

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA**

JUNE 30, 2012

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA**

JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

We have audited the accompanying statement of financial position of Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida nonprofit organization, for the year ended June 30, 2012, the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation for the year ended 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 a report dated October 17, 2012 on our consideration of the Foundation's internal control over financial reporting and 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.

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Certified Public Accountants

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Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.650, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information is the responsibility of management and is 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.

Purvis, Gray and Company, LLP

October 17, 2012
Ocala, Florida

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and Cash Equivalents	\$ 279,505	\$ 373,967
Short-term Investments	729,537	294,874
Accounts Receivable:		
State of Florida	232,719	199,705
Medicaid and Insurance	11,913	41,412
Prepaid and Other Assets	25,915	8,992
Total Current Assets	<u>1,279,589</u>	<u>918,950</u>
Non-Current Assets		
Long-term Investments	150,318	522,251
Property and Equipment, Net of Accumulated Depreciation	<u>94,584</u>	<u>101,488</u>
Total Non-Current Assets	<u>244,902</u>	<u>623,739</u>
Total Assets	<u><u>1,524,491</u></u>	<u><u>1,542,689</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	26,092	23,732
Accrued Payroll and Fringe Benefits	130,229	133,619
Total Current Liabilities	<u>156,321</u>	<u>157,351</u>
Net Assets		
Unrestricted:		
Investment in Property and Equipment	94,584	101,488
Unrestricted	1,273,586	1,273,050
Temporarily Restricted Net Assets	0	10,800
Total Net Assets	<u>1,368,170</u>	<u>1,385,338</u>
Total Liabilities and Net Assets	<u><u>\$ 1,524,491</u></u>	<u><u>\$ 1,542,689</u></u>

See accompanying notes

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA

	<u>2012</u>	<u>2011</u>
Changes in Unrestricted Net Assets:		
Revenues		
Primary Care Services:		
State of Florida DOH	\$ 664,916	\$ 664,916
Medicaid - Physicians' Services/Case Management	119,343	182,361
Other State of Florida DOH Revenue	846,347	1,014,887
Total Primary Care Services	<u>1,630,606</u>	<u>1,862,164</u>
Medical Foster Care Services:		
State of Florida DOH	366,908	366,908
Medicaid - Case Management	45,796	99,707
Total Medical Foster Care Services	<u>412,704</u>	<u>466,615</u>
Other Revenues		
Interest Income	12,053	13,588
Other Income	420	7
Net Assets Released from Restriction (Medical Foster Care)	10,800	51,568
Total Other Revenues	<u>23,273</u>	<u>65,163</u>
Total Revenues	<u>2,066,583</u>	<u>2,393,942</u>
Functional Expenses		
Primary Care	1,612,261	1,670,384
Medical Foster Care	460,690	513,958
(Total Functional Expenses)	<u>(2,072,951)</u>	<u>(2,184,342)</u>
(Decrease) Increase in Unrestricted Net Assets	(6,368)	209,600
Changes in Temporarily Restricted Net Assets		
Wheel Chair Ramps Donation	0	20,000
Net Assets Released from Restriction (Medical Foster Care)	0	(51,568)
Net Assets Released from Restriction (Wheel Chair Ramps Donation)	(10,800)	0
(Decrease) in Temporarily Restricted Net Assets	<u>(10,800)</u>	<u>(31,568)</u>
(Decrease) Increase in Net Assets	(17,168)	178,032
Net Assets, Beginning of Year	<u>1,385,338</u>	<u>1,207,306</u>
Net Assets, End of Year	<u>\$ 1,368,170</u>	<u>\$ 1,385,338</u>

