

RIVER REGION HUMAN SERVICES, INC.
AND
RIVER REGION FOUNDATION, INC.

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2012 AND 2011

**RIVER REGION HUMAN SERVICES, INC. AND
RIVER REGION FOUNDATION, INC.**

TABLE OF CONTENTS

Report of independent certified public accountants	1
Financial statements:	
Combined statements of financial position with combining information	3
Combined statements of activities with combining information	4
Combined statements of functional expenses with combining information	5
Combined statements of cash flows with combining information	6
Notes to combined financial statements	7
Other financial information:	
Schedule of expenditures of financial awards	17
Notes to schedule of expenditures of financial awards	20
Statements of functional expenses - River Region Human Services, Inc.	21
Schedule of local grant programs	22
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>	28
Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, <i>Rules of the Auditor General</i> of the State of Florida	30
Schedule of findings and questioned costs	33
Summary schedule of findings – financial statements	35
Summary schedule of findings and questioned costs – federal programs and state projects	36
Summary schedule of prior audit findings	39
Management response to audit findings	41

Report of Independent Certified Public Accountants

To the Board of Directors
River Region Human Services, Inc.
and River Region Foundation, Inc.
Jacksonville, Florida

We have audited the accompanying combined statements of financial position of River Region Human Services, Inc. (a not-for-profit organization) and River Region Foundation, Inc. (a not-for-profit organization) as of June 30, 2012 and 2011, and the related combined statements of activities, functional expenses, and cash flows for the years then ended. These combined financial statements are the responsibility of River Region Human Services, Inc. and River Region Foundation, Inc.'s management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of River Region Human Services, Inc. and River Region Foundation, Inc. as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2012, on our consideration of River Region Human Services, Inc. and River Region Foundation, Inc.'s internal control over financial reporting and on our tests of their 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 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.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 3,4,5 and 6, the accompanying statements of functional expenses – River Region Human Services, Inc. on page 21 and the schedule of local grant programs on pages 22 - 27 are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of financial awards, for the year ended June 30, 2012, is presented for purposes of additional analysis 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 is not a required part of the combined financial statements. The combining schedules and other financial information are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such other financial information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves and, other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

LBA Certified Public Accountants, P.A.

October 24, 2012

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
WITH COMBINING INFORMATION
JUNE 30, 2012

	<u>River Region Human Services, Inc.</u>	<u>River Region Foundation, Inc.</u>	<u>Elimination</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 1,330,340	\$ 64,179	\$ -	\$ 1,394,519
Accounts receivable - grants	1,258,126	-	-	1,258,126
Restricted accounts receivable	276,558	-	-	276,558
Inventory	28,104	-	-	28,104
Prepaid expenses	65,640	-	-	65,640
Deferred compensation investments	202,561	-	-	202,561
Other assets	38,858	-	-	38,858
Property and equipment, net	<u>4,806,654</u>	<u>77,463</u>	<u>-</u>	<u>4,884,117</u>
Total assets	<u>\$ 8,006,841</u>	<u>\$ 141,642</u>	<u>\$ -</u>	<u>\$ 8,148,483</u>
Liabilities and net assets:				
Liabilities:				
Accounts payable	\$ 404,695	\$ -	\$ -	\$ 404,695
Accrued liabilities	438,652	-	-	438,652
Deferred compensation liability	202,561	-	-	202,561
Tenant deposits	3,780	-	-	3,780
Notes payable	<u>1,366,354</u>	<u>56,283</u>	<u>-</u>	<u>1,422,637</u>
Total liabilities	<u>2,416,042</u>	<u>56,283</u>	<u>-</u>	<u>2,472,325</u>
Net assets:				
Unrestricted	5,314,241	85,359	-	5,399,600
Temporarily restricted	<u>276,558</u>	<u>-</u>	<u>-</u>	<u>276,558</u>
Total net assets	<u>5,590,799</u>	<u>85,359</u>	<u>-</u>	<u>5,676,158</u>
Total liabilities and net assets	<u>\$ 8,006,841</u>	<u>\$ 141,642</u>	<u>\$ -</u>	<u>\$ 8,148,483</u>

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
WITH COMBINING INFORMATION
JUNE 30, 2011

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
Assets:				
Cash and cash equivalents	\$ 1,699,252	\$ 59,913	\$ -	\$ 1,759,165
Accounts receivable - grants	1,117,776	-	-	1,117,776
Restricted accounts receivable	30,204			30,204
Inventory	37,083	-	-	37,083
Prepaid expenses	56,280	-	-	56,280
Deferred compensation investments	246,243	-	-	246,243
Other assets	38,858	-	-	38,858
Property and equipment, net	<u>4,969,841</u>	<u>88,138</u>	-	<u>5,057,979</u>
Total assets	<u>\$ 8,195,537</u>	<u>\$ 148,051</u>	<u>\$ -</u>	<u>\$ 8,343,588</u>
Liabilities and net assets:				
Liabilities:				
Accounts payable	\$ 343,335	\$ 1,434	\$ -	\$ 344,769
Accrued liabilities	479,173	-	-	479,173
Deferred compensation liability	246,243	-	-	246,243
Tenant deposits	3,355	-	-	3,355
Notes payable	<u>1,488,832</u>	<u>66,280</u>	-	<u>1,555,112</u>
Total liabilities	<u>2,560,938</u>	<u>67,714</u>	-	<u>2,628,652</u>
Net assets:				
Unrestricted	5,604,395	80,337		5,684,732
Temporarily restricted	<u>30,204</u>	-	-	<u>30,204</u>
Total net assets	<u>5,634,599</u>	<u>80,337</u>	-	<u>5,714,936</u>
Total liabilities and net assets	<u>\$ 8,195,537</u>	<u>\$ 148,051</u>	<u>\$ -</u>	<u>\$ 8,343,588</u>

See accompanying notes to combined financial statements.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
WITH COMBINING INFORMATION
YEAR ENDED JUNE 30, 2012

	River Region Human Services, Inc.			River Region Foundation, Inc.	Elimination	Total
	Unrestricted	Temporarily Restricted	Total			
Revenues and other support:						
Federal and state grants	\$ 8,258,925	\$ -	\$ 8,258,925	\$ -	\$ -	\$ 8,258,925
State match	21,092	-	21,092	-	-	21,092
Local grants	2,805,004	-	2,805,004	-	-	2,805,004
Medicaid	1,847,211	-	1,847,211	-	-	1,847,211
Other grants	197,445	-	197,445	-	-	197,445
Program fees	1,332,927	-	1,332,927	-	-	1,332,927
Contributions	-	301,700	301,700	-	-	301,700
Rental income	-	-	-	43,200	(43,200)	-
Miscellaneous income	35,467	-	35,467	82,192	-	117,659
Total revenues and other support	<u>14,498,071</u>	<u>301,700</u>	<u>14,799,771</u>	<u>125,392</u>	<u>(43,200)</u>	<u>14,881,963</u>
Net assets released from restriction	<u>55,346</u>	<u>(55,346)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:						
Program services	13,348,758	-	13,348,758	-	(43,200)	13,305,558
Management and general	1,494,813	-	1,494,813	120,370	-	1,615,183
Total expenses	<u>14,843,571</u>	<u>-</u>	<u>14,843,571</u>	<u>120,370</u>	<u>(43,200)</u>	<u>14,920,741</u>
Change in net assets	(290,154)	246,354	(43,800)	5,022	-	(38,778)
Net assets, beginning of year	<u>5,604,395</u>	<u>30,204</u>	<u>5,634,599</u>	<u>80,337</u>	<u>-</u>	<u>5,714,936</u>
Net assets, end of year	<u>\$ 5,314,241</u>	<u>\$ 276,558</u>	<u>\$ 5,590,799</u>	<u>\$ 85,359</u>	<u>\$ -</u>	<u>\$ 5,676,158</u>

