

**WESLEY HOUSE FAMILY SERVICES, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEARS ENDED JUNE 30, 2012 AND 2011**

**WESLEY HOUSE FAMILY SERVICES, INC.  
STATEMENTS OF FINANCIAL POSITION  
YEARS ENDED JUNE 30, 2012 AND 2011**

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CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Wesley House Family Services, Inc.  
Key West, Florida

We have audited the accompanying statements of financial position of Wesley House Family Services, Inc. (Wesley House) (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Wesley House's management. Our responsibility is to express an opinion on these financial statements based on our audit.

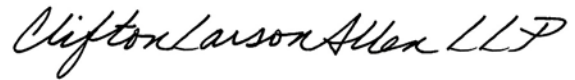
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Wesley House Family Services, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated NOVEMBER 15, 2012, on our consideration of Wesley House Family Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Board of Directors  
Wesley House Family Services, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards and state projects 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, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
November 15, 2012

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

<b>ASSETS</b>	2012	2011
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,073,812	\$ 1,786,068
Cash - Restricted	98,848	157,806
Certificates of Deposit	524,709	204,024
Investments	126,711	136,597
Grants Receivable	865,007	1,173,429
Contributions Receivable, Current Portion	111,390	112,472
Other Accounts Receivable	13,342	24,246
Prepaid and Other Assets	107,472	73,074
Total Current Assets	3,921,291	3,667,716
<b>FIXED ASSETS</b>		
Land	318,193	318,193
Buildings	2,902,450	2,902,450
Building Improvements	1,329,281	1,319,641
Furniture and Fixtures	40,413	40,413
Equipment	396,527	340,059
Total Fixed Assets	4,986,864	4,920,756
Less: Accumulated Depreciation	(1,524,612)	(1,351,217)
Fixed Assets, Net	3,462,252	3,569,539
<b>CONTRIBUTIONS RECEIVABLE, LESS CURRENT PORTION</b>	982,531	1,093,920
Total Assets	\$ 8,366,074	\$ 8,331,175

See accompanying Notes to Financial Statements.

<b>LIABILITIES AND NET ASSETS</b>	<u>2012</u>	<u>2011</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 407,169	\$ 351,356
Accrued Expenses	273,675	235,949
Deferred Revenue	49,999	100,549
Current Portion of Long-Term Debt	21,684	18,644
Total Current Liabilities	<u>752,527</u>	<u>706,498</u>
<b>INTEREST RATE SWAP AGREEMENT</b>	-	2,283
<b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>	<u>459,857</u>	<u>467,113</u>
Total Liabilities	1,212,384	1,175,894
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	5,417,306	5,229,045
Board Designated Other	420,794	428,524
Total Unrestricted Net Assets	<u>5,838,100</u>	<u>5,657,569</u>
Temporarily Restricted	1,185,654	1,367,776
Permanently Restricted Endowment Funds	<u>129,936</u>	<u>129,936</u>
Total Net Assets	<u>7,153,690</u>	<u>7,155,281</u>
Total Liabilities and Net Assets	<u>\$ 8,366,074</u>	<u>\$ 8,331,175</u>

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Grants	\$ 8,967,734	\$ 44,300	\$ -	\$ 9,012,034
Program Fees	653,931	-	-	653,931
Special Events	151,870	-	-	151,870
Contributions	30,467	34,965	-	65,432
Donated Services	29,274	-	-	29,274
Unrealized Gain on Derivative	2,284	-	-	2,284
Interest Income	29,484	375	-	29,859
Interest Income on Contributions Receivable	24,367	-	-	24,367
United Way	10,000	-	-	10,000
Unrealized Loss on Investments	(6,001)	-	-	(6,001)
Miscellaneous	101,549	46	-	101,595
Net Assets Released from Restrictions	261,808	(261,808)	-	-
	<u>10,256,767</u>	<u>(182,122)</u>	<u>-</u>	<u>10,074,645</u>
Total Revenues and Other Support				
	10,256,767	(182,122)	-	10,074,645
<b>EXPENSES</b>				
Program Services:				
Community Based Care	4,172,868	-	-	4,172,868
Child Care and Provider Services	4,551,777	-	-	4,551,777
Child Care Site	944,473	-	-	944,473
Management and General:				
Facility	58,833	-	-	58,833
Administration	216,053	-	-	216,053
Other Support Services	93,205	-	-	93,205
Fundraising	39,027	-	-	39,027
	<u>10,076,236</u>	<u>-</u>	<u>-</u>	<u>10,076,236</u>
Total Expenses				
	10,076,236	-	-	10,076,236
<b>CHANGE IN NET ASSETS</b>	180,531	(182,122)	-	(1,591)
Net Assets, Beginning of Year	<u>5,657,569</u>	<u>1,367,776</u>	<u>129,936</u>	<u>7,155,281</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,838,100</u>	<u>\$ 1,185,654</u>	<u>\$ 129,936</u>	<u>\$ 7,153,690</u>

See accompanying Notes to Financial Statements.