See accompanying notes

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA

	2012				2011
	General and Administrative	Primary Care	Medical Foster Care	Total	
Expenses					
Personnel Expenses:					
Salaries	\$ 153,481	\$ 893,257	\$ 240,859	\$ 1,287,597	\$ 1,418,889
Payroll Taxes	7,641	82,571	20,410	110,622	110,256
Fringe Benefits	18,045	85,675	19,012	122,732	141,663
Retirement	16,535	119,935	31,722	168,192	189,238
Total Personnel Expenses	<u>(195,702)</u>	<u>(1,181,438)</u>	<u>(312,003)</u>	<u>(1,689,143)</u>	<u>(1,860,046)</u>
Operating Expenses:					
Patient Services	0	134,787	0	134,787	66,276
Contractual Services	19,500	21,028	0	40,528	52,159
Contributions - Wheelchair Ramps	10,800	0	0	10,800	9,200
Advertising	0	1,540	990	2,530	4,099
Repairs and Maintenance	1,509	186	112	1,807	1,610
Rent	35,135	4,939	19,730	59,804	56,482
Telephone	10,064	6,548	8,293	24,905	18,450
Insurance	1,321	17,197	3,878	22,396	25,230
Postage	1,433	5,738	753	7,924	5,595
Depreciation	14,570	0	0	14,570	14,679
Training	60	3,397	13	3,470	60
Travel	71	1,305	9,398	10,774	26,817
Other	15,526	39,861	4,926	60,313	43,639
Total Operating Expenses	<u>(109,989)</u>	<u>(236,526)</u>	<u>(48,093)</u>	<u>(394,608)</u>	<u>(324,296)</u>
Indirect Expenses Allocation	<u>305,691</u>	<u>(194,297)</u>	<u>(111,394)</u>	<u>0</u>	<u>0</u>
(Total Expenses)	<u>\$ 0</u>	<u>\$ (1,612,261)</u>	<u>\$ (471,490)</u>	<u>\$ (2,083,751)</u>	<u>\$ (2,184,342)</u>

See accompanying notes

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
(Decrease) Increase in Net Assets	\$ (17,168)	\$ 178,032
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	14,570	14,679
Decrease (Increase) in Assets and Increase (Decrease) in Liabilities:		
Accounts Receivable	(3,515)	92,679
Prepaid Expenses and Other Assets	(16,923)	19,881
Accounts Payable	2,360	7,020
Accrued Expenses	(3,390)	(110,638)
Net Cash Provided by (Used in) Operating Activities	<u>(24,066)</u>	<u>201,653</u>
 Cash Flows from Investing Activities		
Net Investment Purchases/Maturities (One-year Certificates of Deposit)	(62,730)	(329,832)
Purchases of Office Furniture and Equipment	(7,666)	(36,750)
Net Cash Provided by (Used in) Investing Activities	<u>(70,396)</u>	<u>(366,582)</u>
 Net (Decrease) in Cash and Cash Investments	(94,462)	(164,929)
 Cash, Beginning of Year	<u>373,967</u>	<u>538,896</u>
 Cash, End of Year	<u><u>\$ 279,505</u></u>	<u><u>\$ 373,967</u></u>

See accompanying notes

**NOTES TO FINANCIAL STATEMENTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA**

Note 1 - Summary of Significant Accounting Policies

Organization and Nature of Activities

Pediatric Primary Care Foundation, Inc. (the Foundation) is a Florida nonprofit organization, incorporated on March 18, 1992, for the purpose of insuring financially eligible children with special health care needs, primary medical care through physician referral and case management services. The Foundation has an additional program for medical foster care, which provides medical care to children placed in foster care. The Foundation is funded by the State of Florida Department of Health in conjunction with Medicaid and insurance service fees.

Basis of Accounting

The Foundation follows standards of accounting and financial reporting prescribed for nonprofit voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, state, and other public grants are recorded as revenue when performance occurs under the terms of the grant agreement.

Cash and Cash Equivalents

The Foundation considers cash and cash equivalents to include cash deposits and investments with original maturities of three months or less. At times, the Foundation carries varying amounts in excess of the Federal Deposit Insurance Corporation's (FDIC) insurance. The Foundation considers all of its cash and cash equivalents with maturities of three months or less as cash equivalents for the purpose of the statements of cash flows.

Investments

Investments consist of certificates of deposit with maturities of more than three months.

Property and Equipment

The Foundation capitalizes all property and equipment with a cost of greater than one thousand dollars and an estimated useful life exceeding one year.

Property and equipment, consisting of office furniture and equipment, are recorded at cost and depreciated over their estimated useful lives of three to ten years using the straight-line method. Repairs and maintenance are expensed as incurred.

Title to property and equipment purchased with State of Florida Department of Health funds vest with the State of Florida Department of Health upon completion or termination of the State of Florida Department of Health contracts.

