

**BROWARD CHILDREN'S CENTER, INC.**

**FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

June 30, 2013

BROWARD CHILDREN'S CENTER, INC.  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
June 30, 2013

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# FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Broward Children's Center, Inc.  
Pompano Beach, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Broward Children's Center, Inc., (a nonprofit organization) (the "Organization") which comprise of the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Organization as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance and Schedule of Local Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
September 24, 2013

BROWARD CHILDREN'S CENTER, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2013

A S S E T S

CURRENT ASSETS:

Cash	\$	1,191,882
Investments		107,808
Grants, contracts, and private service fees receivable, net		877,657
Due from a related organization		33,384
Inventories		20,562
Prepaid expenses		<u>169,447</u>

Total current assets 2,400,740

Property and equipment, net		612,506
Other assets		<u>8,184</u>

Total assets \$ 3,021,430

L I A B I L I T I E S   A N D   N E T   A S S E T S

LIABILITIES:

Accounts payable and other liabilities	\$	46,546
Accrued expenses		<u>398,442</u>

Total liabilities 444,988

COMMITMENTS AND CONTINGENCIES (Notes 6, 8 and 9) -

NET ASSETS:

Unrestricted		<u>2,576,442</u>
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Total net assets 2,576,442

Total liabilities and net assets \$ 3,021,430

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

**BROWARD CHILDREN'S CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2013

<b>CHANGE IN NET ASSETS:</b>	
Public support and revenues:	
Grants and contracts, net	\$ 5,324,199
Private service fees, net	111,415
Contributions	181,965
Other program revenues, net	3,861,239
Management fee	248,000
Interest income	645
	<hr/>
Total public support and revenue	9,727,463
Operating expenses:	
Program services:	
Group homes	1,438,615
Diaphragmatic pacer project	296,042
School services	3,617,600
Home health	2,283,453
Prescribed pediatric extended care	467,535
Respite pediatrics and respite	720,105
Therapy	559,573
Kids Clinic	31,850
	<hr/>
Total program services	9,414,773
Supporting services:	
General and administrative expenses	222,402
	<hr/>
Total operating expenses	9,637,175
Nonoperating expenses (Note 6):	231,540
	<hr/>
Change in net assets	(141,252)
NET ASSETS, July 1, 2012	3,090,633
	<hr/>
Transfer from a related organization (Note 6)	450,000
Transfer to a related organization (Note 6)	(822,939)
	<hr/>
Net transfers	(372,939)
	<hr/>
NET ASSETS, June 30, 2013	\$ <u><u>2,576,442</u></u>

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

**BROWARD CHILDREN'S CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2013

	Program Services			
	Group Homes	Diaphragmatic Pacer Project	School Services	Home Health
<b>PERSONNEL COSTS:</b>				
Salaries	\$ 895,359	\$ 131,833	\$ 2,247,059	\$ 1,962,137
Payroll taxes	82,475	9,195	196,284	179,380
Professional ancillary therapy costs, including salaries of \$ 384,498	42,315	16,891	13,329	1,686
Group insurance	50,535	2,159	145,247	28,590
Workmen's compensation	6,845	824	6,901	30,072
Total personnel costs	<u>1,077,529</u>	<u>160,902</u>	<u>2,608,820</u>	<u>2,201,865</u>
<b>OTHER EXPENSES:</b>				
Rent, including in-kind of \$ 6,084	76,800	22,725	308,371	9,732
Insurance	23,981	1,639	105,227	22,798
Vehicle expenses	10,158	70	152,819	-
Repairs and maintenance	26,600	36,873	56,605	4,942
Provision for depreciation	18,993	1,707	104,684	-
Medical supplies, equipment rental, and repairs	60,521	37,805	15,929	3,785
Utilities	17,644	4,220	56,264	4,777
Food, beverage, and dietary supplies	33,055	887	71,815	47
Professional fees	175	3,050	-	-
Housekeeping supplies, laundry, and linens	22,324	4,862	41,195	3,695
Communications	14,728	4,305	22,499	3,958
Miscellaneous	4,801	11,164	6,834	18,960
Advertising, recruiting, and training	9,071	3,722	15,676	6,039
Office supplies	2,337	870	12,457	2,855
Resident travel and activities	5,090	475	32,943	-
Clothing, incidentals, and personal supplies	25,646	728	2,111	-
Medications	9,162	38	33	-
Preschool supplies	-	-	3,318	-
Total other expenses	<u>361,086</u>	<u>135,140</u>	<u>1,008,780</u>	<u>81,588</u>
Subtotal	<u>1,438,615</u>	<u>296,042</u>	<u>3,617,600</u>	<u>2,283,453</u>
Allocation of general and expenses	33,279	6,103	88,571	53,360
Allocation to a related party organization (Note 6)	-	-	-	-
Subtotal	<u>33,279</u>	<u>6,103</u>	<u>88,571</u>	<u>53,360</u>
Total expenses	<u>\$ 1,471,894</u>	<u>\$ 302,145</u>	<u>\$ 3,706,171</u>	<u>\$ 2,336,813</u>