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
WITH COMBINING INFORMATION
YEAR ENDED JUNE 30, 2011

	River Region Human Services, Inc.			River Region Foundation, Inc.	Elimination	Total
	Unrestricted	Temporarily Restricted	Total			
Revenues and other support:						
Federal and state grants	\$ 7,786,429	\$ -	\$ 7,786,429	\$ -	\$ -	\$ 7,786,429
State match	515,965	-	515,965	-	-	515,965
Local grants	2,854,759	-	2,854,759	-	-	2,854,759
Medicaid	1,676,789	-	1,676,789	-	-	1,676,789
Other grants	256,231	-	256,231	-	-	256,231
Program fees	1,209,299	-	1,209,299	-	-	1,209,299
Contributions	-	32,950	32,950	-	-	32,950
Rental income	-	-	-	42,000	(42,000)	-
Miscellaneous income	19,418	-	19,418	73,906	-	93,324
Total revenues and other support	<u>14,318,890</u>	<u>32,950</u>	<u>14,351,840</u>	<u>115,906</u>	<u>(42,000)</u>	<u>14,425,746</u>
Net Assets Released from restriction	<u>2,746</u>	<u>(2,746)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:						
Program services	12,209,215	-	12,209,215	-	(42,000)	12,167,215
Management and general	1,837,887	-	1,837,887	115,427	-	1,953,314
Total expenses	<u>14,047,102</u>	<u>-</u>	<u>14,047,102</u>	<u>115,427</u>	<u>(42,000)</u>	<u>14,120,529</u>
Change in net assets	274,534	30,204	304,738	479	-	305,217
Net assets, beginning of year	<u>5,329,861</u>	<u>-</u>	<u>5,329,861</u>	<u>79,858</u>	<u>-</u>	<u>5,409,719</u>
Net assets, end of year	<u>\$ 5,604,395</u>	<u>\$ 30,204</u>	<u>\$ 5,634,599</u>	<u>\$ 80,337</u>	<u>\$ -</u>	<u>\$ 5,714,936</u>

See accompanying notes to combined financial statements.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
WITH COMBINING INFORMATION
YEAR ENDED JUNE 30, 2012

	River Region Human Services, Inc.		River Region Foundation, Inc.	Elimination	Total
	Program Services	Management and General			
Salaries and related expenses:					
Salaries	\$ 7,221,783	\$ 689,875	\$ -	\$ -	\$ 7,911,658
Payroll taxes	490,840	68,689	-	-	559,529
Fringe benefits	1,064,409	210,385	-	-	1,274,794
Total salaries and related expenses	<u>8,777,032</u>	<u>968,949</u>	<u>-</u>	<u>-</u>	<u>9,745,981</u>
Expenses:					
Building occupancy	978,208	82,975	-	-	1,061,183
Professional services	836,289	292,687	3,225	-	1,132,201
Travel	213,491	11,172	-	-	224,663
Equipment costs	255,848	27,575	-	(43,200)	240,223
Food services	284,803	255	3,170	-	288,228
Medical pharmacy	333,270	1,441	-	-	334,711
Insurance	103,524	31,322	-	-	134,846
Promotions and meetings	6,588	12,154	-	-	18,742
Interest and bank charges	57,503	13,743	5,207	-	76,453
Operating supplies and expenses	1,145,089	35,495	79,444	-	1,260,028
Total expenses before depreciation	12,991,645	1,477,768	91,046	(43,200)	14,517,259
Depreciation	357,113	17,045	29,324	-	403,482
Total expenses	<u>\$ 13,348,758</u>	<u>\$ 1,494,813</u>	<u>\$ 120,370</u>	<u>\$ (43,200)</u>	<u>\$ 14,920,741</u>

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
WITH COMBINING INFORMATION
YEAR ENDED JUNE 30, 2011

	River Region Human Services, Inc.		River Region Foundation, Inc.	Elimination	Total
	Program Services	Management and General			
Salaries and related expenses:					
Salaries	\$ 6,385,911	\$ 982,145	\$ -	\$ -	\$ 7,368,056
Payroll taxes	467,488	49,114	-	-	516,602
Fringe benefits	<u>987,741</u>	<u>195,193</u>	-	-	<u>1,182,934</u>
Total salaries and related expenses	<u>7,841,140</u>	<u>1,226,452</u>	-	-	<u>9,067,592</u>
Expenses:					
Building occupancy	929,509	92,864	-	-	1,022,373
Professional services	793,857	225,226	3,950	-	1,023,033
Travel	197,101	22,170	185	-	219,456
Equipment costs	253,311	19,303	-	(42,000)	230,614
Food services	279,328	144	-	-	279,472
Medical pharmacy	271,257	2,146	-	-	273,403
Insurance	85,945	24,512	-	-	110,457
Promotions and meetings	5,196	19,291	-	-	24,487
Interest and bank charges	45,323	3,399	3,798	-	52,520
Operating supplies and expenses	<u>1,200,679</u>	<u>168,317</u>	<u>84,242</u>	-	<u>1,453,238</u>
Total expenses before depreciation	11,902,646	1,803,824	92,175	(42,000)	13,756,645
Depreciation	<u>306,569</u>	<u>34,063</u>	<u>23,252</u>	-	<u>363,884</u>
Total expenses	<u>\$ 12,209,215</u>	<u>\$ 1,837,887</u>	<u>\$ 115,427</u>	<u>\$ (42,000)</u>	<u>\$ 14,120,529</u>

See accompanying notes to combined financial statements.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINED STATEMENT OF CASH FLOWS
WITH COMBINING INFORMATION
YEAR ENDED JUNE 30, 2012

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
Cash flows from operating activities:				
Change in net assets	\$ (43,800)	\$ 5,022	\$ -	\$ (38,778)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	374,158	29,324	-	403,482
Loss on disposal of assets	6,065	-	-	6,065
Forgiveness of SHIP loan	(50,000)	-	-	(50,000)
Net changes in:				
Accounts receivable - grants	(140,350)	-	-	(140,350)
Restricted accounts receivable	(246,354)	-	-	(246,354)
Inventory	8,979	-	-	8,979
Prepaid expenses	(9,360)	-	-	(9,360)
Accounts payable and accrued liabilities	20,839	(1,434)	-	19,405
Tenant deposits	425	-	-	425
Net cash (used) provided by operating activities	<u>(79,398)</u>	<u>32,912</u>	<u>-</u>	<u>(46,486)</u>
Cash flows from investing activities:				
Purchases of property and equipment	<u>(217,036)</u>	<u>(18,649)</u>	<u>-</u>	<u>(235,685)</u>
Cash flows from financing activities:				
Proceeds from note payable	-	18,620	-	18,620
Payments on notes payable	<u>(72,478)</u>	<u>(28,617)</u>	<u>-</u>	<u>(101,095)</u>
Net cash used by financing activities	<u>(72,478)</u>	<u>(9,997)</u>	<u>-</u>	<u>(82,475)</u>
Net (decrease) increase in cash and cash equivalents	(368,912)	4,266	-	(364,646)
Cash and cash equivalents, beginning of year	<u>1,699,252</u>	<u>59,913</u>	<u>-</u>	<u>1,759,165</u>
Cash and cash equivalents, end of year	<u>\$ 1,330,340</u>	<u>\$ 64,179</u>	<u>\$ -</u>	<u>\$ 1,394,519</u>
Supplemental disclosure:				
Cash paid for interest	<u>\$ 64,607</u>	<u>\$ 5,207</u>	<u>\$ -</u>	<u>\$ 69,814</u>

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
COMBINED STATEMENT OF CASH FLOWS
WITH COMBINING INFORMATION
YEAR ENDED JUNE 30, 2011

	River Region Human Services, Inc.	River Region Foundation, Inc.	Elimination	Total
Cash flows from operating activities:				
Change in net assets	\$ 304,738	\$ 479	\$ -	\$ 305,217
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	340,632	23,252	-	363,884
Loss on disposal of assets	17,325	-	-	17,325
Forgiveness of SHIP loan	(50,000)	-	-	(50,000)
Net changes in:				
Accounts receivable - grants	129,389	-	-	129,389
Restricted accounts receivable	(30,204)	-	-	(30,204)
Inventory	(3,635)	-	-	(3,635)
Prepaid expenses and other assets	(26,295)	2,000	-	(24,295)
Accounts payable and accrued liabilities	(83,003)	1,434	-	(81,569)
Tenant deposits	1,955	-	-	1,955
Net cash provided by operating activities	600,902	27,165	-	628,067
Cash flows from investing activities:				
Purchases of property and equipment	(734,190)	(23,741)	-	(757,931)
Cash flows from financing activities:				
Proceeds from notes payable	-	23,740	-	23,740
Payments on notes payable	(46,889)	(25,996)	-	(72,885)
Net proceeds on the lines of credit	294,388	-	-	294,388
Net cash provided (used) by financing activities	247,499	(2,256)	-	245,243
Net increase in cash and cash equivalents	114,211	1,168	-	115,379
Cash and cash equivalents, beginning of year	1,585,041	58,745	-	1,643,786
Cash and cash equivalents, end of year	\$ 1,699,252	\$ 59,913	\$ -	\$ 1,759,165
Supplemental disclosure:				
Cash paid for interest	\$ 48,722	\$ 3,798	\$ -	\$ 52,520

See accompanying notes to combined financial statements.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

1. Nature of Business

River Region Human Services, Inc. is a not-for-profit organization incorporated under the laws of the State of Florida. River Region Human Services, Inc. provides services to the greater Jacksonville area, that focus on assisting persons in developing and maintaining a functional independent lifestyle free from the use of dependency-producing drugs, the debilitating effects of mental disorders, the commission of antisocial and criminal activities; and the ravages of sexually transmitted diseases by delivering an effective and coordinated continuum of education, prevention and treatment programs supported by medical and social services responsive to the needs of the clients.

