

BROWARD HOUSE, INC.
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

June 30, 2013

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AND ADDITIONAL INFORMATION
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FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Broward House, Inc.
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Broward House, Inc. (the "Organization") (a nonprofit 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.

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 auditor's 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 above 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Furthermore, the schedules of other state funding, local financial assistance, program/cost center actual expenses and revenues, state earnings, and related party transaction adjustments are also presented for purposes of additional analysis and are 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 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 October 21, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
October 21, 2013

BROWARD HOUSE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
CHANGE IN NET ASSETS:				
Public support:				
Contributions	\$ 363,232	\$ 1,670	\$ 364,902	\$ 339,126
Fundraising - special events	<u>228,402</u>	<u>-</u>	<u>228,402</u>	<u>315,053</u>
Total public support	<u>591,634</u>	<u>1,670</u>	<u>593,304</u>	<u>654,179</u>
Revenue:				
Governmental and other contracts for client services	10,085,862	-	10,085,862	10,644,930
Other revenues for client services	295,700	-	295,700	282,139
Miscellaneous income	<u>247,273</u>	<u>-</u>	<u>247,273</u>	<u>221,467</u>
Total revenue	<u>10,628,835</u>	<u>-</u>	<u>10,628,835</u>	<u>11,148,536</u>
Net assets released from restrictions	<u>285</u>	<u>(285)</u>	<u>-</u>	<u>-</u>
Total public support, revenue and net assets released from restrictions	<u>11,220,754</u>	<u>1,385</u>	<u>11,222,139</u>	<u>11,802,715</u>
Expenses:				
Program services	8,969,478	-	8,969,478	9,132,794
Supporting services:				
Administration	1,419,076	-	1,419,076	2,126,833
Fundraising	<u>369,265</u>	<u>-</u>	<u>369,265</u>	<u>321,183</u>
Total expenses	<u>10,757,819</u>	<u>-</u>	<u>10,757,819</u>	<u>11,580,810</u>
Net operating revenue	<u>462,935</u>	<u>1,385</u>	<u>464,320</u>	<u>221,905</u>
Nonoperating revenues:				
Extinguishment of debt	101,890	-	101,890	103,800
Interest and dividend income, net of fees and charges	37,160	-	37,160	22,691
Realized/unrealized gain (loss) on investments	<u>55,451</u>	<u>-</u>	<u>55,451</u>	<u>(13,331)</u>
Total nonoperating revenues	<u>194,501</u>	<u>-</u>	<u>194,501</u>	<u>113,160</u>
Change in net assets	657,436	1,385	658,821	335,065
NET ASSETS, July 1	<u>8,440,314</u>	<u>750</u>	<u>8,441,064</u>	<u>8,105,999</u>
NET ASSETS, June 30	<u>\$ 9,097,750</u>	<u>\$ 2,135</u>	<u>\$ 9,099,885</u>	<u>\$ 8,441,064</u>

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

BROWARD HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	Program services				Supporting Services		Total 2012
	Housing	Behavioral Health	Case Management	Total Program Services	Fundraising	Administration	
PERSONNEL COSTS:							
Salaries	\$ 1,760,261	\$ 545,642	\$ 900,820	\$ 3,206,723	\$ 79,095	\$ 843,919	\$ 4,455,570
Payroll taxes and fringe benefits	345,452	96,162	196,614	638,228	14,560	162,275	882,463
Total personnel costs	2,105,713	641,804	1,097,434	3,844,951	93,655	1,006,194	5,338,033
OTHER EXPENSES:							
Direct financial assistance	1,654,923	-	1,712,277	3,367,200	-	-	3,796,264
Professional fees	131,803	55,018	39,814	226,635	3,566	127,161	444,203
Insurance	149,278	31,966	32,904	214,148	692	29,948	200,566
Power, water and refuse	173,260	14,641	15,462	203,363	881	9,781	219,172
Dietary supplies	192,170	-	-	192,170	-	-	198,026
In-kind	6,981	1,042	6,389	14,412	128,002	5,871	104,422
Special events	-	-	-	-	113,327	-	113,327
Miscellaneous	31,452	749	28,766	60,967	66	24,682	83,047
Repairs and maintenance	54,494	1,989	9,324	65,807	-	13,728	47,148
Interest expense	41,051	-	22,168	63,219	-	15,798	86,038
Computer supplies	19,135	12,494	11,769	43,398	1,378	30,028	82,956
Telephone	24,034	7,595	15,330	46,959	1,416	21,516	74,804
Travel and education	11,130	10,767	33,218	55,115	-	5,533	69,891
Rent	19,813	4,851	28,414	53,078	612	4,776	60,648
Supplies	22,367	5,994	20,774	49,135	-	-	58,466
Housekeeping supplies	35,826	-	-	35,826	-	-	46,335
Imputed interest expense	21,840	7,010	14,058	42,908	-	10,069	42,473
Office expenses	8,215	4,509	7,567	20,291	945	10,518	42,908
Community outreach	28	593	12,094	12,715	9,735	2,787	31,754
Cable television	11,870	-	2,911	14,781	-	603	25,237
Client activities	11,334	1,529	-	12,863	205	-	15,384
Licenses and permits	2,781	925	319	4,025	-	500	13,068
Total expenses before provision for depreciation	4,729,498	803,476	3,110,992	8,643,966	354,480	1,319,493	11,121,552
Provision for depreciation	290,914	27,156	7,442	325,512	14,785	99,583	459,880
Total expenses	\$ 5,020,412	\$ 830,632	\$ 3,118,434	\$ 8,969,478	\$ 369,265	\$ 1,419,076	\$ 11,580,810

