

Members:

Douglas R. Birch, CPA*
Craig A. Gilman, CPA*
Betty Isler, CPA*
Michael D. Kindt, CPA*/PFS, CFP®
Michael E. Lewis, CPA*/ABV/CFE, CVA
Tracey McDonald, CPA*
Kathy Mills, CPA*/ABV/CFE, CVA
Anthony S. Phillips, CPA*/ABV/CFE

Of Counsel:

Ronald M. Ricardo, CPA*



CLEARWATER
1401 Court Street
Clearwater, Florida 33756
(727) 446-3058 • FAX (727) 441-1499

TAMPA
1530 W. Cleveland Street
Tampa, Florida 33606
(813) 594-1400 • FAX (813) 594-1408

SARASOTA
1990 Main Street, Suite 750
Sarasota, Florida 34236
(941) 373-0555 • FAX (941) 309-5149

www.lbrllc.com

THE CHILDREN'S HOME

Combined Financial Statements, Supplementary Financial
Information and Reports as Required by the
Comptroller General of the United States and
Office of Management and Budget Circular A-133

June 30, 2013 and 2012

THE CHILDREN'S HOME

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AUDITED FINANCIAL STATEMENT

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**Independent Auditors' Report on Combined Basic Financial
Statements and Supplementary Financial Information**

The Boards of Directors
The Children's Home:

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Children's Home (collectively the "Organization") which comprise the combined statements of financial position as of June 30, 2013 and 2012, and the related combined statements of unrestricted support and revenue, expenses and other changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended, the related combined statement of functional expenses for the year ended June 30, 2013, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Children's Home as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended, and their functional expenses for the year ended June 30, 2013, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Children's Home's 2012 combined financial statements, and our report dated October 26, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audits were performed for the purpose of forming an opinion on the combined financial statements of The Children's Home as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and by Chapter 10.650, *Rules of the State of Florida Auditor General*, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2013 on our consideration of The Children's Home's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Children's Home internal control over financial reporting and compliance.

Lewis, Birch & Ricard, LLC

Clearwater, Florida
November 8, 2013

THE CHILDREN'S HOME

Combined Statements of Financial Position

June 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Cash (note 9)	\$ 19,124	202,920
Receivables:		
Grants and contracts (note 9)	779,956	630,939
Medicaid	66,111	105,323
Accrued interest	22,107	20,965
Contributions (note 4)	953,836	837,011
Contribution of use of School facility (note 4)	1,861,335	1,904,642
Investments (notes 2, 5 and 16)	13,249,898	11,898,007
Prepaid expenses and other assets	184,195	135,105
Cash surrender value of life insurance (note 16)	87,330	67,586
Beneficial interest in perpetual trust (note 10)	1,206,305	1,193,764
Net property and equipment (note 3)	3,885,891	4,142,923
	<u>\$ 22,316,088</u>	<u>21,139,185</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Line of credit (note 5)	\$ 48,000	25,000
Accounts payable	235,461	225,340
Deferred lease incentive and accrued rent expense (note 6)	-	82,007
Other accrued expenses	493,995	455,484
Deferred revenue	17,368	-
Estimated third-party payor liabilities (note 15)	27,000	22,000
Annuities payable (notes 14 and 16)	55,215	72,875
	<u>877,039</u>	<u>882,706</u>
Net assets (note 11):		
Unrestricted -		
Undesignated	3,423,249	3,671,250
Designated for long-term investment	9,116,969	7,701,055
	<u>12,540,218</u>	<u>11,372,305</u>
Temporarily restricted (note 10)	3,579,457	3,577,341
Permanently restricted for endowment (note 10)	5,319,374	5,306,833
	<u>21,439,049</u>	<u>20,256,479</u>
	<u>\$ 22,316,088</u>	<u>21,139,185</u>

See accompanying notes to combined financial statements.

THE CHILDREN'S HOME

Combined Statements of Unrestricted Support and Revenue, Expenses and
Other Changes in Unrestricted Net Assets