River Region Foundation, Inc., (the “Foundation”) is a not-for-profit organization which provides financial and other support services and programs to River Region Human Services, Inc., (collectively the “Organization”).

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist in understanding the combined financial statements. The combined financial statements and accompanying notes are representations of the Organization’s management. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the combined financial statements.

Use of Estimates

The preparation of combined 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 of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Combination

The accompanying combined financial statements include the accounts of River Region Human Services, Inc. and River Region Foundation, Inc, which are under common control. Significant intercompany transactions and balances have been eliminated in the combination.

Basis of Presentation

In accordance with authoritative guidance, the Organization is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets - Net assets representing resources generated from operations that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

2. Summary of Significant Accounting Policies (Continued)

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that the assets must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. At June 30, 2012 and 2011, there were no permanently restricted net assets.

Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts. Management evaluates total accounts receivable, and includes in the allowance for doubtful accounts an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. The allowance for doubtful accounts was zero at June 30, 2012 and 2011.

Inventory

Inventory consists of medical and food supplies and is stated at lower of cost or market determined by the first-in first-out method.

Property and equipment

Property and equipment are recorded at cost and any purchases or donations in excess of \$1,000 are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair market value. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in operations.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements recorded at the inception of the lease are depreciated over the life of the lease, or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, the depreciation period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonable assured). Asset lives for financial statement reporting of depreciation are:

Buildings and improvements	5 – 39 years
Leasehold improvements	5 – 20 years
Furniture and equipment	3 – 20 years
Vehicles	5 years

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

2. Summary of Significant Accounting Policies (Continued)

Investments

Investments are carried at fair value (see note 4 for fair value measurements). Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in the combined statements of activities.

Restricted and Unrestricted Revenue and Support

In accordance with authoritative guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Income Taxes

Both organizations are private not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

The Organization evaluates its tax positions for any uncertainties based on the technical merits of the position taken. The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities.

Contribution of Services

A substantial number of volunteers have donated significant amounts of their time to the Organization. No amounts have been reflected in the combined statements for contributed services since the contribution of services did not create or enhance non-financial assets or require specialized skills. When professional services are donated, in-kind values are recorded as contributions.

Public Support

Public support revenues from government grants are recorded based on the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs or units of service of the specific grant provisions have been incurred or provided. Such revenue is subject to audit by the grantor and, if the examination results in a non-allowance of units of service or expenses, the Organization will be required to reimburse any overpayments.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

2. Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

Net patient service revenue included in program fees is recorded at standard rates which are reduced by allowances based upon the patient's financial capabilities and by amounts estimated by management to be non-reimbursable by third-party payers and state programs under the provisions of applicable program payment arrangements. Final determination of amounts earned is subject to third-party payer audit and retroactive adjustment.

Functional Expense Allocation

The costs of providing program and management activities have been summarized on a functional basis in the combined statement of activities and the combined statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subcontractor Fees

Subcontractors with whom the Organization conducts business are deemed to be vendor relationships.

Subsequent Events

The Organization has evaluated events through the date of the report of independent certified public accountants, the date the financial statements were available to be issued.

3. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Land	\$ 681,799	\$ 681,799
Buildings and improvements	4,075,628	4,070,998
Leasehold improvements	702,863	601,867
Furniture and equipment	1,234,260	1,154,206
Vehicles	<u>270,058</u>	<u>272,257</u>
Total property and equipment	6,964,608	6,781,127
Less: accumulated depreciation	<u>(2,080,491)</u>	<u>(1,723,148)</u>
Property and equipment, net	<u>\$ 4,884,117</u>	<u>\$ 5,057,979</u>

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

4. Fair Value Measurements

Authoritative guidance provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2012 and 2011. Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds: Valued at the net asset value of the units reported on the active market on which the individual securities are traded.

Interest accumulation account: Valued at cost, which approximates fair value, plus interest earned.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 112,812	\$ -	\$ -	\$ 112,812
2015 retirement fund	24,273	-	-	24,273
Interest accumulation account	<u>65,476</u>	<u>-</u>	<u>-</u>	<u>65,476</u>
Total assets at fair value	<u>\$ 202,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,561</u>

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

4. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 132,479	\$ -	\$ -	\$ 132,479
2015 retirement fund	20,287	-	-	20,287
Interest accumulation account	93,477	-	-	93,477
Total assets at fair value	<u>\$ 246,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,243</u>

There were no transfers between Level 1, Level 2 or Level 3 investments during the years ended June 30, 2012 and 2011.

5. Related Party Transactions

Expenses for each of the years ended June 30, 2012 and 2011 include \$43,200 and \$42,000 paid to the Foundation for equipment and vehicle rent which has been eliminated in the combined financial statements.

6. Matching Requirements

The Organization had a fixed price and unit of service contract that required cost sharing or match. The Organization received a portion of its support from the State of Florida, under contract number DDO33 with the Department of Children and Family Services. Income was recognized based on services provided. The contract required a 1/3 local match.

During the years ended June 30, 2012 and 2011, the required local match was as follows:

	<u>2012</u>	<u>2011</u>
Amount received or receivable requiring match	\$ 3,066,903	\$ 2,574,871
Match required - 1/3	<u>1,022,301</u>	<u>858,290</u>
Total	<u>\$ 4,089,204</u>	<u>\$ 3,433,161</u>

During the years ended June 30, 2012 and 2011, the Organization received \$2,083,158 and \$2,256,960, respectively, of local matching funds.

7. Lines of Credit

The Organization has an unfunded \$750,000 line of credit collateralized by the Organization's assets. The line of credit bears interest at prime (3.25% at June 30, 2012).

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

8. Notes payable

Notes payable consisted of the following at June 30:

	2012	2011
Mortgage payable to CNL Bank, payable in monthly installments of \$4,311, including interest at 6.25%, final payment due April 12, 2016; secured by certain real property of the Organization.	\$ 475,901	\$ 496,668
Mortgage payable to CNL Bank, payable in monthly installments of \$3,663 including interest at 6.25%, final payment due January 14, 2016; secured by certain real property of the Organization.	290,453	315,100
Note payable to Ford Motor Credit, payable in monthly installments of \$570 including interest at 6.99%, final payment due June 23, 2015; secured by a 2010 Ford Econoline.	18,389	23,740
Note payable to Jacksonville Housing Trust Fund (SHIP program), forgiven at the rate of \$50,000 per year for 15 years, with the first \$50,000 forgiven in 2010.	600,000	650,000
Note payable to CNL Bank, payable in monthly installments of \$767 including interest at 6.50%, final payment due August 27, 2012; secured by a 2006 RV – HIV Program.	1,522	10,311
Note payable to Ford Motor Credit, payable in monthly installments of \$584 including interest at 8.49%, final payment due February 16, 2014; secured by a 2009 Ford E350.	11,229	17,018
Note payable to Ford Motor Credit, payable in monthly installments of \$522 including interest at 8.49%, final payment due March 16, 2014; secured by a 2009 Ford E350.	10,036	15,211
Note payable to CNL Bank, payable in monthly installments of \$438 including interest of 6%, final payment due August 25, 2015; secured by a 2010 Kia Sedona.	15,107	-
Note payable for building renovations payable in monthly installments of \$3,108 including interest at 8%, final payment made on March 15, 2012; secured by the renovations.	-	27,064
Total notes payable	\$ 1,422,637	\$ 1,555,112

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

8. Notes payable (Continued)

Maturities of notes payable consisted of the following for the years subsequent to June 30, 2012:

2013	\$ 123,911
2014	122,644
2015	117,327
2016	658,755
2017	50,000
Thereafter	<u>350,000</u>
Total notes payable	<u>\$ 1,422,637</u>

In 2010, the Organization received a \$750,000 forgivable loan from the Jacksonville Housing Trust Fund (see above), through the SHIP program, to build and maintain single family homes for formerly homeless individuals. The terms of the loan require the Organization to continue to use the property for the stated purpose or the Organization will be in default and the loan will be due in full.

9. Employment and Retiree Benefits

The Organization has a tax deferred annuity retirement plan. Under the provisions of the plan, eligible employees can elect to have a portion of their salary withheld and contributed to the plan. The Organization's contributions are a percentage of the participating employee's salary. Total contributions included in employee fringe benefits made by the Organization for the years ended June 30, 2012 and 2011, were \$254,698 and \$283,682, respectively.