Restricted and Unrestricted Revenue

Federal and state grant awards are recognized in accordance with the legal and contractual requirements of the grants. All of the Foundation's grants have been determined to be exchange transactions and not contributions; therefore, revenues are recognized when earned. Donor-restricted contributions are recognized as increases in temporarily restricted net assets and are released from restriction when donor-imposed stipulations are met by the Foundation.

Accounts Receivable

Accounts receivable consist of uncollateralized amounts due from the State of Florida Department of Health and third party insurance providers that are recorded.

NOTES TO FINANCIAL STATEMENTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenue for service fees from the State of Florida Department of Health that are not related to contracts, Medicaid, and insurance companies are recognized when services are provided at net realizable rates established by Medicaid and the insurance companies. Medicaid payments received for physician charges are used to offset patient services expense for the State of Florida Department of Health reimbursement purposes.

For state reporting and financial purposes, the Foundation reports contract revenue for program related capital purchases in the year purchased.

Allocation of Expenditures

Expenses are allocated among the various program services to the extent a direct relationship can be established. Salaries and other expenses, which are associated with a specific program, are allocated directly to that program. Salaries and other expenses, which benefit various programs, are allocated to the program services based on the relative benefit provided. The following is a summary description of the Foundation's functional expense categories:

■ **General and Administrative**

Costs associated with administration of the Foundation, including finance, accounting, staff supervision, board operations, and human resources. These costs are ultimately allocated to programs based upon relative direct labor.

■ **Primary Care**

Costs associated with providing primary care medical and targeted case management services to financially eligible children with special health care needs and the related personnel costs.

■ **Medical Foster Care**

Costs associated with providing medical foster care and targeted case management services to eligible children with special health care needs and the related personnel costs.

Income Taxes

The Foundation is currently exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, accordingly, no provision has been made for income tax liabilities or expenses.

It is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management also believes that no such required disclosures currently exist.

The Foundation is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2009. The Foundation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

Compensated Absences

The Foundation accrues paid leave for contract employees at the rate of eight hours per biweekly pay period for all eligible full-time staff, which vests up to a maximum of 360 hours upon termination. The accumulated earned vacation leave for the period ended June 30, 2012 is \$68,493, and recorded as a current liability.

NOTES TO FINANCIAL STATEMENTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Prior Period Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Use of Estimates

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

Subsequent Events

Pediatric Primary Care Foundation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 17, 2012, the date the financial statements were available to be issued.

Matching Requirements

The Foundation's funding contracts with the State of Florida Department of Health do not require any matching revenues.

Note 2 - Investments

Investments consist of certificates of deposit held for investment, that are not debt securities are included. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "Short-term Investments". Certificates of deposit with remaining maturities greater than one year are classified as "Long-term Investments".

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Short-term Investments			
Community Bank of Marion County CD	0.50%	03/28/2013	\$ 100,126
Florida Citizens Bank CD	1.15%	11/13/2012	254,080
Gateway Bank CD	1.30%	09/11/2012	252,190
Heritage Bank of the South CD	1.41%	09/11/2012	123,141
Total Short-term Investments			<u>\$ 729,537</u>
Long-term Investments			
Alarion Bank CD	0.64%	08/13/2013	\$ 150,318
Total Long-term Investments			<u>\$ 150,318</u>

Note 3 - Office Lease

The Foundation is leasing office space in Ocala under a five-year lease that expires on June 30, 2014. Under the terms of the lease, the lessor is responsible for maintenance and utilities. At termination of lease, the Foundation has the option to renew the lease for an additional one to five year period at an escalating rental rate. Lease expense for 2012 totaled \$59,804.

NOTES TO FINANCIAL STATEMENTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA
(Continued)

Note 3 - Office Lease (Concluded)

Minimum annual rents for the remainder of the lease terms are as follows:

Year Ending June 30,	Minimum Annual Rent
2013	\$ 54,821
2014	<u>56,677</u>
Total	<u>\$ 111,498</u>

Note 4 - Property and Equipment

The following is a schedule of property and equipment owned by the Foundation as of June 30, 2012:

Office Equipment	\$ 214,882
(Accumulated Depreciation)	<u>(120,298)</u>
Property and Equipment, Net of Accumulated Depreciation	<u>\$ 94,584</u>

Depreciation expense for the year ended June 30, 2012, was \$14,570.