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Grants	\$ 9,607,507	\$ 2,000	\$ -	\$ 9,609,507
Program Fees	634,304	-	-	634,304
Special Events	132,877	-	-	132,877
Contributions	37,891	34,567	-	72,458
Donated Services	65,256	-	-	65,256
Unrealized Gain on Derivative	26,710	-	-	26,710
Interest Income	22,180	2,702	-	24,882
Interest Income on Contributions Receivable	19,289	-	-	19,289
United Way	10,000	-	-	10,000
Unrealized Gain on Investments	-	5,441	-	5,441
Miscellaneous	107,470	-	-	107,470
Net Assets Released from Restrictions	151,879	(151,879)	-	-
	<u>10,815,363</u>	<u>(107,169)</u>	<u>-</u>	<u>10,708,194</u>
<b>EXPENSES</b>				
Program Services:				
Community Based Care	4,405,161	-	-	4,405,161
Child Care and Provider Services	4,924,734	-	-	4,924,734
Child Care Site	867,082	-	-	867,082
Management and General:				
Facility	35,232	-	-	35,232
Administration	136,414	-	-	136,414
Other Support Services	61,888	-	-	61,888
Fundraising	47,799	-	-	47,799
	<u>10,478,310</u>	<u>-</u>	<u>-</u>	<u>10,478,310</u>
<b>CHANGE IN NET ASSETS</b>	337,053	(107,169)	-	229,884
Net Assets, Beginning of Year	<u>5,320,516</u>	<u>1,474,945</u>	<u>129,936</u>	<u>6,925,397</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,657,569</u>	<u>\$ 1,367,776</u>	<u>\$ 129,936</u>	<u>\$ 7,155,281</u>

See accompanying Notes to Financial Statements.

**WESLEY HOUSE FAMILY SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2012**

	Program Services				Management and General					Total
	Community Based Care	Child Care and Provider Services	Child Care Site	Total Program Services	Facility	Administration	Other Support	Total Management and General	Fundraising	
Salary and Wages	\$ 1,900,692	\$ 342,312	\$ 402,793	\$ 2,645,797	\$ 33,109	\$ 627,099	\$ 1,123	\$ 661,331	\$ -	\$ 3,307,128
Benefits and Payroll Taxes	460,233	98,322	123,328	681,883	9,950	157,424	355	167,729	-	849,612
Subcontracted Care	605,185	3,675,145	-	4,280,330	-	-	-	-	-	4,280,330
Rent	2,524	100	124,400	127,024	252,841	4,178	-	257,019	-	384,043
Depreciation and Amortization	4,744	-	73,181	77,925	92,912	23,925	16,460	133,297	-	211,222
Professional Fees	77,132	16,372	-	93,504	1,175	11,853	-	13,028	-	106,532
Flex Funds Expenditures	108,586	-	-	108,586	-	-	57,045	57,045	-	165,631
Travel	77,740	4,841	-	82,581	894	4,109	-	5,003	-	87,584
Staff Training	79,295	2,456	1,843	83,594	-	8,143	-	8,143	-	91,737
Utilities	-	-	26,447	26,447	36,349	-	270	36,619	-	63,066
Telephone	29,290	2,764	2,889	34,943	3,841	19,719	-	23,560	-	58,503
Office, Operating Supplies	22,224	28,018	1,637	51,879	13,774	13,325	1,837	28,936	52	80,867
Food and Personal Care	8,298	-	52,721	61,019	-	-	533	533	-	61,552
Fundraising	2,996	-	-	2,996	-	-	-	-	38,846	41,842
Maintenance	35	-	17,522	17,557	22,445	9,730	4,307	36,482	-	54,039
Insurance	3,100	1,550	383	5,033	15,561	16,956	4,100	36,617	-	41,650
Interest	-	-	-	-	31,245	-	-	31,245	-	31,245
Licenses and Hiring	6,903	1,452	701	9,056	-	230	-	230	-	9,286
Purchase of Services	19,828	12,895	-	32,723	120	18,539	1,301	19,960	-	52,683
Miscellaneous	8,390	23,685	3,296	35,371	12,926	43,384	5,874	62,184	129	97,684
<b>Total Expenses</b>	<b>3,417,195</b>	<b>4,209,912</b>	<b>831,141</b>	<b>8,458,248</b>	<b>527,142</b>	<b>958,614</b>	<b>93,205</b>	<b>1,578,961</b>	<b>39,027</b>	<b>10,076,236</b>
Allocation of Facility Costs	262,772	103,830	-	366,602	(469,052)	102,450	-	(366,602)	-	-
Allocation of Administration Costs	492,901	238,035	113,332	844,268	743	(845,011)	-	(844,268)	-	-
<b>Total Expenses After Allocation</b>	<b>\$ 4,172,868</b>	<b>\$ 4,551,777</b>	<b>\$ 944,473</b>	<b>\$ 9,669,118</b>	<b>\$ 58,833</b>	<b>\$ 216,053</b>	<b>\$ 93,205</b>	<b>\$ 368,091</b>	<b>\$ 39,027</b>	<b>\$ 10,076,236</b>

See accompanying Notes to Financial Statements.