The Organization also has a non-qualified, deferred compensation plan for the benefit of certain members of management. At June 30, 2012 and 2011, investments related to the plan of \$202,561 and \$246,243 respectively, are included on the combined statements of financial position, and the related liability is included in accrued liabilities. Unrealized gains and losses on the investments and corresponding deferred compensation liability net to zero in the accompanying combined statements of activities. See note 4 for fair value measurements.

10. Medicaid Reimbursement

Laws and regulations governing the Medicaid program are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

11. Temporarily Restricted Net Assets

During 2011, the Organization received the use of a facility from June 2011 until May 2012, for the consideration of \$1. The lease was renewed in May of 2012 until May of 2013. In accordance with authoritative guidance, the contribution was recorded as a temporarily restricted receivable, measured at the fair rental value of the facility. The asset is released from restriction ratably over the life of the

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

11. Temporarily Restricted Net Assets (Continued)

lease; \$32,952 was released from restriction for the year ended June 30, 2012 and \$2,746 for the year ending June 30, 2011.

During 2012, the Organization received the use of a second facility from September 2011 until August 2012 for the consideration of \$1. In accordance with authoritative guidance, the contribution was recorded as a temporarily restricted receivable, measured at the fair rental value of the facility. The asset is released from restriction ratably over the life of the lease; \$22,394 was released from restriction for the year ending June 30, 2012.

12. Commitments and Contingencies

Concentrations of Credit Risk

The Organization places its cash and temporary cash investments with FDIC insured financial institutions. At times such investments may be in excess of the FDIC insurance limits. The Organization does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

Dependency on Government Support

The Organization receives a substantial amount of support from federal, state and local government agencies. A reduction in the level of future support from the federal, state or local governmental agencies could have a substantial effect on the Organization's programs and activities.

Operating Leases

The Organization leases certain equipment and facilities under operating lease agreements that expire at various dates as follows:

<u>Lease Location/Description</u>	<u>Lease Payment</u>	<u>Expiration Date</u>
390 Park Street	\$15,834/month	March 31, 2017
Lem Turner	2,900/month	Month-to-month
Neptune Beach	2,420/month	Year-to-year
Reyko Road	14,467/month	February 28, 2018
Julia Street	1,800/month	Year-to-year
Copier equipment	5,044/month	June 15, 2013
Postage meter	146/month	October 31, 2012
Scanner	155/month	July 31, 2017
Computer equipment	5,963/year	October 30, 2011

During the years ended June 30, 2012 and 2011, the Organization incurred expenses under these leases of \$533,843 and \$539,835, respectively. These expenses are included in building occupancy and equipment costs in the combined statements of functional expenses.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

12. Commitments and Contingencies (Continued)

Future minimum lease payments under non-cancelable leases with initial or remaining lease terms in excess of one year consisted of the following at June 30, 2012:

2013	\$ 441,723
2014	383,274
2015	383,274
2016	383,274
2017	331,321
Thereafter	<u>115,891</u>
Total minimum lease payments	<u>\$ 2,038,757</u>

OTHER FINANCIAL INFORMATION

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
YEAR ENDED JUNE 30, 2012

<u>Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project</u>	<u>Period</u>	<u>CFDA CFSA Number</u>	<u>Pass - Through Grantors Numbers</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
<i>Passed through Florida Department of Children and Family Services:</i>					
Block Grant for Prevention & Treatment of Substance Abuse (Children & Families)	7/1/10- 6/30/11	93.959	DD033	\$ 2,197,704	\$ -
Temporary Assistance for Needy Families (TANF)	7/1/10- 6/30/11	93.558	DD033	212,943	-
Social Services Block Grant	7/1/11- 6/30/12	93.667	DD033	3,554	-
				<u>2,414,201</u>	<u>-</u>
Sister Rise	9/30/10 - 9/29/11	93.243	5U79SP015073-03	43,986	-
Sister Rise	9/30/11- 9/29/12	93.243	5U79SP015073-04	287,521	-
WCFT (f.k.a. Pregnant and Postpartum Women)	9/30/10 - 9/29/11	93.243	5H79T1019596-03	154,960	-
Safe for Life Program-SFL	9/30/10- 9/29/11	93.243	1U79SP018136-01	79,815	-
Safe for Life Program-SFL	9/30/11- 9/29/12	93.243	1U79SP018136-02	201,567	-
Youth and Families @ LAST	9/30/10- 9/29/11	93.243	1H79T1023322-01	70,002	-
Youth and Families @ LAST	9/30/11- 9/29/12	93.243	1H79T1023322-02	212,526	-
HIV Prevention Projects for Community Based Organizations	7/1/11- 6/30/12	93.939	5U65PS002267-02	335,748	-
				<u>1,386,125</u>	<u>-</u>
<i>Passed through State of Florida Department of Health:</i>					
HIV Testing and Counseling Initiative	9/30/10 - 9/29/11	93.940	DV155	25,000	-
HIV Testing and Counseling Initiative	9/30/11 - 9/29/12	93.940	DV254	50,000	-
Promise/Bart	1/1/11 - 12/31/11	93.940	COD11	122,000	-
Promise/Bart	1/1/12 - 12/31/12	93.940	CODFD	122,000	-
DOH Mobile Unit- ATTI	9/30/10 - 9/29/11	93.940	DV156	16,667	-
DOH Mobile Unit- ATTI	9/30/11 - 9/29/12	93.940	DV253	33,333	-
DOH Mobile Unit- Ryan White	4/1/10 - 3/31/12	93.918	DV057	39,000	-
DOH Mobile Unit- Ryan White	4/1/12 - 3/31/13	93.918	DV255	13,000	-
				<u>421,000</u>	<u>-</u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2012

<u>Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project</u>	<u>Period</u>	<u>CFDA CFSA Number</u>	<u>Pass - Through Grantors Numbers</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<i>Passed through the City of Jacksonville, Florida:</i>					
HIV Emergency Relief Project Grants (Ryan White)	3/1/11 - 2/28/12	93.914	9442-11	\$ 279,099	\$ -
HIV Emergency Relief Project Grants (Ryan White)	3/1/12 - 2/28/13	93.914	9442-20	133,182	-
HIV Emergency Relief Project Grants (Ryan White)	6/1/12 - 2/28/13	93.914	9442-21	5,421	-
				<u>417,702</u>	<u>-</u>
Small Business Administration Grant	9/30/09 - 9/29/11	59.070	SBAHQ-09-B-0023	109,383	-
				<u>109,383</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
<i>Passed through the City of Jacksonville, Florida:</i>					
Housing Opportunities for Person with AIDS (HOPWA ANDYS PLACE)	10/1/10 - 9/30/11	14.241	9442-06	55,842	-
Housing Opportunities for Person with AIDS (HOPWA ANDYS PLACE)	10/1/11 - 9/30/12	14.241	9442-17	161,434	-
Housing Opportunities for Person with AIDS (HOPWA ALF)	10/1/10 - 9/30/11	14.241	9442-06	33,946	-
Housing Opportunities for Person with AIDS (HOPWA ALF)	10/1/11 - 9/30/12	14.241	9442-17	155,272	-
SPNS	11/1/11-10/31/14	14.241	FL-H11-0006	149,564	-
SHAP	6/1/11- 5/31/12	14.235	FL0322B4H101002	105,000	-
SHAP	6/1/12- 5/31/13	14.235	FL0322B4H101103	10,061	-
CHAMP	8/1/10 - 7/31/11	14.249	FL0134B4H100802	21,549	-
CHAMP	8/1/11 - 7/31/12	14.249	FL0134B4H101003	233,013	-
				<u>925,681</u>	<u>-</u>
FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES:					
Substance Abuse Prevention Services for Children	7/1/11- 6/30/12	60.029	DD033	-	70,059
Substance Abuse Treatment & Aftercare Services for Children	7/1/11- 6/30/12	60.030	DD033	-	342,115
Substance Abuse Prevention Services for Adults	7/1/11- 6/30/12	60.032	DD033	-	12,106

RIVER REGION HUMAN SERVICES, INC.
 SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS (CONTINUED)
 YEAR ENDED JUNE 30, 2012

<u>Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project</u>	<u>Period</u>	<u>CFDA CFSA Number</u>	<u>Pass - Through Grantors Numbers</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Substance Abuse Treatment & Aftercare Services for Adults	7/1/11- 6/30/12	60.033	DD033	\$ -	\$ 205,083
Adult Community Mental Health Community Support Services	7/1/11- 6/30/12	60.053	DD033	-	1,117,363
Adult Substance Abuse - Special Projects - Treatment and Aftercare	7/1/11- 6/30/11	60.101	DD033	-	681,107
Community Forensic Beds	7/1/11- 6/30/12	60.114	DD033	-	157,000
				<u>-</u>	<u>2,584,833</u>
Total expenditures of financial awards				<u>\$ 5,674,092</u>	<u>\$ 2,584,833</u>

See accompanying notes to schedule of expenditures of financial awards.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
YEAR ENDED JUNE 30, 2012

1. Basis of Accounting

The accompanying schedule of expenditures of financial awards includes the federal and state activity of River Region Human Services, Inc. and River Region Foundation, Inc. and is prepared on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Type A programs are those programs with expenditures of \$300,000 or more. All other programs are considered Type B.