Note 5 - Retirement Plan

During 1993, the Foundation established a simplified employee retirement plan to cover all eligible full time employees that complete one year of service. The Foundation contributes 15% of eligible gross wages to the plan. Contributions for the year ended June 30, 2012, totaled \$168,192.

Note 6 - Contingencies

Grants and contracts require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although this is a possibility, the management deems the contingency remote, since by accepting the grants and their terms, it has adapted to the objectives of the grantors' provisions of the contract.

The Foundation received correspondence from the IRS regarding the proper employment classification of an individual previously engaged as a contractor. If the IRS determines this individual was incorrectly classified as a contractor, rather than an employee, the Foundation may be liable for payroll taxes of an undetermined amount.

NOTES TO FINANCIAL STATEMENTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA
(Concluded)

Note 7 - Related Party Transactions

A member of the Foundation's Board of Director's is currently the Executive Vice-President at a bank the Foundation holds accounts. Another member of the Foundation's Board of Directors serve as Medical Director for the Foundation and provides patient care services for the Foundation. Payments for June 30, 2012, are as follows:

Medical Director Payments	<u>\$ 13,715</u>
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Note 8 - Single Audits

During the fiscal year, the Foundation expended less than \$500,000 in federal awards; therefore, no audit was required pursuant to the Circular A-133, *Federal Single Audit*. However, a State Single Audit was required because the Foundation did expend more than \$500,000 of state financial assistance.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES AND THE *RULES OF THE AUDITOR GENERAL*
OF THE STATE OF FLORIDA**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012
PEDIATRIC PRIMARY CARE FOUNDATION, INC. - OCALA, FLORIDA**

<u>State Agency and Project Title</u>	<u>State Contract/ Grant Number</u>	<u>State CSFA Number</u>	<u>Program or Award Amount</u>	<u>State Expenditures</u>
State of Florida Department of Health				
Primary Care	COQPS	64.007	\$ 445,830	\$ 445,830
Infant and Toddler Step-Down	COQSD	64.010	366,908	366,908
Total				<u>\$ 812,738</u>

Notes to Schedule of Expenditures of State Financial Assistance

- 1) The schedule of expenditures of state financial assistance was prepared on the accrual basis of accounting.
- 2) Total Primary Care program award includes both federal and state program funding. The amount above represents the state portion only for Primary Care. The state portion is reconciled to the contract amount below:

	<u>Primary Care</u>
State Expenditures (from Above)	\$ 445,830
Federal Expenditures	219,086
Total Contract	<u>\$ 664,916</u>

**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
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

We have audited the financial statements of Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida not-for-profit organization, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 17, 2012. We conducted our audit in accordance with generally accepted auditing standards 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 Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation'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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 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 Foundation's financial statement 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*.

Certified Public Accountants

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Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

**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*
(*Concluded*)**

We noted certain matters that we reported to management of the Foundation in a separate letter dated October 17, 2012.

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

Purvis, Gray and Company, LLP

October 17, 2012
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES,
STATE PROJECTS COMPLIANCE SUPPLEMENT**

Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

Compliance

We have audited Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida nonprofit organization, compliance with the types of compliance 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 its major state projects for year ended June 30, 2012. The Foundation's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state projects is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation'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 of the United States; and Chapter 10.650, *Rules of the Auditor General*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*. Those standards and Chapter 10.650, *Rules of the Auditor General*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a direct and material effect on the state projects occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Foundation's compliance with those requirements.

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

Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major state project in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES,
STATE PROJECTS COMPLIANCE SUPPLEMENT
(Concluded)**

Internal Control Over Compliance (Concluded)

and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*, 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 Foundation's internal control over compliance.

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

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

Purvis, Gray and Company, LLP

October 17, 2012
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
STATE FINANCIAL ASSISTANCE PROJECTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC. - OCALA, FLORIDA**

1. Summary of Audit Results

I. Type of Audit Report Issued on Financial Statements

Unqualified Opinion

II. Significant Deficiencies and/or Material Weaknesses in Internal Control

Audit disclosed no instances of significant deficiencies in internal control or significant deficiencies, which were material weaknesses in internal control.