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

BROWARD HOUSE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 658,821	\$ 335,065
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Provision for depreciation	439,880	459,258
Realized/unrealized (gain) loss on investments	(55,451)	13,331
Extinguishment of debt	(101,890)	(103,800)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(184,878)	111,244
(Increase) decrease in inventory	329	(2,869)
(Increase) decrease in prepaid expenses	45,374	447,661
(Increase) decrease in deposits and other assets	49,297	(48,345)
Increase (decrease) in accounts payable	(208,074)	324,868
Increase (decrease) in accrued expenses	(124,616)	(138,720)
Increase (decrease) in deferred revenue	(33,896)	(376,011)
	<u>484,896</u>	<u>1,021,682</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	311,356	565,116
Purchases of property and equipment	(636,014)	(133,917)
Purchases of investments	(328,694)	(582,327)
	<u>(653,352)</u>	<u>(151,128)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	(58,121)	(55,533)
	<u>(58,121)</u>	<u>(55,533)</u>
Net increase (decrease) in cash and cash equivalents	(226,577)	815,021
CASH AND CASH EQUIVALENTS, July 1	<u>1,557,923</u>	<u>742,902</u>
CASH AND CASH EQUIVALENTS, June 30	<u>\$ 1,331,346</u>	<u>\$ 1,557,923</u>

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

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(with comparative totals for the year ended June 30, 2012)

NOTE 1 - ORGANIZATION AND OPERATIONS

Broward House, Inc. (the "Organization") is a not-for-profit corporation established to provide supportive services to improve the lives of individuals living with and at risk for HIV and other health issues. The Organization receives grants, contracts and other revenues from various governmental and charitable agencies for providing these services. In addition, the Organization receives contributions from the general public.

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.

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. For the years ended June 30, 2013 and 2012, the Organization had temporarily restricted net assets of \$ 2,135 and \$ 750, respectively, designated for program services. The Organization had no permanently restricted net assets as of June 30, 2013 and 2012.

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 routinely maintains cash balances at financial institutions which may exceed federally insured amounts. These amounts are maintained with what management believes to be quality financial institutions.

Investments:

Investments primarily include equity securities, fixed income securities, money market funds, and mutual funds. Investments are stated at their fair value. Unrealized gains and losses in fair value are recognized and are included in the accompanying statement of activities.

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(with comparative totals for the year ended June 30, 2012)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

At June 30, 2013 and 2012, the Organization had no unconditional or conditional promises to give.

Bad debts:

The direct write-off method is used to recognize bad debts. At June 30, 2013 and 2012, management considered the accounts receivable balance to be fully collectible within the current accounting period and no allowance for doubtful accounts was considered necessary.

Inventory:

Inventory consists principally of food and housekeeping supplies stated at current replacement cost. The resulting carrying amount is not significantly different from that which would result if the lower of cost (first-in, first-out method) or market were used.

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:

Buildings and improvements	10-40 years
Furniture and equipment	5-10 years
Vehicles and other equipment	5 years

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 years ended June 30, 2013 and 2012.

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renewals are capitalized.

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(with comparative totals for the year ended June 30, 2012)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue:

Grant and contract revenue that is not recognized because the allowable costs as defined by the individual grant or contract have not been incurred is considered deferred revenue. For the years ended June 30, 2013 and 2012, deferred revenue totaled \$ 174,785 and \$ 208,681, respectively.

Grant and contract revenue:

Grant and contract revenue is 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 goods and services:

The Organization receives donated goods and services, paying for most services requiring specific expertise. A number of volunteers have donated their time in certain of the Organization's program service and administration areas, and fundraising activities. When the value of donated services requires specific expertise, they are reflected in the financial statements as revenue and expenses. For the years ended June 30, 2013 and 2012, the Organization recorded \$ 39,404 and \$ 27,700, respectively, in donated services which related to advertising and administrative related costs. Donated goods are recorded at their fair value. For the years ended June 30, 2013 and 2012, donated goods totaled \$ 108,881 and \$ 76,722, respectively, and have been distributed as program supplies and miscellaneous expenses principally to the Organization's housing programs.

Functional expenses:

The Organization has a number of programs (cost centers) and maintains accounting records separately for each of them. Expenses incurred are charged to each program (cost center) for direct expenditures incurred. All expenses not directly chargeable to a program are allocated based on the program's (cost center's) proportionate share of total expenditures and other assumptions developed by management.

Joint costs of fundraising appeals:

The Organization utilizes various pamphlets, brochures and informational methods to inform the general public of their activities and to solicit funds. These costs are charged to fundraising.

Imputed interest:

Noninterest bearing loans have interest imputed based on approximate market rates at the time of the loan's origination.

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.

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(with comparative totals for the year ended June 30, 2012)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summarized prior year information:

The financial statements include summarized comparative information from the prior year, which is not presented by net asset type and functional expense classification and does not include sufficient detail to conform with generally accepted accounting principles. This information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the comparative information was extracted.