**WESLEY HOUSE FAMILY SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2011**

	Program Services				Management and General					Total
	Community Based Care	Child Care and Provider Services	Child Care Site	Total Program Services	Facility	Administration	Other Support	Total Management and General	Fundraising	
Salary and Wages	\$ 2,004,563	\$ 362,498	\$ 386,122	\$ 2,753,183	\$ 39,512	\$ 701,690	\$ -	\$ 741,202	\$ -	\$ 3,494,385
Benefits and Payroll Taxes	460,264	87,829	104,208	652,301	10,411	166,902	-	177,313	-	829,614
Subcontracted Care	633,354	3,921,985	-	4,555,339	-	-	-	-	-	4,555,339
Rent	42,590	100	99,492	142,182	218,525	4,278	-	222,803	-	364,985
Depreciation and Amortization	6,064	-	71,417	77,481	96,319	20,258	16,460	133,037	-	210,518
Professional Fees	59,524	15,520	-	75,044	-	59,838	-	59,838	-	134,882
Flex Funds Expenditures	93,375	-	(466)	92,909	-	-	36,424	36,424	-	129,333
Travel	82,497	10,691	95	93,283	647	3,872	-	4,519	-	97,802
Staff Training	59,992	4,692	1,301	65,985	-	4,985	-	4,985	-	70,970
Utilities	-	-	24,599	24,599	35,102	-	-	35,102	-	59,701
Telephone	29,623	2,915	2,662	35,200	15,670	22,979	-	38,649	-	73,849
Office, Operating Supplies	21,859	25,577	1,580	49,016	6,021	13,819	885	20,725	-	69,741
Food and Personal Care	5,006	41	51,710	56,757	-	-	-	-	-	56,757
Fundraising	546	-	-	546	-	-	-	-	47,799	48,345
Maintenance	5	-	22,963	22,968	17,827	9,761	-	27,588	-	50,556
Insurance	5,032	1,833	346	7,211	15,879	17,179	3,737	36,795	-	44,006
Interest	-	-	-	-	36,586	-	-	36,586	-	36,586
Licenses and Hiring	5,967	45	1,024	7,036	-	129	-	129	-	7,165
Purchase of Services	16,529	8,648	-	25,177	544	16,882	1,287	18,713	-	43,890
Miscellaneous	12,232	32,294	2,202	46,728	617	49,446	3,095	53,158	-	99,886
<b>Total Expenses</b>	<b>3,539,022</b>	<b>4,474,668</b>	<b>769,255</b>	<b>8,782,945</b>	<b>493,660</b>	<b>1,092,018</b>	<b>61,888</b>	<b>1,647,566</b>	<b>47,799</b>	<b>10,478,310</b>
Allocation of Facility Costs	224,759	125,391	-	350,150	(461,380)	111,230	-	(350,150)	-	-
Allocation of Administration Costs	641,380	324,675	97,827	1,063,882	2,952	(1,066,834)	-	(1,063,882)	-	-
<b>Total Expenses After Allocation</b>	<b>\$ 4,405,161</b>	<b>\$ 4,924,734</b>	<b>\$ 867,082</b>	<b>\$ 10,196,977</b>	<b>\$ 35,232</b>	<b>\$ 136,414</b>	<b>\$ 61,888</b>	<b>\$ 233,534</b>	<b>\$ 47,799</b>	<b>\$ 10,478,310</b>

See accompanying Notes to Financial Statements.

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (1,591)	\$ 229,884
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Loss (Gain) on Investments	6,001	(5,441)
Unrealized Gain on Derivative	(2,283)	(26,710)
Depreciation and Amortization	211,222	210,518
(Increase) Decrease in Assets:		
Grants Receivable	308,422	(123,179)
Contributions Receivable	112,471	113,563
Other Accounts Receivable	10,904	16,357
Prepaid Expenses and Other Assets	(34,398)	(1,620)
Increase (Decrease) in Liabilities:		
Accounts Payable	55,813	(108,719)
Accrued Expenses	37,726	(119,124)
Deferred Revenue	(50,550)	100,549
Net Cash Provided by Operating Activities	653,737	286,078
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	109,587	33,954
Purchase of Investments	(426,387)	(103,290)
Purchase of Fixed Assets	(103,935)	(20,392)
Net Cash Provided (Used) by Investing Activities	(420,735)	(89,728)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt	(4,216)	(34,421)
Net Cash Used by Financing Activities	(4,216)	(34,421)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	228,786	161,929
Cash and Cash Equivalents, Beginning of Year	1,943,874	1,781,945
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 2,172,660	\$ 1,943,874
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Cash and Cash Equivalents	\$ 2,073,812	\$ 1,786,068
Cash - Restricted	98,848	157,806
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 2,172,660	\$ 1,943,874
 <b>SUPPLEMENTAL DISCLOSURE</b>		
Cash Paid for Interest	\$ 31,245	\$ 36,586
Noncash Financing Activities Long-term Debt Refinance	\$ 500,000	\$ -

See accompanying Notes to Financial Statements.