Program Services					Supporting Services	
Prescribed Pediatrics Extended Care	Respite Pediatrics and Respite	Therapy	Kids Klinik	Total Program Services	General and Administrative Expenses	Total
\$ 295,759	\$ 550,212	\$ 106,914	\$ 25,396	\$ 6,214,669	\$ -	\$ 6,214,669
24,644	51,060	41,646	689	585,373	-	585,373
1,947	1,330	372,596	-	450,094	-	450,094
17,465	18,156	17,369	84	279,605	-	279,605
1,976	3,518	964	74	51,174	-	51,174
<u>341,791</u>	<u>624,276</u>	<u>539,489</u>	<u>26,243</u>	<u>7,580,915</u>	<u>-</u>	<u>7,580,915</u>
42,240	25,173	-	-	485,041	66,316	551,357
19,597	8,889	8,028	4,985	195,144	19,041	214,185
29,316	418	-	-	192,781	12,724	205,505
5,302	15,165	2,829	-	148,316	52,414	200,730
843	2,228	-	130	128,585	18,110	146,695
4,905	2,795	-	119	125,859	6,230	132,089
5,614	4,411	-	-	92,930	16,006	108,936
83	2,100	-	-	107,987	152	108,139
-	-	-	-	3,225	99,220	102,445
4,706	5,196	30	373	82,381	8,841	91,222
4,105	6,756	2,214	-	58,565	28,462	87,027
2,214	664	172	-	44,809	13,194	58,003
3,322	11,192	5,232	-	54,254	3,082	57,336
1,686	8,710	1,579	-	30,494	15,984	46,478
-	1,874	-	-	40,382	-	40,382
1,747	254	-	-	30,486	-	30,486
64	4	-	-	9,301	-	9,301
-	-	-	-	3,318	-	3,318
<u>125,744</u>	<u>95,829</u>	<u>20,084</u>	<u>5,607</u>	<u>1,833,858</u>	<u>359,776</u>	<u>2,193,634</u>
<u>467,535</u>	<u>720,105</u>	<u>559,573</u>	<u>31,850</u>	<u>9,414,773</u>	<u>359,776</u>	<u>9,774,549</u>
10,839	16,664	12,878	708	222,402	(222,402)	-
-	-	-	-	-	(137,374)	(137,374)
<u>10,839</u>	<u>16,664</u>	<u>12,878</u>	<u>708</u>	<u>222,402</u>	<u>(359,776)</u>	<u>(137,374)</u>
<u>\$ 478,374</u>	<u>\$ 736,769</u>	<u>\$ 572,451</u>	<u>\$ 32,558</u>	<u>\$ 9,637,175</u>	<u>\$ -</u>	<u>\$ 9,637,175</u>

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

**BROWARD CHILDREN'S CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2013

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (141,252)
Adjustments to reconcile change in net assets to cash used in operating activities:	
Provision for depreciation	146,695
Loss on disposition of property and equipment	4,100
Changes in assets and liabilities:	
Increase in grants, contracts, and private service fees receivable, net	(255,382)
Decrease in due from a related organization	17,670
Increase in inventories	(4,748)
Increase in prepaid expenses	(2,292)
Increase in other assets	(1,024)
Decrease in accounts payable and other liabilities	(10,211)
Increase in accrued expenses	22,552
	<u>(223,892)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Sales and maturities of investments, net	18,040
Proceeds from sale of property and equipment	1,900
Purchases of property and equipment	(95,214)
	<u>(75,274)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Transfer from a related organization	450,000
Transfer to a related organization	(239,995)
	<u>210,005</u>
Net decrease in cash	(89,161)
CASH, July 1, 2012	<u>1,281,043</u>
CASH, June 30, 2013	<u>\$ 1,191,882</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>	
Cash received during the year for -	
Interest income	\$ <u>645</u>
Cash paid during the year for -	
Interest expense	\$ <u>NONE</u>
<b>Other Noncash Financing Activities:</b>	
Transfer to a related organization	\$ (822,939)
Less investments transferred	<u>(582,944)</u>
Cash transferred to a related organization	<u>\$ (239,995)</u>