2. Pass-through Awards

The Organization receives certain federal awards and state financial assistance from pass-through awards of the state, local government and other entities. The total amount of such pass-through awards is included in the schedule of expenditures of financial awards.

RIVER REGION HUMAN SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

Program Services

	Program Services									Management and General	Total	
	Case Management	Intervention	Methadone	Outpatient	Prevention	Residential	Adult Living Facilities	Corrections	Other Programs			Total Program Services
Salaries	\$ 597,354	\$ 68,258	\$ 1,192,008	\$ 738,849	\$ 1,387,200	\$ 1,306,777	\$ 144,202	\$ 1,363,241	\$ 423,894	\$ 7,221,783	\$ 689,875	\$ 7,911,658
Payroll taxes	42,509	4,972	75,384	52,079	93,907	84,227	10,938	99,335	27,489	490,840	68,689	559,529
Fringe benefits	112,480	33,596	159,556	112,204	201,566	139,524	35,185	188,860	81,438	1,064,409	210,385	1,274,794
Total salaries and related services	<u>752,343</u>	<u>106,826</u>	<u>1,426,948</u>	<u>903,132</u>	<u>1,682,673</u>	<u>1,530,528</u>	<u>190,325</u>	<u>1,651,436</u>	<u>532,821</u>	<u>8,777,032</u>	<u>968,949</u>	<u>9,745,981</u>
Building occupancy	37,236	13,071	120,532	184,903	200,534	185,947	79,333	89,137	67,515	978,208	82,975	1,061,183
Professional services	109,498	685	166,104	21,179	238,671	27,892	11,559	214,856	45,845	836,289	292,687	1,128,976
Travel	15,178	1,536	12,522	28,918	60,764	20,970	728	55,814	17,061	213,491	11,172	224,663
Equipment costs	18,367	-	25,087	33,730	46,234	72,529	3,278	41,353	15,270	255,848	27,575	283,423
Food services	45,852	-	195	721	8,133	142,049	65,344	-	22,509	284,803	255	285,058
Medical pharmacy	-	-	277,205	4,582	13,077	11,694	906	759	25,047	333,270	1,441	334,711
Insurance	13,029	3,489	8,059	10,264	21,390	11,283	17,478	6,064	12,468	103,524	31,322	134,846
Conferences and meetings	578	-	268	-	2,659	943	252	1,704	184	6,588	12,154	18,742
Interest and bank charges	19,784	-	5,869	-	-	-	19,313	1,358	11,179	57,503	13,743	71,246
Operating supplies and expenses	104,707	2,364	40,831	32,915	126,614	98,960	82,462	230,509	425,727	1,145,089	35,495	1,180,584
Sub-total	<u>364,229</u>	<u>21,145</u>	<u>656,672</u>	<u>317,212</u>	<u>718,076</u>	<u>572,267</u>	<u>280,653</u>	<u>641,554</u>	<u>642,805</u>	<u>4,214,613</u>	<u>508,819</u>	<u>4,723,432</u>
Total expenses before depreciation	1,116,572	127,971	2,083,620	1,220,344	2,400,749	2,102,795	470,978	2,292,990	1,175,626	12,991,645	1,477,768	14,469,413
Depreciation	33,013	11,005	11,595	33,014	33,014	89,809	128,056	17,607	-	357,113	17,045	374,158
Total expenses	<u>\$ 1,149,585</u>	<u>\$ 138,976</u>	<u>\$ 2,095,215</u>	<u>\$ 1,253,358</u>	<u>\$ 2,433,763</u>	<u>\$ 2,192,604</u>	<u>\$ 599,034</u>	<u>\$ 2,310,597</u>	<u>\$ 1,175,626</u>	<u>\$ 13,348,758</u>	<u>\$ 1,494,813</u>	<u>\$ 14,843,571</u>

RIVER REGION HUMAN SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

Program Services

	Program Services										Management and General	Total
	Case Management	Intervention	Methodone	Outpatient	Prevention	Residential	Adult Living Facilities	Corrections	Other Programs	Total Program Services		
Salaries	\$ 623,044	\$ 90,991	\$ 863,667	\$ 567,691	\$ 1,086,061	\$ 1,262,766	\$ 141,150	\$ 1,398,447	\$ 352,094	\$ 6,385,911	\$ 982,145	\$ 7,368,056
Payroll taxes	45,502	6,521	63,008	40,607	82,583	91,440	9,474	100,859	27,494	467,488	49,114	516,602
Fringe benefits	94,667	30,263	127,093	75,072	181,677	189,717	23,067	212,691	53,494	987,741	195,193	1,182,934
Total salaries and related expenses	<u>763,213</u>	<u>127,775</u>	<u>1,053,768</u>	<u>683,370</u>	<u>1,350,321</u>	<u>1,543,923</u>	<u>173,691</u>	<u>1,711,997</u>	<u>433,082</u>	<u>7,841,140</u>	<u>1,226,452</u>	<u>9,067,592</u>
Building occupancy	114,997	16,874	78,599	158,440	171,746	190,103	74,934	68,912	54,904	929,509	92,864	1,022,373
Professional services	100,620	285	292,962	28,832	311,064	29,541	11,086	10,402	9,065	793,857	225,226	1,019,083
Travel	23,801	1,147	12,770	19,630	64,592	17,731	618	34,360	22,452	197,101	22,170	219,271
Equipment costs	29,024	250	24,149	25,308	47,969	70,971	5,021	41,407	9,212	253,311	19,303	272,614
Food services	44,012	-	31	371	24,193	145,496	50,681	40	14,504	279,328	144	279,472
Medical pharmacy	-	-	238,578	142	3,314	10,796	-	294	18,133	271,257	2,146	273,403
Insurance	9,156	3,223	7,327	10,316	15,521	6,905	15,895	5,776	11,826	85,945	24,512	110,457
Conferences and meetings	820	-	250	95	1,258	515	142	2,116	-	5,196	19,291	24,487
Interest and bank charges	16,983	-	8,525	59	-	638	17,490	1,628	-	45,323	3,399	48,722
Operating supplies and expenses	122,934	26,857	41,688	24,507	115,454	80,822	7,297	248,762	532,358	1,200,679	168,317	1,368,996
Sub-total	<u>462,347</u>	<u>48,636</u>	<u>704,879</u>	<u>267,700</u>	<u>755,111</u>	<u>553,518</u>	<u>183,164</u>	<u>413,697</u>	<u>672,454</u>	<u>4,061,506</u>	<u>577,372</u>	<u>4,638,878</u>
Total expenses before depreciation	1,225,560	176,411	1,758,647	951,070	2,105,432	2,097,441	356,855	2,125,694	1,105,536	11,902,646	1,803,824	13,706,470
Depreciation	30,657	10,219	28,954	30,657	30,657	137,955	20,438	17,032	-	306,569	34,063	340,632
Total expenses	<u>\$ 1,256,217</u>	<u>\$ 186,630</u>	<u>\$ 1,787,601</u>	<u>\$ 981,727</u>	<u>\$ 2,136,089</u>	<u>\$ 2,235,396</u>	<u>\$ 377,293</u>	<u>\$ 2,142,726</u>	<u>\$ 1,105,536</u>	<u>\$ 12,209,215</u>	<u>\$ 1,837,887</u>	<u>\$ 14,047,102</u>

See report of independent certified public accountants.