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business Activity**

Wesley House Family Services, Inc. (Wesley House) is a nonprofit corporation organized under the laws of the State of Florida on January 11, 1975. Wesley House provides child care and family support services within Monroe County, Florida. Wesley House is accredited under the Counsel on Accreditation.

Wesley House offers three primary community support services for the families and children of Monroe County: child care and provider services to assist families and children with child care and work with child care providers to provide quality educational programs, one directly operated child care site in Key West, and community based care programs working with community partners to assist children and families in the dependency care system. All of the services are provided throughout Monroe County, Florida through locations in Key West, Marathon and Tavernier.

**Basis of Accounting**

The financial statements of Wesley House have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

**Basis of Presentation**

Wesley House has adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), 958-210, *Not-for-Profit Entities – presentation of financial statements*. Under FASB ASC 958-210, Wesley House is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Revenue Recognition**

Wesley House recognizes grants, contracts and contributions of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Wesley House recognizes revenues from exchange transactions when the service is rendered. Receivables are recognized for outstanding invoices.

Wesley House considers its receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required.

**WESLEY HOUSE FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Wesley House received a substantial portion of its revenues from various state and federal grants. Government funding may be significantly impacted by budget allocations and, consequently, changes in that funding may affect Wesley House's operations. For the years ended June 30, 2012 and 2011, the following entities provided more than 10% of total revenues:

	<u>2012</u>	<u>2011</u>
Our Kids of Miami-Dade/Monroe, Inc.	40%	42%
Early Learning Coalition of Miami-Dade/Monroe, Inc.	44%	45%

**Use of Estimates**

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

**Cash and Cash Equivalents**

Cash and cash equivalents are cash on hand as well as demand deposits and investments with original maturities of three months or less.

The carrying amount of Wesley House's cash and cash equivalents as of June 30, 2012 and 2011 are \$2,172,660 and \$1,943,874 and the bank balances are \$2,186,399 and \$1,954,755, respectively. Balances in cash and cash equivalents and certificates of deposit are collateralized, covered by the Federal Depository Insurance Corporation, or covered by the National Credit Union Association.

Wesley House is required by Our Kids of Miami-Dade/Monroe Inc. (Our Kids) to fund an irrevocable standby letter of credit up to \$100,000 and is named as the beneficiary in the event that continuity of care as defined in the contract between Wesley House and Our Kids is disrupted or at imminent risk of disruption due specified events. The letter of credit is secured by a certificate of deposit at the same financial institution.

**Cash – Restricted**

Wesley House restricts cash to include a balance sufficient to cover the amounts held in temporarily restricted net assets, less the contribution receivable.

**Certificates of Deposit**

Certificates of deposit are stated at cost. The certificates bear interest ranging from 0.70% to 1.46%.

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments Held by an Outside Foundation**

Wesley House has an agreement with an outside foundation where the foundation has agreed to hold and manage certain investments subject to the terms of that agreement. The investment is recorded at market value, which was \$126,711 and \$136,597 at June 30, 2012 and 2011, respectively. The foundation charges an annual 1% management fee. The agreement may be terminated by either party giving 30 days written notice, whereby the foundation shall return the balance of the funds to Wesley House.

**Investments**

Investments are recorded at fair market value, and realized and unrealized gains and losses are reflected in the statement of activities. Investment gains and losses on unrestricted investments are recorded as unrestricted investment gains and losses. Investment gains and losses on temporarily restricted investments are recorded as temporarily restricted investment gains and losses.

**Fixed Assets**

Purchased fixed assets are recorded at cost. Donated assets are recorded at fair market value at the time of donation. Wesley House has a policy for capitalizing expenditures for fixed assets with costs greater than \$1,000 and an expected useful life of at least one year. Major renewals and betterments are capitalized while minor renewals and betterments are expensed as incurred. When assets are purchased with certain grant funds, they are subject to certain use restrictions and disposition procedures. Depreciation expenses are provided using the straight-line method over the estimated useful lives of the various classes of assets.

**Donated Services, Goods and Facilities**

A substantial number of volunteers have donated time to Wesley House's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Materials, facilities use and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. The Organization benefited from donated services supporting matching funding which were valued at \$29,274 and \$65,256 for the years ended June 30, 2012 and 2011, respectively. These amounts have been reported as donated services on the statement of activities.

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

Wesley House is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the year ended June 30, 2012, the Organization did not incur interest and penalties related to tax positions. The Organization files as a tax exempt organization, should that status be challenged in the future, all years since inception would be subject to review by the IRS.

**Concentrations of Credit and Market Risk**

Financial instruments that potentially expose Wesley House to concentrations of credit and market risk consist primarily of investments, uncollateralized grants receivable, other receivables, and long-term debt. Grants receivable are primarily due from The State of Florida and other nonprofit agencies and are deemed fully collectible.