Date of management review:

Subsequent events were evaluated by management through October 21, 2013, which is the date the financial statements were available for issuance.

NOTE 3 - INVESTMENTS

Investments reported on the statement of financial position are in a managed account that requires the approval of a member of the Executive Committee of the Board of Directors before any expenditure can be made from the account. These funds have been set aside by the Organization for future extraordinary expenses, including capital expenditures and/or declines in public support and revenue.

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, the Organization provides certain required disclosures. ASC No. 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly (e.g. quoted prices in actual markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 inputs that are unobservable for the investments (e.g. information about assumptions, including risk, market participants would use in pricing a security).

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement. The input or methodology used for valuing securities is not necessarily an indicator of risk associated with investing in those securities. At June 30, 2013 and 2012, the fair value of investments by type was as follows:

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(with comparative totals for the year ended June 30, 2012)

NOTE 3 – INVESTMENTS (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2013</u>	<u>Total 2012</u>
INVESTMENT TYPE:					
Equity securities	\$ 479,042	\$ -	\$ -	\$ 479,042	\$ 420,096
Fixed income securities	407,348	-	-	407,348	363,471
Real estate and commodities funds	95,697	-	-	95,697	119,356
Money market funds	-	6,643	-	6,643	13,018
Preferred stock	-	750	-	750	750
	<u>\$ 982,087</u>	<u>\$ 7,393</u>	<u>\$ -</u>	<u>\$ 989,480</u>	<u>\$ 916,691</u>

The investments above, except for the preferred stock, have been pledged as collateral on a line of credit (Note 5).

Investment income (loss) relative to these investments, and other interest bearing accounts, is composed of:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 41,981	\$ 25,432
Investment fees and charges	(4,821)	(2,741)
Realized/unrealized gain (loss) on investments	<u>55,451</u>	<u>(13,331)</u>
	<u>\$ 92,611</u>	<u>\$ 9,360</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Buildings and improvements	\$ 8,532,739	\$ 8,245,963
Furniture and equipment	651,803	1,053,398
Vehicles and other equipment	49,520	114,388
	<u>9,234,062</u>	<u>9,413,749</u>
Less accumulated depreciation	3,942,290	4,191,721
	<u>5,291,772</u>	<u>5,222,028</u>
Land	2,147,399	2,021,009
	<u>\$ 7,439,171</u>	<u>\$ 7,243,037</u>

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(with comparative totals for the year ended June 30, 2012)

NOTE 5 - LINE OF CREDIT

At June 30, 2013 and 2012, the Organization had a \$ 700,000 revolving line of credit with a bank for temporary working capital needs, maturing December 2014. Borrowing against this line of credit bears interest at a variable prime rate minus 1% (2.25% at June 30, 2013 and 2012). This line of credit is secured by investments held by the Organization with a fair value of approximately \$ 989,000 and \$ 916,000 as of June 30, 2013 and 2012, respectively (Note 3). Also, the lender previously filed a financing statement form (UCC-1) under the State of Florida Uniform Commercial Code, to include all accounts of the Organization. This obligation is cross-collateralized and cross-defaulted with the two mortgage notes discussed in Note 6. At June 30, 2013 and 2012, this credit line facility had an outstanding balance of \$ 5,000.

NOTE 6 - DEBT

The Organization is indebted on the following obligations as of June 30, 2013 and 2012:

	2013	2012
<u>Payable Debt:</u>		
Mortgage note payable to a bank in monthly installments of \$ 5,378, including interest at a 5.90% fixed rate until July, 2014 at which time the remaining unpaid balance of approximately \$ 490,000 is due. At June 30, 2013 and 2012, this note was collateralized by a first mortgage on real property (Wilton Manors Service Center) with a net book value of approximately \$ 839,000 and \$ 855,000 respectively, plus certain improvements, furniture and equipment and an assignment of rents/leases. In addition, this note is cross-collateralized and cross-defaulted with the line of credit (Note 5) and one other mortgage note described below.	\$ 522,345	\$ 554,569
Mortgage note payable to a bank in monthly installments of \$ 4,100, including interest at a 5.94% fixed rate until December, 2013 at which time the remaining unpaid balance of approximately \$ 498,000 is due. At June 30, 2013 and 2012, the note was collateralized by a first mortgage on real property (Tropic Breeze Apartments Building) with a net book value of approximately \$ 851,000 and \$ 869,000 respectively, plus certain improvements, furniture and equipment, and an assignment of rents/leases. This obligation is cross-collateralized and cross-defaulted with the line of credit (Note 5) and one other mortgage note described above.	500,015	518,468

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(with comparative totals for the year ended June 30, 2012)

NOTE 6 – DEBT (continued)