Years ended June 30, 2013 and 2012

	2013	2012
Operating Support and Revenue:		
<i>Public support:</i>		
Special event revenue	\$ 444,731	503,211
Less special event costs	(249,908)	(327,992)
Net revenue from special events	194,823	175,219
United Way	139,098	163,589
Contributions	759,977	830,224
Bequests	540,308	607,825
Government fees and grants (note 9)	6,831,678	5,840,977
	8,465,884	7,617,834
<i>Revenue:</i>		
Investment return designated for current operations (note 2)	450,000	925,000
Medicaid	888,192	762,801
Program service fees	5,781	16,738
In-kind (note 8)	379,265	593,254
Other	208	3,524
	1,723,446	2,301,317
<i>Net assets released from restrictions:</i>		
Expiration of time restrictions on United Way funding	45,220	45,219
Expiration of time restrictions on bequests	52,206	125,400
Expiration of other time restrictions	216,493	237,937
Satisfaction of donor restrictions	142,251	-
	456,170	408,556
Total operating support and revenue	10,645,500	10,327,707
Operating Expenses:		
<i>Program services:</i>		
Residential services	3,335,317	3,793,601
Community counseling	368,051	421,382
S.E.A.R.C.H.	565,645	520,649
Family support network	3,941,274	3,096,100
Community based care	204,254	275,198
	8,414,541	8,106,930
<i>Supporting services:</i>		
Management and general	1,442,317	1,412,943
Development and public information	477,239	503,959
	1,919,556	1,916,902
Total operating expenses	10,334,097	10,023,832
Increase in unrestricted net assets from operations	311,403	303,875
Other Changes:		
Increase (decrease) in fair value of investment portfolio over amounts designated for current operations (note 2)	852,034	(1,080,027)
Change in value of split-interest agreements	4,010	(16,283)
Loss on sale of equipment	(2,534)	-
Donated equipment	3,000	-
	856,510	(1,096,310)
Increase (decrease) in unrestricted net assets	\$ 1,167,913	(792,435)

See accompanying notes to combined financial statements.

THE CHILDREN'S HOME

Combined Statements of Changes in Net Assets

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted net assets:		
Total unrestricted operating support and revenue	\$ 10,189,330	9,919,151
Total unrestricted operating expenses	(10,334,097)	(10,023,832)
Increase (decrease) in fair value of investment portfolio over amounts designated for current operations	852,034	(1,080,027)
Change in value of split-interest agreements	4,010	(16,283)
Loss on sale of equipment	(2,534)	-
Donated equipment	3,000	-
Net assets released from restrictions	<u>456,170</u>	<u>408,556</u>
Increase (decrease) in unrestricted net assets	<u>1,167,913</u>	<u>(792,435)</u>
Temporarily restricted net assets:		
United Way allocations	45,220	45,220
Contributions	195,128	205,089
Bequests	187,562	67,840
Investment return	5,685	-
Change in value of split-interest agreements	24,691	4,828
Net assets released from restrictions	<u>(456,170)</u>	<u>(408,556)</u>
Increase (decrease) in temporarily restricted net assets	<u>2,116</u>	<u>(85,579)</u>
Permanently restricted net assets:		
Change in value of beneficial interest in perpetual trust	12,541	(53,857)
Contributions and bequests	<u>-</u>	<u>500</u>
Increase (decrease) in permanently restricted net assets	<u>12,541</u>	<u>(53,357)</u>
Increase (decrease) in net assets	1,182,570	(931,371)
Net assets at beginning of year, as restated (note 10)	<u>20,256,479</u>	<u>21,187,850</u>
Net assets at end of year	<u>\$ 21,439,049</u>	<u>20,256,479</u>

See accompanying notes to combined financial statements.

THE CHILDREN'S HOME

Combined Statement of Functional Expenses

Year ended June 30, 2013
(With Comparative Totals for 2012)