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
YEAR ENDED JUNE 30, 2012

Jacksonville Juvenile Drug Court Program (no budget amount or grant number)

City FY 2010-2011

Item	Budgeted	Actual 10/1/10- 6/30/11	Actual 7/1/11- 9/30/11	Total Actual	Remaining Balance
Salaries and wages	\$ -	\$ 82,175	\$ 28,185	\$ 110,360	\$ -
Total	<u>\$ -</u>	<u>\$ 82,175</u>	<u>\$ 28,185</u>	<u>\$ 110,360</u>	<u>\$ -</u>

City FY 2011-2012

Item	Budgeted	Actual 10/1/11- 6/30/12	Actual 7/1/12- 9/30/12	Total Actual	Remaining Balance
Salaries and wages	\$ -	\$ 48,840	\$ -	\$ 48,840	\$ -
Total	<u>\$ -</u>	<u>\$ 48,840</u>	<u>\$ -</u>	<u>\$ 48,840</u>	<u>\$ -</u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
YEAR ENDED JUNE 30, 2012

City of Jacksonville Public Service Grant

<u>Receipt of Funds</u>	City FY 2010- 2011 Grant No. 9442-08	City FY 2011- 2012 Grant No. 9442-18
Amount of award (per city budget ordinance)	\$ 33,942	\$ 26,079
Actual funds received from city in last audit period	(23,967)	-
Actual amount received this period	<u>(9,975)</u>	<u>(18,586)</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 7,493</u>

City FY 2010-2011 Grant No. 9442-08 - \$33,942

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/10- 6/30/11</u>	<u>Actual 7/1/11- 9/30/11</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Property and liability insurance	\$ 1,124	\$ 843	\$ 281	\$ 1,124	\$ -
Supplies	658	369	289	658	-
Direct client expense	<u>32,160</u>	<u>22,755</u>	<u>9,405</u>	<u>32,160</u>	<u>-</u>
Total	<u>\$ 33,942</u>	<u>\$ 23,967</u>	<u>\$ 9,975</u>	<u>\$ 33,942</u>	<u>\$ -</u>

City FY 2011-2012 Grant No. 9442-18 - \$26,079

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/11- 6/30/12</u>	<u>Actual 7/1/12- 9/30/12</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Property and liability insurance	\$ 7,166	\$ 4,593	\$ -	\$ 4,593	\$ 2,573
Supplies	1,758	1,127	-	1,127	631
Direct client expense	<u>17,155</u>	<u>12,866</u>	<u>-</u>	<u>12,866</u>	<u>4,289</u>
Total	<u>\$ 26,079</u>	<u>\$ 18,586</u>	<u>\$ -</u>	<u>\$ 18,586</u>	<u>\$ 7,493</u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
YEAR ENDED JUNE 30, 2012

City of Jacksonville Corrections Program

<u>Receipt of Funds</u>	City FY 2010- 2011 Grant No. 5658-89	City FY 2011- 2012 Grant No. 5658-89
Amount of award (per city budget ordinance)	\$ 1,487,761	\$ 1,487,761
Actual funds received from city in last audit period	(1,080,122)	-
Actual amount received this period	<u>(405,011)</u>	<u>(989,969)</u>
Amount remaining to be distributed	<u>\$ 2,628</u>	<u>\$ 497,792</u>

City FY 2010-2011 Grant No.5658-89- \$1,487,761

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/10- 6/30/11</u>	<u>Actual 7/1/11- 9/30/11</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 1,144,904	\$ 809,742	\$ 297,049	\$ 1,106,791	\$ 38,113
Indirect cost	137,389	97,169	35,646	132,815	4,574
Equipment, materials, supplies	34,764	41,443	30,095	71,538	(36,774)
Aftercare	20,500	10,960	7,487	18,447	2,053
Special services	14,540	4,825	1,685	6,510	8,030
Client assistance	116,664	101,396	27,864	129,260	(12,596)
Training and mileage	<u>19,000</u>	<u>14,587</u>	<u>5,185</u>	<u>19,772</u>	<u>(772)</u>
Total	<u>\$ 1,487,761</u>	<u>\$ 1,080,122</u>	<u>\$ 405,011</u>	<u>\$ 1,485,133</u>	<u>\$ 2,628</u>

City FY 2011-2012 Grant No.5658-89- \$1,487,761

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/11- 6/30/12</u>	<u>Actual 7/1/12- 9/30/12</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 1,144,428	\$ 773,233	\$ -	\$ 773,233	\$ 371,195
Indirect cost	137,331	92,788	-	92,788	44,543
Equipment, materials, supplies	35,298	28,757	-	28,757	6,541
Aftercare	21,500	10,400	-	10,400	11,100
Special services	14,540	8,947	-	8,947	5,593
Client assistance	115,664	68,786	-	68,786	46,878
Training and mileage	<u>19,000</u>	<u>7,058</u>	<u>-</u>	<u>7,058</u>	<u>11,942</u>
Total	<u>\$ 1,487,761</u>	<u>\$ 989,969</u>	<u>\$ -</u>	<u>\$ 989,969</u>	<u>\$ 497,792</u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
YEAR ENDED JUNE 30, 2012

Case Management & Drop-in Services (City Match)

<u>Receipt of Funds</u>	City FY 2010- 2011 Grant No. 9442-10	City FY 2011- 2012 Grant No. 9442-16
Amount of award (per city budget ordinance)	\$ 43,266	\$ 43,266
Actual funds received from city in last audit period	(32,450)	-
Actual amount received this period	<u>(10,816)</u>	<u>(32,450)</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 10,816</u>

City FY 2010-2011 Grant No.9442-10 \$43,266

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/10- 6/30/11</u>	<u>Actual 7/1/11- 9/30/11</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 43,266	\$ 32,450	\$ 10,816	\$ 43,266	\$ -
Total	<u>\$ 43,266</u>	<u>\$ 32,450</u>	<u>\$ 10,816</u>	<u>\$ 43,266</u>	<u>\$ -</u>

City FY 2011-2012 Grant No.9442-16 - \$43,266

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/11- 6/30/12</u>	<u>Actual 7/1/12- 9/30/12</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 43,266	\$ 32,450	\$ -	\$ 32,450	\$ 10,816
Total	<u>\$ 43,266</u>	<u>\$ 32,450</u>	<u>\$ -</u>	<u>\$ 32,450</u>	<u>\$ 10,816</u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
YEAR ENDED JUNE 30, 2012

City of Jacksonville Substance Abuse (City Match)

<u>Receipt of Funds</u>	City FY 2010- 2011 Grant No. 9442-09	City FY 2011- 2012 Grant No. 9442-15
Amount of award (per city budget ordinance)	\$ 593,345	\$ 593,345
Actual funds received from city in last audit period	(445,009)	-
Actual amount received this period	<u>(148,336)</u>	<u>(445,009)</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 148,336</u>

City FY 2010-2011 Grant No. 9442-09-\$593,345

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/10- 6/30/11</u>	<u>Actual 7/1/11- 9/30/11</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 593,345	\$ 445,009	\$ 148,336	\$ 593,345	\$ -
Total	<u>\$ 593,345</u>	<u>\$ 445,009</u>	<u>\$ 148,336</u>	<u>\$ 593,345</u>	<u>\$ -</u>

City FY 2011-2012 Grant No. 9442-15-\$593,345

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/11- 6/30/12</u>	<u>Actual 7/1/12- 9/30/12</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 593,345	\$ 445,009	\$ -	\$ 445,009	\$ 148,336
Total	<u>\$ 593,345</u>	<u>\$ 445,009</u>	<u>\$ -</u>	<u>\$ 445,009</u>	<u>\$ 148,336</u>

RIVER REGION HUMAN SERVICES, INC.
SCHEDULE OF LOCAL GRANT PROGRAMS
YEAR ENDED JUNE 30, 2012

City of Jacksonville Public Service Grant: Residential Treatment

<u>Receipt of Funds</u>	City FY 2010- 2011 Grant No. 9442-08	City FY 2011- 2012 Grant No. 9442-18
Amount of award (per city budget ordinance)	\$ 48,300	\$ 38,347
Actual funds received from city in last audit period	(46,921)	-
Actual amount received this period	<u>(1,379)</u>	<u>(18,232)</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 20,115</u>

City FY 2010-2011 Grant No. 9442-07 - \$48,300

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/10- 6/30/11</u>	<u>Actual 7/1/11- 9/30/11</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Direct client expense	\$ 48,300	\$ 46,921	\$ 1,379	\$ 48,300	-
Total	<u>\$ 48,300</u>	<u>\$ 46,921</u>	<u>\$ 1,379</u>	<u>\$ 48,300</u>	<u>\$ -</u>

City FY 2011-2012 Grant No. 9442-19 - \$38,347

<u>Item</u>	<u>Budgeted</u>	<u>Actual 10/1/11- 6/30/12</u>	<u>Actual 7/1/12- 9/30/12</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries and wages	\$ 27,140	\$ 11,901	\$ -	\$ 11,901	\$ 15,239
Benefits	6,657	2,919	-	2,919	3,738
Operating expenses	<u>4,550</u>	<u>3,412</u>	<u>-</u>	<u>3,412</u>	<u>1,138</u>
Total	<u>\$ 38,347</u>	<u>\$ 18,232</u>	<u>\$ -</u>	<u>\$ 18,232</u>	<u>\$ 20,115</u>

LBA Certified Public Accountants, PA

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
River Region Human Services, Inc.
and River Region Foundation, Inc.
Jacksonville, Florida

We have audited the combined financial statements of River Region Human Services, Inc. and River Region Foundation, Inc. (collectively the "Organization") as of and for the year ended June 30, 2012, and have issued our report thereon October 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Organization in a separate letter dated October 24, 2012.