**Net Assets**

Wesley House's net assets are classified into three categories: (1) unrestricted net assets, which include no donor-imposed restrictions, (2) temporarily restricted net assets, which include donor-imposed restrictions that will expire in the future and (3) permanently restricted net assets, which include donor-imposed restrictions that the assets be maintained permanently.

The unrestricted net assets consist of operating funds available for any purpose authorized by the board of directors.

Temporarily restricted net assets consist of funds arising from gifts in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent.

Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses from time to time, as requested by the donor.

**Net Assets Released from Restrictions**

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs that are directly related to Wesley House's specific purpose have been recorded as a direct expense and included as program services.

**Reclassifications**

Certain accounts in the prior year statement of functional expenses have been reclassified for comparative purposes to conform with presentation in the current year statement of functional expenses.

**Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to June 30, 2012 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the years ended June 30, 2012 and 2011. Management has performed their analysis through November 15, 2012 and has noted no subsequent events.

**NOTE 2 INVESTMENT SECURITIES**

Investment securities are carried at fair value and consist of the following as of June 30, 2012 and 2011:

	<u>2012</u>		<u>2011</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Community Foundation of the Florida Keys	<u>\$ 126,711</u>	<u>\$ 134,545</u>	<u>\$ 136,597</u>	<u>\$ 132,041</u>

A summary of the return on investments is as follows as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Net Unrealized Gain (Loss)	\$ (6,001)	\$ 5,441
Investment Fees	<u>(1,833)</u>	<u>(885)</u>
Change in Investments	<u>\$ (7,834)</u>	<u>\$ 4,556</u>

The various investments in stock, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of Wesley House.

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 3 CONTRIBUTIONS AND PLEDGES RECEIVABLE**

Below market leases are considered unconditional promises to give. Included in "contributions receivable" are below market leases for the following day care and family service sites for:

	<u>Inex Martin</u>	<u>Spalding Court</u>	<u>2012 Total</u>
Due in Less than One Year	\$ 128,133	\$ 12,811	\$ 140,944
Due in One to Five Years	552,140	55,206	607,346
Due in More than Five Years	<u>459,126</u>	<u>748,831</u>	<u>1,207,957</u>
	1,139,399	816,848	1,956,247
Unamortized Discount	<u>(356,024)</u>	<u>(506,302)</u>	<u>(862,326)</u>
Total Contributions Receivable, Net	<u>\$ 783,375</u>	<u>\$ 310,546</u>	<u>\$ 1,093,921</u>

Fair values of the leases are assumed to increase 3% each year and the discount rate is 4%.

**NOTE 4 LONG-TERM DEBT**

On July 13, 2011, Wesley House refinanced their long-term debt which came due. The newly issued mortgage totaling \$500,000 is payable in consecutive monthly installments of principal and interest commencing on August 13, 2011 and continued on the same day of each calendar period thereafter, in 179 equal payments, with one final payment of all remaining principal and accrued interest due on July 12, 2026. Interest accrues at a fixed rate of 6.69% per annum.

The debt principal payments for the refinanced debt are as follows at June 30, 2012:

2013	\$ 21,684
2014	23,180
2015	24,780
2016	26,489
2017	28,317
Thereafter	<u>357,091</u>
	<u>\$ 481,541</u>

Wesley House believes they are in compliance with financial loan covenants associated with the above notes payable as of June 30, 2012.

Wesley House also has a line of credit available in the maximum principal amount not to exceed \$250,000 at any one time outstanding for the purpose of obtaining an operating line to fund short term needs. Interest shall accrue on the unpaid principal balance outstanding from time to time at the variable rate of the Banks' Prime Rate plus 0.125% per annum to be adjusted daily as the Bank's Prime Rate changes. There currently are no borrowings.

**WESLEY HOUSE FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**NOTE 5 PENSION PLAN**

Wesley House participates in the Pension Plan through the General Board of Pensions of United Methodist Church (the Plan). The Plan covers substantially all employees. Employees become eligible for active plan participation after completing one year of full-time service. Contributions to the Plan by Wesley House are calculated at 6% of an eligible employee's gross pay. Wesley House employees are required to make contributions of 3% of their gross pay. Upon becoming a participant in the Plan, contributions made by the employees and Wesley House become fully vested. For the years ended June 30, 2012 and 2011, Wesley House's pension contribution was \$116,130 and \$117,519, respectively.

**NOTE 6 LEASES**

A facility for the Nurturing Parenting Program/Strengthening Families is rented at a cost of \$1 per year until March 2049. The estimated fair value of the property is \$10,223 and \$12,076 for the years ended June 30, 2012 and 2011, respectively. The Inez Martin day care facility is provided to Wesley House at no cost. The estimated fair rental value of the facility is \$102,248 and \$120,777 for the years ended June 30, 2012 and 2011, respectively. The Wesley House lease expires December 31, 2020.

Future lease payments required under operating leases that have initial or remaining non-cancelable lease terms due as of June 30, 2012 are \$25,667.

For the years ended June 30, 2012 and 2011, lease expense under all operating leases was \$384,043 and \$364,985, respectively.