III. Noncompliance Material to Auditee Financial Statements

Audit disclosed no material instances of noncompliance.

IV. Significant Deficiencies and/or Material Weaknesses in Internal Control Over the Major State Financial Assistance Projects

Audit disclosed no instances of significant deficiencies in internal control over the major state project or significant deficiencies, which were material weaknesses in internal control over the state major program.

V. Type of Audit Report Issued on Compliance with Requirements Applicable to Major State Financial Assistance Projects

Unqualified Opinion

VI. Audit Findings Relative to Chapter 10.650, *Rules of the Auditor General*

The audit disclosed no findings required to be reported under Chapter 10.650, *Rules of the Auditor General*.

VII. Major State Financial Assistance Projects

State Project:

- Department of Health - Primary Care
Contract Number COQPS, CSFA No. 64.010 \$445,830

VIII. Dollar Threshold Used to Distinguish Between Type A and Type B State Financial Assistance Projects

\$243,821

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
STATE FINANCIAL ASSISTANCE PROJECTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC. - OCALA, FLORIDA
(Concluded)**

2. **Findings Related to the Financial Statements Required to be Reported Under Generally Accepted Government Auditing Standards (GAGAS)**

The audit disclosed no findings, which are required to be reported under GAGAS.

3. **Findings and Questioned Costs for Major State Financial Assistance Projects**

Not Applicable

4. **Findings and Questioned Costs for Major State Financial Assistance Projects**

The audit disclosed no findings that are required to be reported under Chapter 10.650, *Rules of the Auditor General*.

5. **Other Issues**

- I. No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.
- II. No corrective action plan is required because there are no findings required to be reported under the Florida *Single Audit Act*.

MANAGEMENT LETTER

Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

We have audited the financial statements of the Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida not-for-profit organization, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated October 17, 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 Chapter 10.650, *Rules of the Florida Auditor General*. We have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.650, *Rules of the Florida Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 17, 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; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, the following matters are required to be disclosed:

Prior Year Comments Remaining

2010-1—Segregation of Duties

As in prior years, the primary weakness in the Foundation's internal control has been the lack of segregation of incompatible duties in the Finance and Accounting Department due to the limited number of department personnel. This condition is typical of many social service organizations with limited budgetary resources. To the extent possible, the Foundation has instituted procedures to overcome this condition, such as separating mail pickups and bank deposits from general ledger and receivable posting, and by instituting disbursement controls, such as prepayment approvals, dual signature requirements, and periodic financial reporting to the Board of Directors. We recognize the effort made to overcome weaknesses that are inherent to limited personnel and encourage the Foundation to continue with this ongoing effort.

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Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

MANAGEMENT LETTER
(Concluded)

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

October 17, 2012
Ocala, Florida



Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

Management Response, Independent Auditors Reports FY11-12, ended June 30, 2012

We very much appreciate the participation and support of our Board of Directors and their role in our continued mission to serve our CMSN and helping us to meet all of the related requirements. In addition to meeting our reporting requirements and providing you with the resulting reports, please be confident this independent audit process continues to be one that helps us review our year of operations in several meaningful ways and we do continue to find opportunities to learn from the experience.

FY11-12 was the fifth fiscal year we have produced our financial statements internally, including the statement of functional expense.

The enclosed reports accurately summarize our operations for this fiscal year and also represent another busy year of dedicated service to our CMS Network. We continue to find your independent auditors to be most thorough.

The Management Letter in the audit continues with pointing out the primary weakness in our internal control. As long as we remain a smaller entity with limited staff, we will continue to segregate duties to the extent possible. The comment here helps bring it forward for discussion annually and we very much appreciate your continued Board of Director assistance in this area by participating in an outside review capacity for all of our disbursements.

We continue to navigate with a new CMS administration and DOH leadership; this year compounded by a loss of \$136,000.00 in contract related funding. We remain concerned about navigating through the state's continuing budget crisis so we can continue to serve CMSN children with special health care needs.

On behalf of our staff and all whom we serve, we remain appreciative of your volunteer service on our Board of Directors and thank you for being part of our team. We continue to remain appreciative of the support of our Regional and Tallahassee team members as well. We count on them, you, and our staff and providers to help enable us to accomplish our mission. We remain here to serve.

Jeffery E. Baxla
CEO/Program Administrator