State Project</u>	<u>CFDA or CSFA No.</u>	<u>Contract No.</u>	<u>Expenditures *</u>
U.S. Department of Health and Human Services/ Passed Through South Florida Behavioral Health Network, Inc. Community Mental Health Services Block Grant	93.958	ME 225-44	\$ <u>741,909 *</u>
Total Federal Awards			\$ <u>741,909</u>
State of Florida Department of Children And Families Passed Through South Florida Behavioral Health Network, Inc. Adult Community Mental Forensic Involvement	60.114	ME 225-44	\$ 1,216,720 *
State of Florida Department of Children And Families Passed Through South Florida Behavioral Health Network, Inc. Adult Community Mental Forensic Involvement	60.114	KH 225 44	\$ 9,305 *
State of Florida Department of Children And Families Passed Through South Florida Behavioral Health Network, Inc. Adult Community Mental Health Community Support Services	60.053	KH 225 44	\$ 6,538 *
State of Florida Agency For Health Care Administration Passed Through Florida Medicaid Electronic Health Records Incentive Program	N/A	N/A	\$ <u>42,500 **</u>
Total State Financial Assistance			\$ <u>1,275,063</u>

* The above contracts require the grantee to provide units of deliverables. Expenditures represent the allocable portion of the grant to the cost centers rather than the cost centers' prorata share of expenses funded by the contract.

** The award represents incentive payments for the adoption and meaningful use of certified electronic health record technology and not direct reimbursement of expenditures.

**Attention is directed to the independent auditors' report
relating to this schedule.**

**PASSAGEWAY RESIDENCE OF DADE COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITORS' RESULTS:

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Passageway Residence of Dade County, Inc.
2. There were no significant deficiencies disclosed during the audit of the general purpose financial statements of Passageway Residence of Dade County, Inc. and reported in the Independent Auditors' Report on Compliance and Internal Control over Financial Reporting and on Compliance and other matters Based on Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the general purpose financial statements of Passageway Residence of Dade County, Inc. were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of internal control over major federal programs and/or major state projects.
5. The auditors' report on compliance for major federal programs and major state projects for Passageway Residence of Dade County, Inc. expresses an unqualified opinion.
6. There were no items disclosed during the audit of the financial statements of Passageway Residence of Dade County, Inc. that constituted "findings" relative to the major federal programs and major state projects for Passageway Residence of Dade County, Inc.
7. The federal program tested as a major programs is:

U.S. Department of Health and Human Services – Community Mental Health

Services Block Grant Contract ME 225-44 CFDA #93.958
8. The state project tested as a major project is:

Florida Department of Children and Families/South Florida Behavioral Health Network, Inc.
Community Mental Forensic Involvement Contract ME 225-44 CSFA # 60.114.
9. The threshold used for distinguishing between Type A and B for both federal programs and state projects was \$300,000.
10. There were no prior year (fiscal year ended June 30, 2011) audit findings. Further, Passageway Residence of Dade County, Inc. qualified as a "low-risk auditee" under the criteria outlined in OMB Circular A-133.

**Attention is directed to the independent auditors' report
relating to this schedule.**

**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
Passageway Residence of Dade County, Inc.
Miami, Florida

We have audited the financial statements of Passageway Residence of Dade County, Inc. (Agency) (a not-for-profit corporation) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 9, 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 and the applicable provisions of Section 215.97, Florida Statutes, Florida Single Audit Act.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Passageway Residence of Dade County, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Passageway Residence of Dade County, Inc.'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 Passageway Residence of Dade County, Inc.'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".

(Continued)

Norman Levine, CPA
Elliott W. Starman, CPA
Marvin H. Ribotsky, CPA
(1934 - 2008)

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Board of Directors
Passageway Residence of Dade County, Inc.
Miami, Florida
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However we noted certain matters that we reported to the management of Passageway Residence of Dade County, Inc. in a separate letter dated August 9, 2012.

This report is intended solely for the information and use of the board of directors and management of Passageway Residence of Dade County, Inc. and its grantors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Ribotsky Levine + Co.".

RIBOTSKY, LEVINE & COMPANY
Certified Public Accountants

North Miami, Florida
August 9, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR
A-133 AND THE FLORIDA SINGLE AUDIT ACT, SECTION 215.97, F.S.**

Board of Directors
Passageway Residence of Dade County, Inc.
Miami, Florida

Compliance

We have audited the compliance of Passageway Residence of Dade County, Inc. (a non-profit organization) 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 Executive Office of the Governor's State Projects Compliance Supplement that could have a direct and material effect on each of Passageway Residence of Dade County, Inc.'s major federal programs and state projects for the year ended June 30, 2012. Passageway Residence of Dade County, Inc.'s major federal programs and state projects are identified in 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 Passageway Residence of Dade County, Inc.'s management. Our responsibility is to express an opinion on Passageway Residence of Dade County, Inc.'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 auditing standards contained in Government Auditing Standards, issued by the Comptroller General of the United States; and provisions of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations and Chapter 10.650 Rules of the Auditor General. Those standards and provisions 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 Passageway Residence of Dade County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Passageway Residence of Dade County, Inc.'s compliance with those requirements.

In our opinion, Passageway Residence of Dade County, Inc. 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.

(Continued)

Board of Directors
Passageway Residence of Dade County, Inc.
Miami, Florida
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Internal Control Over Compliance

Management of Passageway Residence of Dade County, 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 Passageway Residence of Dade County, Inc.'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, 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 Passageway Residence of Dade County, Inc.'s internal control over compliance.

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

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

However we have noted other matters that we reported to the management of Passageway Residence of Dade County, Inc. in a separate letter dated August 9, 2012.

This report is intended solely for the information and use of the Board of Directors and management of Passageway Residence of Dade County, Inc. and its grantors and is not intended to be and should not be used by anyone other than these specified parties.



RIBOTSKY, LEVINE & COMPANY
Certified Public Accountants

North Miami, Florida
August 9, 2012