**NOTE 7 PUBLIC SUPPORT REQUIRING LOCAL RESOURCE MATCH**

During 2012, Wesley House received various grants. The following contracts required a specific local match:

		Match Required	Match Provided
Early Learning Coalition of Miami-Dade/Monroe	C10-112	\$ 126,156	\$ 126,156
Ounce of Prevention Fund of Florida	HF10-11-18	50,400	97,917
Our Kids of Miami-Dade/Monroe	PSSF	108,342	129,065
		<u>\$ 284,898</u>	<u>\$ 353,138</u>

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 8 CONTINGENCIES**

Wesley House receives a substantial amount of its support from federal and state governments in the form of grants. A significant reduction in the level of this support, if this were to occur, may have a significant effect on Wesley House's programs and activities.

Government grants require the fulfillment of certain conditions as set forth in the grant agreements. Failure to fulfill the conditions could result in the return of the funds to grantors. Based upon prior experience, management believes that disallowance's, if any, would be immaterial.

**NOTE 9 ENDOWMENT COMPOSITION**

Wesley House's permanently restricted endowment consists of funds established by the Marion Stevens Will. The fund was established in 2001 requiring the principal of the endowment to remain intact. The income from the endowment principal is used to fund scholarships for children whose families barely exceed the low income guidelines.

Endowment funds by category from inception to date and changes in endowment net assets for the year ended June 30, 2012 consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets at Beginning of Year	\$ -	\$ 7,880	\$ 129,936	\$ 137,816
Investment Return:				
Interest Income		4,609		4,609
Unrealized Loss on Investments		(6,001)		(6,001)
Contributions				-
Investment Fees		(1,833)		(1,833)
	<u>\$ -</u>	<u>\$ 4,655</u>	<u>\$ 129,936</u>	<u>\$ 134,591</u>

Endowment funds by category from inception to date and changes in endowment net assets for the year ended June 30, 2011 consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets at Beginning of Year	\$ -	\$ 1,219	\$ 129,936	\$ 131,155
Investment Return:				
Interest Income	-	2,080	-	2,080
Unrealized Gain on Investments	-	5,441	-	5,441
Contributions	-	25	-	25
Investment Fees	-	(885)	-	(885)
	<u>\$ -</u>	<u>\$ 7,880</u>	<u>\$ 129,936</u>	<u>\$ 137,816</u>

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 9 ENDOWMENT COMPOSITION (CONTINUED)**

**Interpretation of Uniform Prudent Management of Institutional Funds**

During 2011, the State of Florida has enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) enhanced disclosure required by Accounting Standard Codification Endowments of Not-for-Profit Organizations: Net Assets Classification of Funds Subject to an Enacted Version of the UPMIFA, and Enhanced Disclosure for All Endowment Funds which becomes effective July 1, 2012. The Board of Directors of Wesley House is requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds per the donor stipulations.

As a result of this interpretation, Wesley House classifies the endowment as permanently restricted net assets. Wesley House considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization.

**Return Objectives and Risk Parameters**

Wesley House has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

**Strategies Employed for Achieving Objectives**

The purpose of the Endowment Fund is to facilitate the board's desire to develop a source of revenue for Wesley House. In so doing, the Endowment Fund will provide a secure, long-term source of funds to: (a) fund special grants; (b) ensure long-term growth; (c) enhance our ability to meet changing needs in both the short and long-term; and, (d) support the administrative expenses of Wesley House as deemed appropriate.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The board of directors has allowed use of the net income from donor restricted funds since 2001 to fund scholarships for children whose families are in need of support.

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 9 ENDOWMENT COMPOSITION (CONTINUED)**

**Funds with Deficiencies**

From time to time, the fair value of assets associated with the donor restricted endowment funds may fall below the level that Wesley House's policies require to retain as a fund of perpetual duration. Deficiencies of this nature would be reported in unrestricted net assets. Wesley House does not have any deficiencies as of June 30, 2012 and 2011.

Donor restricted endowment funds are included in the statement of financial position under the following asset categories:

	2012	2011
Cash and Cash Equivalents	\$ 7,880	\$ 1,219
Investments	126,711	136,597
	<u>\$ 134,591</u>	<u>\$ 137,816</u>

**NOTE 10 BOARD DESIGNATED UNRESTRICTED NET ASSETS**

Unrestricted net assets have been designated for specific purposes by the board. These purposes are as follows at June 30:

	2012	2011
The Lester Johnson Estate	<u>\$ 420,794</u>	<u>\$ 428,524</u>

**NOTE 11 TEMPORARILY RESTRICTED NET ASSETS**

	2012	2011
Present Value of Below Market Leases on Daycare Sites	\$ 1,093,921	\$ 1,206,392
Foster Children Fund	32,292	40,724
Backpack Program	17,877	-
Ocean Reef Foundation	14,829	9,912
Children's Gift Fund	14,239	12,822
ParrotHead Fund	6,224	-
Marion Stevens Scholarships	4,655	7,880
Adoptive Children Fund	666	596
Books Are Key	311	193
Provider Services Fund	255	2,257
Walker Fund	233	405
Food for Families	152	2,574
Debt Service Fund	-	83,021
Key's Children Foundation	-	1,000
	<u>\$ 1,185,654</u>	<u>\$ 1,367,776</u>

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 12 RELATED PARTY TRANSACTIONS**

Wesley House operates one day care facility which receives day care fees from the Early Learning Coalition of Miami-Dade/Monroe, Inc. in the amount of \$358,964 and \$365,351 for the years ended June 30, 2012 and 2011, respectively.