	2013	2012
<u>Payable Debt (continued):</u>		
Previously, a capital lease arrangement was used for the acquisition of a vehicle and payable to a finance company in monthly installments of \$ 691 including interest at 2.90% until May, 2013. This obligation was collateralized by the vehicle with a net book value of approximately \$ 6,000 at June 30, 2012.	--	7,444
Subtotal	1,022,360	1,080,481
<u>Forgivable Debt:</u>		
Loan payable to the City of Fort Lauderdale, the proceeds from which were utilized for the purchase of the “Tropic Breeze Apartment Building.” Each year, the City intends to forgive 10.00% of the principal balance providing the building has been used for the purpose prescribed. The loan is noninterest bearing but interest has been imputed at 3.25% and totaled \$ 8,350 and \$ 9,582 for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013, and 2012, the loan was collateralized by real property with a net book value of approximately \$ 851,000 and \$ 869,000, respectively, plus certain improvements. This loan payable is subordinated to the mortgage note with an outstanding balance of \$ 500,015 (2013) and \$ 518,468 (2012).	220,000	260,000
Loan payable to Broward County, the proceeds from which were utilized for the acquisition of the “Specialized Medical Respite Facility.” Each year, the County intends to forgive 5.00% of the principal balance providing the building has been used for the purpose prescribed. The loan is noninterest bearing but interest has been imputed at 8.25% and totaled \$ 18,098 and \$ 19,336 for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, the loan was collateralized by real property with a net book value of approximately \$ 334,000 and \$ 336,000, respectively, plus certain improvements.	211,250	226,250

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(with comparative totals for the year ended June 30, 2012)

NOTE 6 - DEBT (continued)

	2013	2012
Forgivable Debt (continued):		
<p>Loan payable to Broward County, the proceeds from which were utilized for the acquisition of the "Wilton Manors Service Center." Each year, the County intends to forgive 5.00% of the principal balance providing the building has been used for the purpose prescribed. The loan is noninterest bearing but interest has been imputed at 5.50% and totaled \$ 8,225 and \$ 8,899 for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, the loan was collateralized by real property with a net book value of approximately \$ 839,000 and \$ 855,000, respectively, plus certain improvements. This loan payable is subordinated to the mortgage note with an outstanding balance of \$ 522,345 (2013) and \$ 554,569 (2012).</p>	142,917	155,167
<p>Loan payable to Broward County, the proceeds from which were utilized for renovations to the "Wilton Manors Service Center." Each year, the County intends to forgive 5.00% of the principal balance providing the building has been used for the purpose prescribed. The loan is noninterest bearing but interest has been imputed at 5.25% and totaled \$ 2,511 and \$ 2,720 for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, the loan was collateralized by real property with a net book value of approximately \$ 839,000 and \$ 855,000, respectively, plus certain improvements. This loan payable is subordinated to the mortgage note with an outstanding balance of \$ 522,345 (2013) and \$ 554,569 (2012).</p>	45,685	49,656
<p>Loan payable to Broward County, the proceeds from which were utilized for the purchase of three power generators at the Organization's Family Living, Assisted Living, and Behavioral Health Center facilities, as well as for renovations of the "Client Services Center." Each year, the County intends to forgive 20.00% of the principal balance providing the facilities have been used for the purpose prescribed. The loan is noninterest bearing but interest has been imputed at 3.25% and totaled \$ 1,401 and \$ 1,921 for the years ended June 30, 2013 and 2012, respectively. Broward County retains a lien on the subject properties.</p>	32,627	48,941

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

(with comparative totals for the year ended June 30, 2012)

NOTE 6 - DEBT (continued)

	2013	2012
Forgivable Debt (continued):		
Loan payable to the State of Florida Department of Children and Families, the proceeds from which were utilized for the roof replacement of one of the Organization's "Family Living" facilities. Each year, the State intends to forgive 5.00% providing the facility has been used for the purpose prescribed. The loan is noninterest bearing but interest has been imputed at 7.50% and totaled \$ 2,466 and \$ 2,552 for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, the loan was collateralized by real property with a net book value of approximately \$ 300,000 and \$ 313,000, respectively, plus certain improvements.	27,157	29,051
Loan payable to Broward County, the proceeds from which were utilized to increase the capacity and for the rehabilitation of the Assisted Living Facility (ALF). Each year, the County intends to forgive 10.00% of the principal balance providing the facility has been used for the purpose prescribed. The loan is noninterest bearing but interest has been imputed at 6.50% and totaled \$ 1,857 and \$ 2,543 for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, the loan was collateralized by real property with a net book value of approximately \$ 451,000 and \$ 481,000, respectively, plus certain improvements.	22,856	33,405
Previously, a loan payable to Broward County, the proceeds from which were utilized for the roof replacement of one of the Organization's "Family Living" facilities. Each year, the County forgave 20.00% providing the facility had been used for the purpose prescribed. The loan was noninterest bearing but interest had been imputed at 7.50% and totaled \$ 65 for the year ended June 30, 2012. At June 30, 2012 the loan was collateralized by real property with a net book value of approximately \$ 313,000, plus certain improvements.	--	1,912
Subtotal	702,492	804,382
Total	\$ 1,724,852	\$ 1,884,863

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(with comparative totals for the year ended June 30, 2012)

NOTE 6 - DEBT (continued)

Future debt principal payments, not including those that are forgiven annually, in the aggregate are approximately as follows:

Year Ending June 30	2013	2012
2013	\$ -	\$ 59,000
2014	\$ 534,000	\$ 534,000
2015	\$ 488,000	\$ 488,000
Thereafter	\$ NONE	\$ NONE

The agreements relating to the two mortgage notes previously discussed and the revolving line of credit (Note 5) require certain restrictive covenants, including but not limited to the following: minimum insurance requirements, lender's approval to incur additional debt, provide financial reports as requested, maintain minimum cash balances (including investments) with the lender, and maintain a minimum debt service coverage ratio of 1.20 times to 1.00. As of June 30, 2013 and 2012, the Organization was in compliance with these requirements.