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

**BROWARD CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 1 - ORGANIZATION AND OPERATIONS**

Broward Children's Center, Inc. (the "Organization") is a not-for-profit organization incorporated on February 8, 1971 under the laws of the State of Florida. The Organization provides quality medical, educational, and therapeutic services for children with special needs, primarily from the South Florida area. Support and revenues are primarily derived from grants and contracts with the government of the State of Florida, other Federal and local agencies, and private service fees.

The Organization is related to the Children's Comprehensive Care Center, Inc. (the "Center") and the Broward Children's Center Supporting Foundation, Inc. (the "Foundation"). Additional information is provided in Note 6.

Program Services:

Two preschools, one in the South West area of Broward County and one in the North East area of Broward County served approximately one hundred and sixty (160) developmentally delayed children and over thirty (30) typically normal developing children. The programs offer certified teachers, physical, occupational and speech therapies, recreational activities, after school care and nutritious breakfast, lunches and snacks. The schools are open for summer camp sponsored by the Children's Services Council of Broward County and are also open for working parents during holiday and school vacations. The Organization also provides subsidized child care in these locations. The North Preschool was awarded the National Re-Accreditation ("NAC"). The most impressive award earned at Preschool North was the Broward County Quality Rating and Improvement System (5 Stars). Preschool North is the first developmental special needs preschool to receive this honor in Broward County. Previously, the Broward County School system cut funding to the birth to three year olds. The Organization was able to provide services to these children and their families through a grant from CVS Pharmacy and the City of Hollywood. Because of the critical nature of the needs of birth to three year olds, the administration is hoping that these two entities continue the sponsorship of this program.

A preschool for typically developing children called Building Bridges is sponsored in cooperation with St. Martin's Episcopal Church which accommodates approximately forty (40) children and a voluntary Pre-Kindergarten class. This preschool program provides employees child care. During the past year, the enrollment was at capacity. Arrangements are being made to provide cultural activities (i.e. - drama, music, and voice lessons). This program also provides a classroom for medically fragile children.

Medical child care is provided on a daily basis for up to forty (40) children in the Center's Prescribed Pediatric Extended Care ("PPEC"). Registered nurses, teachers, physical, occupational, speech and respiratory services are provided in this program.

Transportation is provided to all children in the school programs and the PPEC program.

The Organization sponsors two group homes, one for developmentally disabled children and young adults and one for ventilator assisted young adults. The home for ventilator assisted young adults is the only home of its kind in the United States.

BROWARD CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 1 - ORGANIZATION AND OPERATIONS (continued)

The Respite Home, located in Pompano Beach, is the only respite home in the State of Florida. Staff is available seven days a week, twenty four hours per day to provide temporary care and shelter for children with complex medical problems, developmental delays, attention deficit disorder, and autism. Parents can find accommodations for their children when they just "need a break" from stress or have a family or medical emergency themselves. Sibling and parent groups are offered on a regular basis by a licensed clinical social worker who is also the Director of the program. The Respite Home Program is provided in the Stark Building. The Respite Home is being used to pilot a new program sponsored by the State. It is called the "Diaphragmatic Pacer System". During the year, the Organization was awarded unique project funding to implant newly injured ventilator patients with a diaphragmatic pacer system (DPS) which replaces the ventilator. Clients served, 21 years of age and older, must be Medicaid eligible or have existing Florida Medicaid coverage.

Respite services are also accessible for children in their own homes. These two programs are offered through the Children's Services Council of Broward County and are accessible only to residents of Broward County.

The Mobile Medical Clinic makes medical care available to children in areas where medical care is inaccessible either due to lack of mass transit or lack of providers. There is a collaborative agreement between *Pace Program for Girls*, which is sponsored by the Juvenile Justice System to provide well and sick visits to the young women in their care.