One of the board members was employed at a financial institution where Wesley House had \$2,064,483 cash and cash equivalents and \$210,838 certificates of deposit held at June 30, 2012. Wesley House had \$1,232,610 in cash and cash equivalents and \$101,336 certificates of deposit held at June 30, 2011.

The CEO of Wesley House is on the board of directors for the Early Learning Coalition of Miami-Dade/Monroe, Inc. Wesley House received revenues of \$4,428,057 and \$4,720,900 and ending accounts receivable of \$614,410 and \$670,718 from the Coalition for the years ended June 30, 2012 and 2011, respectively.



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**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  
Wesley House Family Services, Inc.  
Key West, Florida

We have audited the financial statements of Wesley House Family Services, Inc. (Wesley House) as of and for the year ended June 30, 2012, and have issued our report thereon dated NOVEMBER 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Wesley House'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 Wesley House's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wesley House'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.

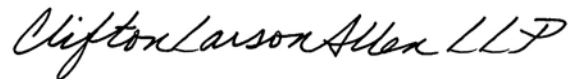
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material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

Board of Directors  
Wesley House Family Services, Inc.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of management, the board of directors, others within the entity, federal and state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
November 15, 2012



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

Board of Directors  
Wesley House Family Services, Inc.  
Key West, Florida

**Compliance**

We have audited Wesley House Family Services, Inc's (Wesley House) 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 Wesley House's major federal programs and state projects for the year ended June 30, 2012. Wesley House'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 Wesley House's management. Our responsibility is to express an opinion on Wesley House's compliance based on our audit.

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

In our opinion, Wesley House complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs and state projects for the year ended June 30, 2012.

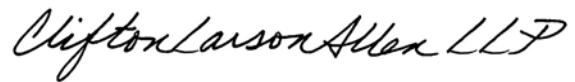
### **Internal Control Over Compliance**

Management of Wesley House 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 Wesley House's internal control over compliance with the requirements that could have a direct and material effect on its major federal programs and state projects to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wesley House'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 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 would not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, board of directors, others within the entity, federal and state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
November 15, 2012

**WESLEY HOUSE FAMILY SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE PROJECTS  
YEAR ENDED JUNE 30, 2012**

Agency/Pass-Through Entity Program Title	CFDA or CSFA Number	Contract or Grant Number	Expenditures
<b>FEDERAL AWARDS - PASSED THROUGH</b>			
<b>Department of Agriculture</b>			
Passed through the State of Florida			
Department of Health:			
Child Care Food Program	10.558	I3397	\$ 78,391
Total Department of Agriculture			<u>78,391</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through the Agency for Workforce Innovation:			
Passed through the Early Learning			
Coalition of Miami-Dade/Monroe, Inc.			
(School Readiness State Cluster Program)			
Temporary Assistance to			
Needy Families (TANF)	93.558	SR192	538,730
TANF MOE Match	93.558	SR192	532,586
TANF transfer to CCDF Discretionary	93.558	SR192	546,556
Child Care Development Fund (CCDF) Discretionary	93.575	SR192	616,013
CCDF Mandatory	93.596	SR192	239,940
CCDF Match Federal	93.596	SR192	509,627
CCDF Match State	93.596	SR192	98,302
CCDF MOE	93.596	SR192	149,072
Social Services Block Grant	93.667	SR192	2,907
Total Passed Through Early Learning			<u>3,233,733</u>
Coalition Miami-Dade/Monroe, Inc.			
Passed through Our Kids of Miami-Dade/ Monroe, Inc. for Community Based Care:			
(Community Based Care State Cluster Program)			
Temporary Assistance for			
Needy Families (TANF) Block Grants	93.558	N/A	340,251
Child Welfare Services - State Grants	93.645	N/A	62,751
Promoting Safe and Stable Families	93.556	N/A	7,950
Foster Care - Title IV-E	93.658	N/A	953,272
Adoption Assistance	93.659	N/A	168,392
Social Services Block Grant	93.667	N/A	145,548
Independent Living	93.674	N/A	18,034
Promoting Safe and Stable Families - IV - B	93.556	N/A	1,910
Total Passed Through Our Kids of Miami/Dade Monroe, Inc.			<u>1,698,108</u>

**WESLEY HOUSE FAMILY SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE PROJECTS (CONTINUED)  
YEAR ENDED JUNE 30, 2012**