NOTE 7 - GOVERNMENTAL CONTRACTS FOR CLIENT SERVICES

Funding agreements for services to be provided are principally entered into from one to three year installments. The release of funds is subject to monies being made available by the Federal government, the State of Florida, local municipalities and other grantor agencies. Certain agreements may be terminated by either party upon thirty days written notice. However, such an event would be unlikely if contract performance continues to be satisfactory and grantors' annual budgets are authorized by each respective governing body.

Program expenditures made by the Organization are subject to additional audit by 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.

NOTE 8 - INCOME TAXES

The Organization is a not-for-profit organization, exempt from tax under Internal Revenue Code 501(c)(3), therefore, no tax provision has been made in the accompanying financial statements.

NOTE 9 - RELATED PARTY TRANSACTIONS

A source of funding for the Organization has been Broward Health (BH). BH is represented on the Organization's Board of Directors. During the years ended June 30, 2013 and 2012, the Organization earned \$ 664,300 annually from BH for providing medical respite services. All past and future funding from BH is based on the approval of its Board of Commissioners. In addition, the Organization earned, in 2013 and 2012, \$ 74,932 annually in Federal dollars passed through BH for Healthcare for the Homeless (Outreach) of which \$ 6,244 was due to the Organization as of June 30, 2013 and 2012.

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(with comparative totals for the year ended June 30, 2012)

NOTE 9 - RELATED PARTY TRANSACTIONS (continued)

The Organization is the landlord on an office space rental agreement with BH (tenant) making available a portion of the administrative and operations building for BH to operate a medical services practice. This agreement is currently payable by BH in monthly installments of approximately \$ 2,800. For the years ended June 30, 2013 and 2012, the Organization earned approximately \$ 33,100.

Another source of funding for the Organization is the Memorial Healthcare System (MHS). MHS was represented on the Organization's Board of Directors through November 2012. During the years ended June 30, 2013 and 2012, the Organization earned \$ 142,625 and \$ 145,670, respectively from MHS for providing medical respite services of which \$ 63,545 and \$ 58,682 was due to the Organization at June 30, 2013 and 2012, respectively. All past and future funding from the MHS is also based upon approval of its Board of Commissioners.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The Organization offers a 401(k) "Safe Harbor" retirement plan covering certain electing employees. Contributions are based upon the amount of compensation each participant elects to defer yearly. Generally, such deferral amount may not exceed the lesser of 100% of total compensation or \$ 17,500 and \$ 17,000 (\$ 23,000 and \$ 22,500 if over age 50) for 2013 and 2012, respectively, for each participant. The Organization provides a match of 100% of the employee's first 3% elective contributions and 50% of the next 2% elective contributions. The total 401(k) plan expense to the Organization as of June 30, 2013 and 2012 amounted to approximately \$ 91,200 and \$ 119,200, respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Lease Agreements:

The Organization currently leases office equipment, vehicles and office space under various agreements which are payable in monthly installments aggregating approximately \$ 4,400, plus certain excess usage charges. Such leases expire at various times from July, 2013 through November, 2017. Total rent expense in connection with these agreements, amounted to approximately \$ 53,000 and \$ 38,000 for the years ended June 30, 2013 and 2012, respectively.

The following is a schedule of approximate future minimum lease payments relating to these leases:

<u>Year Ending</u> <u>June 30</u>	<u>2013</u>	<u>2012</u>
2013	\$ -	\$ 27,800
2014	\$ 47,400	\$ 7,500
2015	\$ 24,800	\$ 900
2016	\$ 15,400	\$ 300
2017	\$ 10,600	\$ -
2018	\$ 3,500	\$ NONE

BROWARD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013
 (with comparative totals for the year ended June 30, 2012)

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

In addition, the Organization has several month-to-month storage and equipment arrangements. Total rent expense in connection with these arrangements amounted to approximately \$ 6,000 and \$ 5,000 for the years ended June 30, 2013 and 2012, respectively.

Forgivable Mortgages:

A portion of the Organization’s real property was originally acquired and/or improved with funds provided under contracts with Broward County, Florida, and other funders. Certain “special provisions” of these contracts require that the real property be used for specified purposes during a period of time. If these properties are no longer necessary for regular operations, the Organization must obtain approval from Broward County, Florida and/or other funders to use these properties for other purposes. Claims to these properties are evidenced by recorded mortgages.

NOTE 12 – CONCENTRATIONS IN OPERATIONS

The Organization receives a substantial amount of its public support and revenue from the Federal Government, State of Florida 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.