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

LBA Certified Public Accountants, P.A.

October 24, 2012

LBA Certified Public Accountants, PA

**Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal
Control over Compliance in Accordance with OMB Circular A-133 and Chapter
10.650, Rules of the Auditor General of the State of Florida**

To the Board of Directors
River Region Human Services, Inc.
and River Region Foundation, Inc.
Jacksonville, Florida

Compliance

We have audited River Region Human Services, Inc. (a not-for-profit organization) and River Region Foundation, Inc.'s (a not-for-profit organization), (collectively, the "Organization") compliance with the types of compliance requirements described in the 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 the Organization's major federal programs and state projects for the year ended June 30, 2012. The Organization's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General 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 a state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General* of the State of Florida and which are described in the accompanying schedule of findings and questioned costs as items 2012-2, 2012-3 and 2012-4.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program or a state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, but not for the purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider being significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Organization's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Organization's responses and, accordingly, we express no opinion on the responses.

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

LBA Certified Public Accountants, P.A.

October 24, 2012

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency(ies) identified, not considered to be material weakness(es)?	___ Yes <u>X</u> No
Control deficiency(ies) identified not considered to be significant deficiency(ies)?	<u>X</u> Yes ___ No
Noncompliance material to financial statement noted?	___ Yes <u>X</u> No

Federal Awards and State Financial Assistance Section

Dollar Threshold used to determine Type A programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee for federal awards purposes?	<u>X</u> Yes ___ No
Auditee qualified as low-risk auditee for state financial assistance purposes?	<u>X</u> Yes ___ No
Type of auditor's report on compliance for major programs/projects:	<u>Unqualified</u>
Internal control over compliance:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency (ies) identified not considered to be material weakness(es)?	<u>X</u> Yes ___ No
Control deficiency(ies) identified, not considered to be significant deficiency(ies)?	<u>X</u> Yes ___ No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section 501(a)) and Chapter 10.650, <i>Rules of the Auditor General</i> of the State of Florida	<u>X</u> Yes ___ No

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2012

Summary of Auditor's Results (Continued)

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.241	Housing Opportunities for Persons with AIDS (HOPWA)
14.241	SPNS
14.249	CHAMP
93.243	Sister Rise
93.243	WCFT
93.243	Safe for Life Program- SFL
93.243	Youth and Families @ LAST
93.558	Temporary Assistance for Needy Families (TANF)
93.914	HIV Emergency Relief Project Grants (Ryan White)
93.939	HIV Prevention Projects for Community Based Organizations
93.959	Block Grant for Prevention and Treatment of Substance Abuse (Children and Families)

Identification of major state projects:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
60.029	Substance Abuse Prevention Services for Children
60.030	Substance Abuse Treatment & Aftercare Services for Children
60.032	Substance Abuse Prevention Services for Adults
60.033	Substance Abuse Treatment & Aftercare Services for Adults
60.053	Adult Community Mental Health Community Support Services
60.101	Adult Substance Abuse - Special Projects - Treatment & Aftercare
60.114	Community Forensic Beds

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF FINDINGS - FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

There were no findings required to be reported.

Certain findings were reported to management through a comment letter, dated October 24, 2012.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2012

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2012-1 Significant Deficiency

Youth and Families @ LAST – CFDA 93.243

Grant numbers: 1H79T1023322-01 – Period from 9/30/10 to 9/29/11
1H79T1023322-02 – Period from 9/30/11 to 9/29/12

HIV Emergency Relief Project Grants – (Ryan White) CFDA 93.914

Grant numbers: 9442-11 – Period from 3/1/11 to 2/28/12
9442-20 – Period from 3/1/12 to 2/28/13
9442-21 – Period from 6/1/12 to 2/28/13

Condition: The Organization did not maintain complete files for all clients served.

Criteria: The grant documents require that the Organization maintains complete files for any client served.

Cause: The Organization does not have a quality control checklist to indicate all documents required to be maintained in a client's file to be compliant with the grant requirements.

Effect: When the Organization does not have a complete case file, the client or services performed could be deemed ineligible. The Organization is also not compliant with the required documentation standards of the grants.

Context: We noted that 5 out of the 60 files reviewed under the Ryan White grant were not complete. We noted 2 out of the 5 files reviewed under the Youth and Families @ LAST grant were not complete.

Auditor's Comment: We recommend that a quality control checklist is created for each grant, and a periodic file review is conducted to ensure that all clients served have complete files, in accordance with the grant requirements.

Finding 2012-2 HIV Emergency Relief Project Grants – (Ryan White) CFDA 93.914

Grant numbers: 9442-11 – Period from 3/1/11 to 2/28/12
9442-20 – Period from 3/1/12 to 2/28/13
9442-21 – Period from 6/1/12 to 2/28/13

Condition: During our testing of eligibility we noted instances where the proof of HIV positivity was not obtained for the client served.

Criteria: The grant requires that the Organization verify the HIV status of all clients served under these programs, and that this documentation is maintained in the client's file.

Cause: In each of the instances where the proof of HIV positivity was not obtained, we noted that the client was served less than three months by the Organization. We further noted that the grant these clients were served under was not renewed. The Organization did not follow up on the closed cases to obtain proof of HIV positivity.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2012

Effect: The Organization is not compliant with the documentation requirements of the grant, and the clients may have been ineligible for services during the period of time served by the Organization.

Context: We noted 3 out of the 60 files reviewed did not have proof of HIV positivity.

Auditor's Comment: We recommend that a quality control checklist is created for each grant, and a periodic file review is conducted to ensure that all clients served have complete files, in accordance with the grant requirements. We also recommend that all required documentation is obtained regardless of the amount of time the client is served by the Organization.

Finding 2012-3 HIV Emergency Relief Project Grants (Ryan White) – CFDA 93.914
Grant numbers: 9442-11 – Period from 3/1/11 to 2/28/12
 9442-20 – Period from 3/1/12 to 2/28/13
 9442-21 – Period from 6/1/12 to 2/28/13

Condition: During our testing of level of effort reported to the granting agency we noted instances where the case management notes were not recorded for the services billed.

Criteria: The grant requires that the Organization record case notes for all client visits and that those notes are kept with the client file.

Cause: The individual services were entered into the Ryan White CareWare, but the service notes were not maintained. In one instance the service notes were entered on the incorrect client.

Effect: The Organization is not compliant with the documentation requirements of the grant, and the services reported to the funding agency may not be accurate.

Context: We noted 3 services out the 60 client services reviewed where the case management notes were not available.

Auditor's Comment: We recommend that a quality control checklist is created for each grant, and a periodic file review is conducted to ensure that all clients served have complete files, in accordance with the grant requirements.

Finding 2012-4 Youth and Families @ LAST – CFDA 93.243
Grant numbers: 1H79T1023322-01 – Period from 9/30/10 to 9/29/11
 1H79T1023322-02 – Period from 9/30/11 to 9/29/12

Condition: During our testing of the client files we noted that the required GAIN consent form was not obtained for every client served.

Criteria: The grant requires that the Organization obtain the GAIN consent form for each person served under this grant. The consent form must be maintained in the client's file.

Cause: The Organization did not establish policies to ensure that all required forms were obtained from the clients.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2012

Effect: The Organization is not compliant with the documentation requirements of the grant, and the client served may not have been appropriately informed of their privacy rights.

Context: We noted 2 instances in the 5 clients reviewed under this grant where the case management notes were not available.

Auditor's Comment: We recommend that a quality control checklist is created for each grant, and a periodic file review is conducted to ensure that all clients served have complete files, in accordance with the grant requirements.

There were certain additional findings required to be reported to management through a comment letter, dated October 24, 2012.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS -
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2012

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2011-1 Significant Deficiency

Sister Rise – CFDA 93.243, WCFT – CFDA 93.243

Grant numbers: 5U79SP015073-02 and 03 – Year ending 9/28/2013
5H79TI019596-02 and 03 – Year ending 9/28/2011

Condition: On October 22, 2010, the Organization implemented an electronic time keeping system, to track employee hours worked by grant. To correct any input errors, employees can make adjustments to their time allocation before midnight of the day the time was entered. The employee's supervisor can adjust time for employee input errors up until the end of the bi-monthly pay period. The Payroll Specialist can adjust time for employee input error, up until the date the payroll information is recorded in the general ledger. During the year ended June 30, 2011, we noted that the Payroll Specialist adjusted certain employees' time based on their salary allocation in grant budgets, which differed from the time the employees entered.