Agency/Pass-Through Entity Program Title	CFDA or CSFA Number	Contract or Grant Number	Expenditures
<b>FEDERAL AWARDS - PASSED THROUGH (CONTINUED)</b>			
Passed through Our Kids of Miami-Dade/ Monroe, Inc. for Community Based Care: State Matching Funds for Federal Programs (Community Based Care State Cluster Program)			
Child Welfare Services - State Grants	93.645	N/A	20,917
Adoption Assistance	93.659	N/A	148,105
Independent Living	93.674	N/A	4,508
Blocks Grants for Community Mental Health Services	93.958	N/A	8,358
Family Preservation and Support Services	93.556	N/A	<u>2,650</u>
Total Passed Through Our Kids of Miami/Dade Monroe, Inc.			<u>184,538</u>
Passed through the Ounce of Prevention Fund of Florida:			
Healthy Families - TANF	93.558	HF11-12-18	188,001
Healthy Families - CBCAP	93.590	HF11-12-18	<u>7,752</u>
Total Passed Through the Ounce of Prevention Fund of Florida			<u>195,753</u>
Total Health and Human Services			<u>5,312,132</u>
<b>Total Federal Awards</b>			<u>\$ 5,390,523</u>

**WESLEY HOUSE FAMILY SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE PROJECTS (CONTINUED)  
YEAR ENDED JUNE 30, 2012**

Agency/Pass-Through Entity Program Title	CFDA or CSFA Number	Contract or Grant Number	Expenditures
<b>STATE PROJECTS - PASSED THROUGH</b>			
<b>State of Florida Department of Children and Families</b>			
Passed through Our Kids of Miami-Dade/ Monroe, Inc.:			
(Community Based Care State Cluster Program)			
Community Based Care Supports	60.094	N/A	<u>\$ 2,167,530</u>
Total Passed through Our Kids of Miami-Dade/Monroe, Inc.			<u>2,167,530</u>
<b>State of Florida Agency for Workforce Innovation</b>			
Passed through the Early Learning Coalition of Miami-Dade/Monroe, Inc.:			
(School Readiness State Cluster Program)			
Voluntary Pre-Kindergarten:			
Education Program	48.108	SV192	<u>1,194,523</u>
Total Passed through Early Learning Coalition Miami-Dade/Monroe, Inc.			<u>1,194,523</u>
<b>Total State Projects</b>			<u>\$ 3,362,053</u>
<b>Total Federal Awards and State Projects</b>			<u>\$ 8,752,576</u>

**WESLEY HOUSE FAMILY SERVICES, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE PROJECTS**  
**YEAR ENDED JUNE 30, 2012**

**NOTE 1 GENERAL**

The accompanying Schedule of Expenditures of Federal Awards and State Projects includes the Federal awards and State projects activity of Wesley House Family Services, Inc. (Wesley House) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *Rules of the Auditor General – State Single Audits – Nonprofit and For-Profit Organizations*, issued by the Auditor General of the State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 MAJOR PROGRAM DETERMINATION**

The School Readiness State Cluster Program and Community Based Care State Cluster Program both have funding sources which indicate that the source of funds includes multiple federal and state awards. In accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, each major program cannot be “unclustered” and, therefore, has been tested as a cluster. See the Summary of Auditor’s Results on pages 30 and 31.

**NOTE 3 SUBRECIPIENTS**

Wesley House does not provide awards to subrecipients.

**WESLEY HOUSE FAMILY SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL AWARDS AND STATE PROJECTS  
YEAR ENDED JUNE 30, 2012**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency identified not considered to be a material weakness	No
Noncompliance material to the financial statements noted	No

**Federal Awards and State Projects**

Internal control over major programs:	
Material weakness identified	No
Significant deficiency identified not considered to be a material weakness	No
Type of auditor's report issued on compliance for major awards and projects	Unqualified

Identification of Major Federal Awards and State Projects:

**Federal Awards**

**CFDA Number**

School Readiness State Cluster Program	Various
Community Based Care State Cluster Program	Various

**State Projects**

**CSFA Number**

School Readiness State Cluster Program	48.108
Community Based Care State Cluster Program	60.094

Dollar threshold used to distinguish between Type A and Type B programs for Both Federal awards and State projects	\$300,000
Auditee qualified as low-risk	Yes

**WESLEY HOUSE FAMILY SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL AWARDS AND STATE PROJECTS  
YEAR ENDED JUNE 30, 2012**

**SECTION II - FINANCIAL STATEMENT AUDIT**

There were no current year findings.

**SECTION III – FEDERAL AWARDS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS**

There were no current year findings.



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## MANAGEMENT LETTER

Board of Directors  
And Management of Wesley House Family Services, Inc.  
Key West, Florida

In planning and performing our audit of the financial statements of Wesley House Family Services, Inc. as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Wesley House Family Services, Inc.'s internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of management, board of directors, others within the entity, federal and state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*CliftonLarsonAllen LLP*  
**CliftonLarsonAllen LLP**

Lakeland, Florida  
November 15, 2012