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Other Cash Flow Information:

	<u>2013</u>	<u>2012</u>
Cash received during the year for -		
Interest and dividend income	\$ 41,981	\$ 25,432
Cash paid during the year for -		
Interest expense	\$ 79,017	\$ 82,956
Noncash Investing and Financing Activities:		
	<u>2013</u>	<u>2012</u>
Extinguishment of debt - forgivable mortgages	\$ <u>101,890</u>	\$ <u>103,800</u>
Imputed interest	\$ <u>42,908</u>	\$ <u>47,618</u>

SUPPLEMENTAL INFORMATION

BROWARD HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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
FEDERAL AGENCY NAME:				
Direct Programs:				
Department of Housing and Urban Development - HOPWA Performance Grant	14.241	FLH080021	\$ 7,263	\$ -
Indirect Programs:				
Department of Housing and Urban Development - Passed through the City of Fort Lauderdale, Florida - Community Development Block Grants/Entitlement Grants (HOPWA)				
Tenant Based Rental Voucher	14.241	HP111828, HP111830, HP121958 & HP121951	2,077,900	-
Facility Based Housing	14.241	HP132065 & HP132067	1,063,467	-
Project Based Rent	14.241	HP132085, HP132067, HP121955 & HP121951	678,058	-
Assisted Living Facility	14.241	HP111829, HP111830, HP121952 & HP121951	209,369	-
Substance Abuse Housing	14.241	HP111826, HP111830, HP121956 & HP121951	94,195	-

BROWARD HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 (continued)

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
FEDERAL AGENCY NAME (continued): Indirect Programs (continued): Renovations	14.241	2011/2012	55,194	-
Community Based Housing	14.241	HP111827, HP111830, HP121957 & HP121951	42,488	-
Emergency Transitional Housing	14.241	HP111829, HP111830, HP121954 & HP121951	15,113	-
		14.241 Total	<u>4,243,047</u>	
Passed through Broward County Housing Finance and Community Development Division - Community Development Block Grants/Entitlement Grants (HOPWA)	14.218	10-HFCDD-CDBG-0016	16,402	-
Department of Health and Human Services - Passed through Broward County, Florida - HIV Emergency Relief Project Grants (Ryan White Title I)	93.914 93.914	11-CP-HCS-8244-RW 12-CP-HCS-8244-RW	877,944 441,179	- -
		93.914 Total	<u>1,319,123</u>	
Passed through State of Florida Department of Children and Families - Block Grants for Prevention and Treatment of Substance Abuse	93.959	JD-267	649,436	-

BROWARD HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 (continued)

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
FEDERAL AGENCY NAME (continued): Indirect Programs (continued): Passed through United Way of Broward County, Commission on Substance Abuse - Block Grants for Prevention and Treatment of Substance Abuse	93.959	JD260-16	27,752 <u>677,188</u>	-
		93.959 Total		
Passed through Health Council of South Florida, Inc. - HIV Care Formula Grant (AICP)	93.917	2012/2013	1,117,965	-
Passed through State of Florida Department of Health - Minority AIDS Initiative - ARTAS (Ryan White Title II)	93.917	CODCM	117,300 <u>1,235,265</u>	-
		93.917 Total		
SISTA	93.940	CODDU	49,000	-
Passed through Broward Health Community Health Centers - (Healthcare for the Homeless)	93.224	H80CS00019	74,932	-
Passed through Centers for Disease Control and Prevention - HIV Prevention Activities Non-Governmental Organization Based	93.939	5U65PS002540-02	254,800	-

BROWARD HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 (continued)

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
FEDERAL AGENCY NAME (continued):				
Indirect Programs (continued):				
Passed through Substance Abuse and Mental Health Services Administration - Storm Chaser	93.243	1H79T1024444-01	234,194	-
Department of Homeland Security - Passed through the United Way of America - Emergency Food and Shelter National Board Program	97.024	Phase 30	12,000	-
Total Expenditures of Federal Awards			\$ 8,115,951	\$ -

BROWARD HOUSE, INC.
 SCHEDULE OF OTHER STATE FUNDING
 For the Year Ended June 30, 2013

<u>Grantor</u>	<u>Program Title</u>	<u>Contract Number</u>	<u>Expenditures</u>
OTHER STATE FUNDING:			
United Way of Broward County	Block Grants for Prevention and Treatment of Substance Abuse	JD-260-16	\$ 2,250
Department of Health and Human Services - Passed through the Health Council of South Florida, Inc.	AIDS Insurance Continuation Program (AICP)	2012/2013	<u>656,582</u>
Total Other State Funding			<u>\$ 658,832</u>

BROWARD HOUSE, INC.
SCHEDULE OF LOCAL FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013

<u>Grantor</u>	<u>Program Title</u>	<u>Contract Number</u>	<u>Expenditures</u>
LOCAL FINANCIAL ASSISTANCE:			
Broward County, Board of County Commissioners - Department of Human Services	Homeless Medical Respite	10-CP-HIP-8445-2	\$ 432,388
Broward Health	Medical Respite	--	664,300
Memorial Healthcare System	Medical Respite	--	142,625
Broward County - Health Facilities Authority	ALF Roof Replacement	11-HSD-8484-01	36,778
M.A.C. AIDS Fund	Permanent Housing for PLWHIV	--	19,988
Community Foundation of Broward	Mpowerment-Minority Focus	20110373	<u>15,000</u>
Total Local Financial Assistance			\$ <u><u>1,311,079</u></u>

BROWARD HOUSE, INC.
**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS, OTHER STATE
FUNDING AND LOCAL FINANCIAL ASSISTANCE**
For the Year Ended June 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal Awards, Other State Funding and Local Financial Assistance include the grant activity of Broward House, Inc. and are presented on the accrual basis of accounting. The information in the Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of the *U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2 – CONTINGENCY

The grant and contract revenue amounts 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/contract agencies would become a liability of Broward House, Inc. 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.