In cooperation with the Broward County School Board, nursing services are being provided in several schools in the County. Another contract allows nurses to accompany technologically dependent children to their public school classes.

The Organization collaborates in part with a 501(c)(4) organization called Florida Association for Medically Fragile Children and Young Adults. There are no fees or monies involved in this organization. It is free to families and functions as an advocacy group and resource center to assist families and young adults in their quest for services and support. There are presently approximately eighty members and meetings are held quarterly on the internet.

The Organization is sponsoring the Eagle Eye technology in collaboration with Boston College. This is technology that allows children who have been "locked in" (unable to communicate), to communicate. A training program has been developed which will be presented in November 2013 at the national conference of the Association for Children with Complex Medical Conditions, which will be hosted this year by Broward Children's Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958 *Not-for-Profit Entities*. Under ASC No. 958, the Organization 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.

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Noncash contributions are recorded at their fair value on the date received.

BROWARD CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (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. As of June 30, 2013, the Organization had no temporarily or permanently restricted net assets.

Cash and cash equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains deposits at a financial institution which at times exceed federally insured amounts. Deposit accounts are maintained with what management believes to be a quality financial institution.

Investments:

Investments consist of a certificate of deposit. Investments are measured at fair value, based on publicly quoted prices or other means. Realized and unrealized gains and losses are included in the accompanying statement of activities.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization had no unconditional or conditional promises to give as of June 30, 2013.

Allowance for doubtful accounts:

Management periodically reviews the receivable balances and provides an allowance for amounts which may be uncollectible. At June 30, 2013, management considered \$ 34,686 of its receivable balances to be uncollectible. Grants, contracts, private service fees, and other program revenues are presented net of a provision for uncollectible accounts, contractual adjustments, and ability to pay adjustments in the accompanying financial statements.

Inventories:

Inventories consist mainly of food supplies, laundry, linen, office, nursing, medical, and respiratory supplies; all carried at cost.

Property and equipment:

Property and equipment are carried at cost if purchased or, if donated, at fair value on the date of donation, less accumulated depreciation. The Organization follows the policy of providing for depreciation using the straight-line method over the estimated useful life of each type of asset which is as follows:

Vehicles	3-7 years
Nonmedical equipment	5-10 years
Furniture and fixtures	5 years
Medical equipment	5-10 years
Leasehold improvements	5-10 years

**BROWARD CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The capitalization policy of the Organization is to capitalize any item of property and equipment with an individual cost of over \$ 500 and an estimated useful life of over one year.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. The Organization received no donated property and equipment for the year ended June 30, 2013.

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renewals are capitalized. When assets are retired or otherwise disposed of, the cost or donated value and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Deferred revenue:

Grants, contracts, private service fees, and other program revenues that are not recognized because the allowable costs as defined by the individual grant or contract have not been incurred and/or the unit of service has not been provided is considered deferred revenue.

Grants, contracts, private service fees, and other program revenues:

Grants, contracts, private service fees, and other program revenues are recognized when the allowable costs as defined by the individual grant or contract are incurred and/or the unit of service has been provided.

Donated services:

The Organization pays for most services requiring specific expertise. However, when and if the value of donated services requires specific expertise, they are recorded in the financial statements as revenues and expense. During the year ended June 30, 2013, the value of contributed services meeting requirements for recognition in the financial statements was not material and is not recorded.

Functional expenses:

Program and supporting services are charged with their direct expenses. Other expenses are allocated based on their proportionate share of total expenses, as well as various other estimates developed by management. It is the Organization's policy to allocate all personnel costs directly to each program.

Income taxes:

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the IRC) and is therefore exempt from Federal income taxation under Section 501(a) of the IRC. No provision of income taxes was recorded for the year ended June 30, 2013 since the Organization had no unrelated business income.

**BROWARD CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of estimates:

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

Date of management review:

Subsequent events were evaluated by management through September 24, 2013, which is the date the financial statements were available for issuance.