Auditor's Comment: The Payroll Specialist should only adjust employee's time allocation if they notify her that they made an input error. In order to comply with the cost principles of OMB Circular A-122, she should not reallocate time based on grant budgets.

Current Status: We did not note any instances in our testing during 2012 where the Payroll Specialist adjusted the employee's time allocation based on the grant budget.

Finding 2011-2 Sister Rise – CFDA 93.243, WCFT – CFDA 93.423

Grant numbers: 5U79SP015073-02 and 03 – Year ending 9/28/2013
5H79TI019596-02 and 03 – Year ending 9/28/2011

Condition: During our testing of monthly payroll charges submitted to these awards, instances occurred where the time keeping records did not support the salaries submitted for reimbursement.

Auditor's Comment: We recommended that the Organization institute a procedure to reconcile the salary amount charged to the grant to the actual time worked per the employee's time sheet.

Current Status: Based on our testing, the amounts charged to the grants were based on the actual time worked per the employee time sheet.

Finding 2011-3 HIV Prevention Projects for Community Based Organizations – CFDA 93.939

Grant number: 1U65PS002267-01– Year ending 6/30/2011

Significant Deficiency: The significant deficiency noted at Finding 2011-1 under the Sister Rise and WCFT grants also applied to this grant. We did not note any instances in our testing during 2012 where the Payroll Specialist adjusted the employee's time allocation based on the grant budget.

RIVER REGION HUMAN SERVICES, INC. AND RIVER REGION FOUNDATION, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS -
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2012

Finding 2011-4 HIV Prevention Projects for Community Based Organizations – CFDA 93.939
Grant number: 1U65PS002267-01– Year ending 6/30/2011

Condition: During our of testing of monthly payroll charges submitted to these awards, an instance occurred where the time keeping record did not support the salary submitted for reimbursement.

Auditor’s Comment: We recommended that the Organization institute a procedure to reconcile the salary amount charged to the grant to the actual time worked per the employee's time sheet.

Current Status: Based on our testing, the amounts charged to the grants were based on the actual time worked per the employee time sheet.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT passed through City of Jacksonville

Finding 2011-5 Housing Opportunities for Persons with Aids – CFDA 14.241
Grant numbers: 5658-98– Year ending 9/30/2010
 9442-06– Year ending 9/30/2011

Significant Deficiency: The significant deficiency noted at Finding 2011-1 under the Sister Rise and WCFT grants also applied to this grant. We did not note any instances in our testing during 2012 where the Payroll Specialist adjusted the employee's time allocation based on the grant budget.

Finding 2011-6 Housing Opportunities for Persons with Aids (HOPWA) – CFDA 14.241
Grant numbers: 5658-98– Year ending 9/30/2010
 9442-06– Year ending 9/30/2011

Condition: During our testing of monthly payroll charges submitted to these awards, instances occurred where the time keeping records did not support the salaries submitted for reimbursement.

Auditor’s Comment: We recommended that the Organization institute a procedure to reconcile the salary and fringe benefit amounts charged to the grant to the actual time worked per the employee's time sheet.

Current Status: Based on our testing, the amounts charged to the grants were based on the actual time worked per the employee time sheet.

There were no prior audit findings related to Federal Programs or State Projects that were required to be reported to management through a comment letter.



Management Response to Audit Findings

The management of River Region Human Services, Inc would like to take this opportunity to address the Summary Schedule of Findings and Questioned Costs for the year ended June 30, 2012.

Condition: 2012-1:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2012-1 Significant Deficiency

Youth and Families @ LAST – CFDA 93.243

Grant numbers: 1H79T1023322-01 – Period from 9/30/10 to 9/29/11
1H79T1023322-02 – Period from 9/30/11 to 9/29/12

HIV Emergency Relief Project Grants – (Ryan White) CFDA 93.914

Grant numbers: 9442-11 – Period from 3/1/11 to 2/28/12
9442-20 – Period from 3/1/12 to 2/28/13
9442-21 – Period from 6/1/12 to 2/28/13

Condition: The Organization did not maintain complete files for all clients served.

Criteria: The grant documents require that the Organization maintains complete files for any client served.

Cause: The Organization does not have a quality control checklist to indicate all documents required to be maintained in a client's file to be compliant with the grant requirements.

Effect: When the Organization does not have a complete case file, the client or services performed could be deemed ineligible. The Organization is also not compliant with the required documentation standards of the grants.

Context: We noted that 5 out of the 60 files reviewed under the Ryan White grant were not complete. We noted 2 out of the 5 files reviewed under the Youth and Families @ LAST grant were not complete.

Auditor's Comment: We recommend that a quality control checklist is created for each grant, and a periodic file review is conducted to ensure that all clients served have complete files, in accordance with the grant requirements.

Management's Response:

We are currently revising our Client Record Review system to: 1) ensure record review checklists include specific grant requirements; and 2) strengthen our current record review processes.

We are revising our current Contract Compliance program to ensure there is a centralized listing of all current contracts that includes the specific requirements of each grant. The system revision will also include a structured process for orienting employees, as applicable, on specific grant requirements, tracking adherence, and review processes to ensure all requirements are met.

Finding 2012-2 HIV Emergency Relief Project Grants – (Ryan White) CFDA 93.914
Grant numbers: 9442-11 – Period from 3/1/11 to 2/28/12
 9442-20 – Period from 3/1/12 to 2/28/13
 9442-21 – Period from 6/1/12 to 2/28/13

Condition: During our testing of eligibility we noted instances where the proof of HIV positivity was not obtained for the client served.

Criteria: The grant requires that the Organization verifies the HIV status of all clients served under these programs, and that this documentation is maintained in the client's file.

Cause: In each of the instances where the proof of HIV positivity was not obtained, we noted that the client was served less than three months by the Organization. We further noted that the grant these clients were served under was not renewed. The Organization did not follow up on the closed cases to obtain proof of HIV positivity.

Effect: The Organization is not compliant with the documentation requirements of the grant, and the clients may have been ineligible for services during the period of time served by the Organization.

Context: We noted 3 out of the 60 files reviewed did not have proof of HIV positivity.

Auditor's Comment: We recommend that a quality control checklist is created for each grant, and a periodic file review is conducted to ensure that all clients served have complete files, in accordance with the grant requirements. We also recommend that all required documentation is obtained regardless of the amount of time the client is served by the Organization.

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Finding 2012-3 HIV Emergency Relief Project Grants (Ryan White) – CFDA 93.914
Grant numbers: 9442-11 – Period from 3/1/11 to 2/28/12
9442-20 – Period from 3/1/12 to 2/28/13
9442-21 – Period from 6/1/12 to 2/28/13

Condition: During our testing of level of effort reported to the granting agency we noted instances where the case management notes were not recorded for the services billed.

Criteria: The grant requires that the Organization record case notes for all client visits and that those notes are kept with the client file.

Cause: The individual services were entered into the Ryan White CareWare, but the service notes were not maintained. In one instance the service notes were entered on the incorrect client.

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Finding 2012-4 Youth and Families @ LAST – CFDA 93.243
Grant numbers: 1H79T1023322-01 – Period from 9/30/10 to 9/29/11
1H79T1023322-02 – Period from 9/30/11 to 9/29/12

Condition: During our testing of the client files we noted that the required GAIN consent form was not obtained for every client served.

Criteria: The grant requires that the Organization obtain the GAIN consent form for each person served under this grant. The consent form must be maintained in the client's file.

Cause: The Organization did not establish policies to ensure that all required forms were obtained from the clients.

Effect: The Organization is not compliant with the documentation requirements of the grant, and the client served may not have been appropriately informed of their privacy rights.

Context: We noted 2 instances in the 5 clients reviewed under this grant where the case management notes were not available.

Auditor's Comment: We recommend that a quality control checklist is created for each grant, and a periodic file review is conducted to ensure that all clients served have complete files, in accordance with the grant requirements.

Management's Response:

We are currently revising our Client Record Review system to: 1) ensure record review checklists include specific grant requirements; and 2) strengthen our current record review processes.

We are revising our current Contract Compliance program to ensure there is a centralized listing of all current contracts that includes the specific requirements of each grant. The system revision will also include a structured process for orienting employees, as applicable, on specific grant requirements, tracking adherence, and review processes to ensure all requirements are met.



Tiffany Galvin Green, Ph.D.
Chief Executive Officer



Ed McCall
Chief Financial Officer