BROWARD HOUSE, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
For the Year Ended June 30, 2013

Funding Sources and Revenues	Adult Substance Abuse					Total for State SAMH-Funded Cost Centers	Total for Non-State-Funded SAMH Cost Centers	Total for All State - Designated SAMH Cost Centers	Non-SAMH Cost Centers	Total Funding
	Day/Night	Intervention - Individual/Group	Prevention	Outreach	Total for Adult Substance Abuse					
STATE SAMH FUNDING:										
From the District funding this contract (District 10)	\$ 49,679	\$ 535,927	\$ -	\$ 63,830	\$ 649,436	\$ 649,436	\$ -	\$ 649,436	\$ -	\$ 649,436
Total State SAMH funding	49,679	535,927	-	63,830	649,436	649,436	-	649,436	-	649,436
OTHER GOVERNMENT FUNDING:										
Federal grants and contracts	970,281	-	537,994	74,932	1,583,207	1,583,207	30,002	1,613,209	6,527,138	8,140,347
Local government	-	-	-	-	-	-	-	-	1,377,981	1,377,981
Medicaid	-	-	-	-	-	-	-	-	295,700	295,700
Total other government funding	970,281	-	537,994	74,932	1,583,207	1,583,207	30,002	1,613,209	8,200,819	9,814,028
ALL OTHER REVENUES:										
Contributions, donations and private grant/awards	-	-	-	-	-	-	-	-	402,111	402,111
Other	-	-	-	-	-	-	-	-	359,872	359,872
In-kind and forgiven imputed interest	22,789	-	12,636	1,760	37,185	37,185	705	37,890	153,303	191,193
Total all other revenue	22,789	-	12,636	1,760	37,185	37,185	705	37,890	915,286	953,176
Total funding	\$ 1,042,749	\$ 535,927	\$ 550,630	\$ 140,522	\$ 2,269,828	\$ 2,269,828	\$ 30,707	\$ 2,300,535	\$ 9,116,105	\$ 11,416,640

BROWARD HOUSE, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
(continued)
For the Year Ended June 30, 2013

	Adult Substance Abuse				Total Adult Substance Abuse	Total for State SAMH-Funded Cost Centers
	Day/Night	Intervention - Individual / Group	Prevention	Outreach		
PERSONNEL EXPENSES:						
Salaries	\$ 369,337	\$ 178,619	\$ 268,789	\$ 82,949	\$ 899,694	\$ 899,694
Payroll taxes and fringe benefits	61,669	44,436	54,795	23,045	183,945	183,945
Total personnel expenses	431,006	223,055	323,584	105,994	1,083,639	1,083,639
OTHER EXPENSES:						
Other, including direct financial assistance	420	165	888	4,643	6,116	6,116
Building occupancy	40,771	9,940	42,343	17,641	110,695	110,695
Professional services	50,411	27,095	3,374	6,511	87,391	87,391
Operating supplies and expenses	19,470	2,055	67,235	979	89,739	89,739
Insurance	22,322	8,084	9,319	1,661	41,386	41,386
Donated items, including imputed interest	1,720	573	-	1,146	3,439	3,439
Interest expense	-	4,964	4,086	-	9,050	9,050
Travel and education	1,765	10,073	15,722	4,992	32,552	32,552
Total other expenses	136,879	62,949	142,967	37,573	380,368	380,368
Total personnel and other expenses	567,885	286,004	466,551	143,567	1,464,007	1,464,007
DISTRIBUTED INDIRECT COSTS:						
Administration	139,255	180,111	68,120	32,360	419,846	419,846
Other support costs	10,695	4,271	-	1,548	16,514	16,514
Total distributed indirect costs	149,950	184,382	68,120	33,908	436,360	436,360
Total actual operating expenses	717,835	470,386	534,671	177,475	1,900,367	1,900,367
UNALLOWABLE COSTS:						
Total allowable operating expenses	\$ 717,835	\$ 470,386	\$ 534,671	\$ 177,475	\$ 1,900,367	\$ 1,900,367
CAPITAL EXPENDITURES	\$ 6,254	-	-	-	\$ 6,254	\$ 6,254

BROWARD HOUSE, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
(continued)
For the Year Ended June 30, 2013