**NOTE 3 - INVESTMENTS**

Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly; and Level 3 inputs that are unobservable inputs for the investments and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. An investment's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following table represents the investments as held by the Organization at June 30, 2013:

Asset Class	Level 2
Certificate of deposit	\$ <u><u>107,808</u></u>

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2013:

Vehicles	\$ 1,059,882
Nonmedical equipment	401,688
Furniture and fixtures	179,527
Medical equipment	137,864
Leasehold improvements	<u>58,247</u>
	1,837,208
Less accumulated depreciation	<u>1,224,702</u>
Net property and equipment	<u><u>\$ 612,506</u></u>

**BROWARD CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 5 – UNRESTRICTED NET ASSETS**

As of June 30, 2013, the Organization set aside unrestricted net assets of \$ 2,415,684 for the following purposes:

Renovations	\$	765,684
Equipment replacement		550,000
Program expansion		450,000
Working capital		450,000
Natural disasters		<u>200,000</u>
	\$	<u><u>2,415,684</u></u>

**NOTE 6 – RELATED PARTY TRANSACTIONS**

As indicated in Note 1, the Organization is related to the Children’s Comprehensive Care Center, Inc. (the “Center”) and the Broward Children’s Center Supporting Foundation, Inc. (the “Foundation”). The three organizations share common management, occasionally employees and other resources, but not common Board members. The Organization performs all accounting related functions for the Center and Foundation.

The Foundation owns the real estate for substantially all facilities operated by the Organization. Monthly rent amounts range from \$ 910 to \$ 12,500 based on square footage and location. Also, the Organization leases certain warehouse space from the Foundation for \$ 1,625 per month or \$ 19,500 per year. In addition, the Organization leases real estate from a third party for \$ 2,500 per month through October 31, 2013, with an option to renew for three additional one year options at an increase of 3% per annum. Total rent expense related to these arrangements, and other month-to-month agreements with third parties, amounted to approximately \$ 545,000.

Future rents expected to be paid under long-term lease arrangements, including third parties, are approximately as follows:

Year Ending June 30,		
2014	\$	451,100
2015	\$	441,100
2016	\$	394,800
2017	\$	385,600
2018	\$	264,600
Thereafter	\$	2,900

During the fiscal year ended June 30, 2013, the Organization received \$ 450,000 from the Foundation for general operating purposes. In addition, with the approval of its Board of Directors, cash equivalents and investments totaling \$ 822,939 were transferred to the Foundation.

During the fiscal year ended June 30, 2013, the Organization allocated/charged for general overhead and payroll expenses to the Center amounting to approximately \$ 137,400 and \$ 326,200, respectively. At year-end, the Center owes the Organization \$ 33,384.

During the fiscal year ended June 30, 2013, the Foundation provided donations of \$ 196,183 to the Organization.

**BROWARD CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 6 – RELATED PARTY TRANSACTIONS (continued)**

During the fiscal year ended June 30, 2013, the Organization transferred grants and contracts revenue of \$ 231,540 to the Center, as sub-recipient organization. At June 30, 2013, \$ 6,070 is owed to the Center by the Organization; which is included in accrued expenses in the accompanying statement of financial position.

The Organization received a management fee of \$ 248,000 for office space, personnel and to manage certain administrative affairs of the Foundation.

The Organization has guaranteed Foundation debt with an aggregate principal balance of \$ 1,004,355 at June 30, 2013. The future payments related to these financing arrangements are approximately \$ 1,211,400, including interest of approximately \$ 207,000. All debt is without recourse from guarantor to debtor. Among other provisions, the lender requires a minimum debt service coverage ratio of 1.25 to 1.00 on a combined basis (Organization and Foundation). The Organization and the Foundation are in compliance with this financial covenant.

Readers of the Organization's financial statements should reference the audited financial statements dated September 24, 2013 of the Center and Foundation for additional information.

**NOTE 7 – RETIREMENT PLAN**

The Organization offers its employees a defined contribution plan, Broward Children's Center, Inc. Retirement Plan. The plan is a defined contribution plan (401k) covering all employees, for both the Organization and the Center, after one year of service. Contributions to the plan by the Organization and Center are discretionary. Employees have the option to contribute to the plan via salary deferrals and are limited only by certain provisions of the Internal Revenue Code. Due to the nature of the plan, there is no liability for past service cost or unfunded vested benefits. There was no contribution by the employer for the fiscal year ended June 30, 2013.

**NOTE 8 – GRANTS AND CONTRACTS**

The Organization receives financial assistance from Federal, state, and local governmental agencies in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specific in the grant/contract agreements and may be subject to audit by the grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In certain instances, the grantor may increase its grant of funds to the Organization to offset amounts which would otherwise be repayable based on audits. In the opinion of management, all grant expenditures are in compliance with the terms of the agreements and applicable Federal, state, and local laws and regulations.