	<i>Program Services</i>					<i>Supporting Services</i>			Total expenses		
	Residential Services	Community Counseling	S.E.A.R.C.H.	Family Support Network	Community Based Care	Total	Management and General	Development and Public Information	Total	2013	2012
Awards, grants, and assistance:											
Awards, grants and assistance to individuals	\$ 68,622	-	81,603	72,376	221	222,822	-	-	-	222,822	310,997
	<u>68,622</u>	<u>-</u>	<u>81,603</u>	<u>72,376</u>	<u>221</u>	<u>222,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,822</u>	<u>310,997</u>
Salaries and related expenses:											
Salaries	1,664,599	93,177	272,400	2,452,989	40,544	4,523,709	793,103	271,950	1,065,053	5,588,762	5,039,162
Payroll taxes	155,737	8,882	24,791	222,851	3,441	415,702	65,433	22,834	88,267	503,969	454,271
Employee benefits	219,297	5,589	26,787	325,045	6,696	583,414	56,351	22,271	78,622	662,036	569,095
	<u>2,039,633</u>	<u>107,648</u>	<u>323,978</u>	<u>3,000,885</u>	<u>50,681</u>	<u>5,522,825</u>	<u>914,887</u>	<u>317,055</u>	<u>1,231,942</u>	<u>6,754,767</u>	<u>6,062,528</u>
Other operating expenses:											
Professional fees	54,105	7,471	77,495	18,177	-	157,248	261,610	43,931	305,541	462,789	446,056
Subcontractors	-	228,018	847	176,485	-	405,350	-	-	-	405,350	644,086
Supplies and materials	132,623	2,948	2,887	87,914	35	226,407	16,106	8,394	24,500	250,907	253,251
Electronic communications	18,092	1,802	5,692	78,574	806	104,966	8,088	4,589	12,677	117,643	77,294
Postage and shipping	1,850	184	33	4,803	9.00	6,879	4,284	28,378	32,662	39,541	39,351
Occupancy	302,672	11,962	10,692	158,324	104,250	587,900	39,484	10,275	49,759	637,659	604,473
Repairs, maintenance and rentals	27,400	592	1,087	62,318	3,361	94,758	16,606	729	17,335	112,093	69,013
Copying and printing	5,937	-	6,331	20,892	-	33,160	7,720	24,069	31,789	64,949	55,474
Travel and vehicle	18,660	472	12,892	141,598	849	174,471	10,868	1,496	12,364	186,835	176,380
Financing expense	-	-	-	-	-	-	5,891	-	5,891	5,891	3,795
Insurance	85,490	6,604	6,693	68,638	700	168,125	37,660	4,804	42,464	210,589	212,467
Organization and staff development	6,821	150.00	2,349	26,832	1,644	37,796	29,805	4,196	34,001	71,797	44,281
In-kind	369,925	-	-	9,340	-	379,265	-	-	-	379,265	593,254
Bad debt expense	16,181	-	-	-	-	16,181	-	5,000	5,000	21,181	27,525
Other	389	-	6	2,756	-	3,151	2,778	5,339	8,117	11,268	9,232
	<u>1,040,145</u>	<u>260,203</u>	<u>127,004</u>	<u>856,651</u>	<u>111,654</u>	<u>2,395,657</u>	<u>440,900</u>	<u>141,200</u>	<u>582,100</u>	<u>2,977,757</u>	<u>3,255,933</u>
Depreciation and amortization	186,917	200	33,060	11,362	41,698	273,237	86,530	18,984	105,514	378,751	394,375
Total expenses before allocation of management and general	3,335,317	368,051	565,645	3,941,274	204,254	8,414,541	1,442,317	477,239	1,919,556	10,334,097	10,023,832
Allocation of management and general	561,307	61,940	95,193	609,187	34,374	1,362,001	(1,442,317)	80,316	(1,362,001)	-	-
	<u>\$ 3,896,624</u>	<u>429,991</u>	<u>660,838</u>	<u>4,550,461</u>	<u>238,628</u>	<u>9,776,542</u>	<u>-</u>	<u>557,555</u>	<u>557,555</u>	<u>10,334,097</u>	<u>10,023,832</u>

See accompanying notes to combined financial statements.

THE CHILDREN'S HOME

Combined Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,182,570	(931,371)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	378,751	394,375
Loss on sale of equipment	2,534	-
Net realized and unrealized losses (gains) on investments	(758,333)	648,183
Change in value of split-interest agreements	(28,701)	11,455
Change in value of beneficial interest in perpetual trust	(12,541)	53,857
Donated equipment	(3,000)	-
Contributions restricted for long-term investment	-	(500)
Decrease (increase) in accounts receivable	(159,774)	284,392
Decrease (increase) in prepaid expenses and other assets	(49,090)	2,670
Increase in cash surrender value of life insurance	(19,744)	(6,191)
Decrease in accounts payable and other liabilities	(11,007)	(19,883)
	<u>521,665</u>	<u>436,987</u>
Cash flows from investing activities:		
Capital expenditures	(121,253)	(20,882)
Purchase of investment securities	(5,196,595)	(550,476)
Proceeds from sale of investment securities	4,603,037	333,277
	<u>(714,811)</u>	<u>(238,081)</u>
Cash flows from financing activities:		
Net borrowings (repayments) under line of credit	23,000	(25,000)
Proceeds from contributions restricted for long-term investment	-	500
Principal payments on annuities payable	(13,650)	(19,300)
	<u>9,350</u>	<u>(43,800)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash	(183,796)	155,106
Cash at beginning of year	202,920	47,814
Cash at end of year	\$ 19,124	202,920
Supplemental disclosure of cash flow information-		
Cash paid during the year for interest	\$ 5,891	3,795

See accompanying notes to combined financial statements.