	Total for Non-State - Funded SAMH Cost Centers	Total for All State - Designated SAMH Cost Centers	Non-SAMH Cost Centers	Fundraising	Administration	Total Expenses
PERSONNEL EXPENSES:						
Salaries	\$ 12,083	\$ 911,777	\$ 2,294,946	\$ 79,095	\$ 843,919	\$ 4,129,737
Payroll taxes and fringe benefits	<u>2,464</u>	<u>186,409</u>	<u>451,819</u>	<u>14,560</u>	<u>162,275</u>	<u>815,063</u>
Total personnel expenses	<u>14,547</u>	<u>1,098,186</u>	<u>2,746,765</u>	<u>93,655</u>	<u>1,006,194</u>	<u>4,944,800</u>
OTHER EXPENSES:						
Other, including direct financial assistance		6,118	3,451,652	123,333	27,969	3,609,072
Building occupancy	2	112,176	597,324	17,694	149,987	877,181
Professional services	969	88,360	138,275	3,566	127,161	357,362
Operating supplies and expenses	571	90,310	250,510	2,323	50,615	393,758
Insurance	902	42,288	171,860	692	29,948	244,788
Donated items, including imputed interest	4,586	8,025	49,295	128,002	5,871	191,193
Interest expense	160	9,210	54,009	-	15,798	79,017
Travel and education	225	32,777	22,338	-	5,533	60,648
Total other expenses	<u>8,896</u>	<u>389,264</u>	<u>4,735,263</u>	<u>275,610</u>	<u>412,882</u>	<u>5,813,019</u>
Total personnel and other expenses	<u>23,443</u>	<u>1,487,450</u>	<u>7,482,028</u>	<u>369,265</u>	<u>1,419,076</u>	<u>10,757,819</u>
DISTRIBUTED INDIRECT COSTS:						
Administration	3,616	423,462	995,614	-	(1,419,076)	-
Other support costs	822	17,336	351,929	(369,265)	-	-
Total distributed indirect costs	<u>4,438</u>	<u>440,798</u>	<u>1,347,543</u>	<u>(369,265)</u>	<u>(1,419,076)</u>	<u>-</u>
Total actual operating expenses	<u>27,881</u>	<u>1,928,248</u>	<u>8,829,571</u>	<u>-</u>	<u>-</u>	<u>10,757,819</u>
UNALLOWABLE COSTS:						
Total allowable operating expenses	<u>27,881</u>	<u>1,928,248</u>	<u>8,829,571</u>	<u>-</u>	<u>-</u>	<u>10,757,819</u>
CAPITAL EXPENDITURES	<u>-</u>	<u>6,254</u>	<u>71,063</u>	<u>-</u>	<u>558,697</u>	<u>636,014</u>

BROWARD HOUSE, INC.
SCHEDULE OF STATE EARNINGS
For the Year Ended June 30, 2013

TOTAL EXPENDITURES	\$ 10,757,819
Less other state and Federal funds	(8,421,047)
Less nonmatch SAMH funds	(649,436)
Less unallowable costs per 65E-14, F.A.C.	<u> -</u>
 TOTAL ALLOWABLE EXPENDITURES	 \$ <u><u>1,687,336</u></u>
 MAXIMUM AVAILABLE EARNINGS	 \$ <u><u>1,265,502</u></u>
 AMOUNT OF STATE FUNDS REQUIRING MATCH	 \$ <u><u> -</u></u>
 AMOUNT DUE TO DEPARTMENT	 \$ <u><u> -</u></u>

BROWARD HOUSE, INC.
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS
For the Year Ended June 30, 2013

	Broward Health			Memorial Healthcare System	Total 2013
	State- Designated SAMH Cost Center	Non- SAMH Cost Center	Total	Non- SAMH Cost Center	
	Outreach	Medical Respite		Medical Respite	
REVENUE FROM GRANTEE:					
Services	\$ 74,932	\$ 664,300	\$ 739,232	\$ 142,625	\$ 881,857
Total revenue from grantee	<u>74,932</u>	<u>664,300</u>	<u>739,232</u>	<u>142,625</u>	<u>881,857</u>
EXPENSES ASSOCIATED WITH GRANTEE TRANSACTIONS:					
Salaries and fringe benefits	55,173	296,555	351,728	49,891	401,619
Administration and other support costs	23,274	279,041	302,315	46,617	348,932
Building occupancy	14,349	88,924	103,273	21,486	124,759
Operating supplies and expenses	68	59,793	59,861	7,905	67,766
Insurance	761	12,261	13,022	1,889	14,911
Other	183	11,424	11,607	1,155	12,762
Travel and education	2,429	1,291	3,720	183	3,903
Interest expense	-	34	34	5	39
Professional services	1,009	11,276	12,285	1,608	13,893
Total expenses associated with grantee transactions	<u>97,246</u>	<u>760,599</u>	<u>857,845</u>	<u>130,739</u>	<u>988,584</u>
Related party transaction adjustment	<u><u>\$ (22,314)</u></u>	<u><u>\$ (96,299)</u></u>	<u><u>\$ (118,613)</u></u>	<u><u>\$ 11,886</u></u>	<u><u>\$ (106,727)</u></u>

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 House, Inc.
Fort Lauderdale, 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 House, 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, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 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 from 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 House, 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
October 21, 2013



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133

To the Board of Directors
Broward House, Inc.
Fort Lauderdale, Florida

Report on Compliance for Each Major Federal Program

We have audited Broward House, Inc.'s (a not-for-profit organization) (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major Federal programs for the year ended June 30, 2013. The Organization's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major Federal programs based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
October 21, 2013

BROWARD HOUSE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Broward House, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Broward House, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal program is reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major Federal program for Broward House, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major Federal program for Broward House, Inc. reported in Part C of this schedule.
7. The programs tested as major programs are:

	<u>CFDA No.</u>
United States Department of Health and Human Services:	
HIV Emergency Relief Projects Grants	93.914
Block Grants for Prevention and Treatment of Substance Abuse	93.959
HIV Care Formula Grants	93.917

8. The threshold for distinguishing Types A and B programs was \$ 300,000.
9. Broward House, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

No matters were reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters were reported.

D. OTHER ISSUES

1. No management letter is required because there were no findings required to be reported in a separate management letter.
2. No schedule of prior audit findings is required because there were no prior audit findings related to Federal programs.
3. No corrective action plan is required because there were no findings reported under OMB Circular A-133.