**NOTE 9 – ECONOMIC DEPENDENCY**

The Organization received a substantial amount of its public support and revenues from the State of Florida, including Medicaid, the Federal government, and other state and county/local agencies. If a significant reduction in the level of funding were to occur, there would be an adverse effect on the Organization's programs and activities.

# SUPPLEMENTAL INFORMATION

**BROWARD CHILDREN'S CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2013

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
<b>FEDERAL AGENCY NAME:</b>				
Indirect Programs:				
United States Department of Agriculture, Office: Food and Nutrition Service - Passed through the State of Florida Department of Agriculture and Consumer Services - Food Service Program for Children	10.559	01-0182	\$ 160,198	\$ 38,598
Passed through State of Florida Department of Health - Child and Adult Care Food Program	10.558	I-3539 & I-3242	6,191	-
Total Expenditures of Federal Awards			<u>166,389</u>	<u>38,598</u>
<b>STATE AGENCY NAME:</b>				
Direct Project:				
State of Florida Department of Health: Division of Emergency Preparedness and Community Support - Diaphragmatic Pacing Demonstration Project Brain and Spinal Cord Injury Program	64.125 *	COPL4 --	234,321 610,000	- 169,654
Indirect Project:				
State of Florida Department of Education: Passed through Family Central of Broward Early Learning Standards & Accountability	48.098	--	<u>86,080</u>	-
Total Expenditures of State Financial Assistance			<u>930,401</u>	<u>169,654</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 1,096,790</u>	<u>\$ 208,252</u>

\* Not Subject to Florida Statutes, Section 215.97, Florida Single Audit Act.

The accompanying notes to the supplemental information are an integral part of these schedules.

**BROWARD CHILDREN'S CENTER, INC.**  
**SCHEDULE OF LOCAL FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2013

<u>Grantor</u>	<u>Program Title</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
LOCAL FINANCIAL ASSISTANCE: Broward County, Board of County Commissioners - Department of Human Services -	** Special Health Care Needs, Respite In-Home	12-CSAD-8207-01	\$ 346,250	\$ -
	** Special Health Care Needs, Respite Out-of-Home	11-CSAD-8207-01/2	240,140	-
	** Special Health Care Needs, Medical Home	12-CSAD-8207-01	63,539	2,746
School Board of Broward County, Florida	Facility Use	--	150,000	-
	Transportation	--	453,385	20,542
	Preschool	--	2,040,723	-
	Medical support	--	400,218	-

The accompanying notes to the supplemental information are an integral part of these schedules.

**BROWARD CHILDREN'S CENTER, INC.**  
**SCHEDULE OF LOCAL FINANCIAL ASSISTANCE**  
 (continued)

For the Year Ended June 30, 2013

Grantor	Program Title	Contract/Grant Number	Expenditures	Transfers to Subrecipients
LOCAL FINANCIAL ASSISTANCE (continued): Children's Service Council of Broward County, Florida	** "MOST" Aftercare	12-2280	533,154	-
Total Local Financial Assistance			\$ 4,227,409	\$ 23,288

\*\* Broward Children's Center, Inc.'s fiscal year is from July 1 to June 30. Therefore, the above revenue/expenditures reflects three months of prior year contracts.

The accompanying notes to the supplemental information are an integral part of these schedules.

**BROWARD CHILDREN'S CENTER, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS, STATE AND LOCAL FINANCIAL ASSISTANCE**  
June 30, 2013

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedules of Expenditures of Federal Awards, State and Local Financial Assistance include the grant activity of Broward Children's Center, Inc. and are presented on the accrual basis of accounting.

**NOTE 2 – CONTINGENCY**

The grants and contracts revenue received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal, state and local laws and regulations.

**NOTE 3 – INTEREST**

No funds, including interest earned on such funds, are due back to the Federal, state or County government.

# INTERNAL CONTROLS AND COMPLIANCE



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Broward Children's Center, Inc.  
Pompano Beach, Florida

We have audited, in accordance with the 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, the financial statements of Broward Children's Center, Inc. (a not-for-profit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2013.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

Broward Children's Center, Inc.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
September 24, 2013