THE CHILDREN'S HOME

Notes to Combined Financial Statements

June 30, 2013 and 2012

(1) **Description of Organization and Summary of Significant Accounting Policies**

(a) **Description of Organization**

The Children's Home (collectively the "Organization") consists of three not-for-profit entities that provide services to abused children and at-risk families. The Boards of Directors set policy and oversee the financial affairs of the Organization which is funded primarily by the U.S. Department of Health and Human Services, the State of Florida Department of Children and Families, Eckerd Youth Alternatives and other lead agencies, United Way Suncoast, Inc., The Children's Board of Hillsborough County, the Juvenile Welfare Board of Pinellas County, Healthy Start Coalition, investment earnings and private contributions.

In July 2009, the Boards of Directors approved a restructuring of the Organization. At the center of this structure, *The Children's Home, Inc.* continues to accomplish its historic mission through a therapeutic residential program; foster care, kinship care, and a wide range of community-based early intervention programs

The Children's Home Foundation, Inc. holds and invests the Organization's endowment and other funds designated by the Boards of Directors for long-term investment to preserve capital and generate income to finance the delivery of services to abused children and at-risk families.

The Children's Home Properties, Inc. manages and maintains the real estate, facilities and improvements that are integral to the safe, efficient and effective delivery of services to abused children and at-risk families.

These entities are under common control and therefore their financial statements are combined for purposes of financial reporting. All significant intercompany balances and transactions have been eliminated in combination.

Since 2002, the Children's Home, Inc. has been accredited by the Council on Accreditation. In June 2010, a site visit was completed, including a thorough review of all programs and services, resulting in the Organization's successful re-accreditation through 2014.

(b) **Financial Statement Presentation**

The Organization reports 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. In addition, the Organization is required to present a statement of cash flows.

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

(Continued)

THE CHILDREN'S HOME

Notes to Combined Financial Statements

(c) **Financial Accounting Standards**

The Financial Accounting Standards Board (FASB) issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and nonauthoritative - and made the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance was incorporated into ASC Topic 105 - Generally Accepted Accounting Principles. The adoption changed certain disclosure references to U.S. GAAP, but did not have any other impact on the Organization's financial statements.

(d) **Contributions**

The Organization accounts for contributions as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

(e) **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the Organization's statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying financial statements. Restrictions on investment earnings are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the earnings are recognized.

(f) **Property and Equipment**

Depreciation of property and equipment is computed principally by the straight-line method over the estimated useful lives of the related assets. Expenditures for property and equipment are stated at cost, and those in excess of \$1,000 are capitalized. Similarly, property and equipment donated with a fair market value in excess of \$1,000 as of the date of receipt is capitalized. The estimated useful lives of related asset classes are as follows:

Buildings and improvements	5 to 30 years
Furniture and equipment	3 to 10 years
Transportation equipment	3 to 5 years

(g) **Accounts Receivable**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience, third-party contracts, and other circumstances, which may affect the ability of payors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

(Continued)

THE CHILDREN'S HOME

Notes to Combined Financial Statements

(h) Annuities Payable

Annuities payable are stated at the actuarial present value of future cash flows expected to be paid to donors, or in certain cases donors' spouses, in the event of a donor's death. Discount rates used in computing present values range from .33% to 1.96%.

(i) Income Taxes

Each of the entities included in the combined financial statements has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. Income earned in furtherance of the Organization's tax-exempt purpose is exempt from Federal and State income taxes. The Organization is treated as a publicly supported organization, and not as a private foundation. The Organization has adopted the provisions of ASC Topic 740 relating to "Accounting for Uncertainty in Income Taxes" and does not believe it has any material income tax exposure relating to uncertain tax positions. The Organization's income tax filings for periods after the fiscal year ended June 30, 2009 remain subject to examination.

(j) Reclassifications

Certain amounts in the 2012 combined financial statements have been reclassified to conform to the presentation of the 2013 combined financial statements.

(k) Estimates in Combined Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 increases or decreases in net assets during the period. Actual results could differ from those estimates.

(l) Fair Value Measurements

The Organization has adopted FASB guidance relating to Fair Value Measurements which requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3). The carrying amount reported in the combined statement of financial position for cash, accounts receivable, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

(Continued)

THE CHILDREN'S HOME

Notes to Combined Financial Statements

(2) Investments

At June 30, 2013 and 2012, the cost and market value of investments are as follows:

	2013		2012	
	Cost	Market	Cost	Market
<u>Annuity Funds</u>				
Money market funds	\$ 10,784	10,784	8,839	8,839
Fixed income mutual funds	96,339	105,013	90,116	98,036
	107,123	115,797	98,955	106,875
<u>Endowments</u>				
Money market funds	597,339	597,339	1,093,531	1,093,531
U.S. Government and Agency obligations	634,608	521,502	439,094	351,827
Corporate obligations	1,804,004	1,777,092	2,712,559	2,806,219
Common stock	2,085,289	2,472,584	1,903,717	2,081,649
Foreign bonds	47,283	46,607	52,775	52,318
Hedge funds	55,827	41,703	83,826	60,795
Mutual funds	6,710,745	7,677,274	4,655,198	5,344,793
	11,935,095	13,134,101	10,940,700	11,791,132
	\$ 12,042,218	13,249,898	11,039,655	11,898,007

The Organization's investments in common stock, equity mutual funds and corporate obligations are not concentrated in a single entity or in a few entities, nor are there any specific industry concentrations. Investments include amounts which have been permanently restricted by donors for endowment purposes and temporarily restricted for the acquisition of property and equipment, as more fully described in Note 10.

The following schedule summarizes investment return for the years ended June 30, 2013 and 2012:

	2013	2012
Dividend and interest income	\$ 620,391	551,585
Net realized and unrealized gains (losses)	758,333	(648,183)
Investment management fees	(71,005)	(58,429)
Total investment return	1,307,719	(155,027)
Investment return designated for current operations	(450,000)	(925,000)
Investment return temporarily restricted	(5,685)	-
Increase (decrease) in fair value of investment portfolio over amounts designated for current operations	\$ 852,034	(1,080,027)

(Continued)

THE CHILDREN'S HOME

Notes to Combined Financial Statements

(3) Property and Equipment

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

	2013	2012
Land and improvements	\$ 805,444	805,444
Buildings and improvements	6,469,807	6,712,464
Furniture and equipment	1,125,208	1,364,087
Computer software	225,061	220,561
Transportation equipment	270,783	254,716
	8,896,303	9,357,272
Less accumulated depreciation and amortization	5,010,412	5,214,349
	\$ 3,885,891	4,142,923

Depreciation expense for the years ended June 30, 2013 and 2012 was \$378,751 and \$394,375, respectively. In connection with funding obtained to renovate residential cottages, the Organization entered into a land use restriction agreement whereby the Organization must continue to use the cottages for the benefit of abandoned, abused and/or neglected children for a period of forty years.

(4) Contributions Receivable

Contributions receivable at June 30, 2013 and 2012 consist of the following:

	2013	2012
United Way allocations	\$ 45,220	45,220
Bequests	383,440	236,844
Remainder trusts	457,735	444,284
Pledges	82,465	131,725
Total contributions receivable	968,860	858,073
Less allowance for doubtful collections	14,700	20,000
Less unamortized discount	324	1,062
	\$ 953,836	837,011
Amounts due in:		
Less than one year	\$ 346,442	237,448
One to five years	622,418	620,625
	\$ 968,860	858,073

(Continued)

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Notes to Combined Financial Statements

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 1.7% to 3.3%. The Organization's interest in remainder trusts is more fully described in Note 14.

In fiscal 2004, the Organization entered into an agreement with the Hillsborough County School Board (School Board) for the purpose of transferring title to certain real property to the School Board in return for the exclusive use of a building constructed on the property, which is located adjacent to the Organization's main campus, for a period of thirty years. The Organization's right to use the building for thirty years has been treated as a temporarily restricted contribution from the School Board and is reflected as an asset in the accompanying combined statements of financial position at June 30, 2013 and 2012.

(5) Line of Credit

At June 30, 2013 and 2012, the Organization has a revolving line of credit from a commercial bank that allows the Organization to borrow up to \$750,000 at one month LIBOR plus 2.75% (2.94% at June 30, 2013). The loan is secured by an investment account with a fair market value of \$2,363,102 and \$2,335,369 as of June 30, 2013 and 2012, respectively. The outstanding balance on the line of credit at June 30, 2013 and 2012 was \$48,000 and \$25,000, respectively.

(6) Leases

The Organization is obligated under several noncancellable operating leases, primarily for office space, that expire over the next four years. Security deposits related to such leases are included in other assets. Rental expense on operating leases was approximately \$747,000 and \$760,000 for the years ended June 30, 2013 and 2012, respectively. Rental income under sublease agreements totaled approximately \$505,000 and \$528,000 for the years ended June 30, 2013 and 2012, respectively, and has been recorded as a reduction of rent expense in the accompanying financial statements.

Future minimum lease payments under noncancellable operating leases as of June 30, 2013 are as follows:

<u>Year ending June 30:</u>	
2014	\$ 131,932
2015	107,946
2016	84,690
2017	<u>24,692</u>
	<u>\$ 349,260</u>

(Continued)

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Notes to Combined Financial Statements

(7) **Retirement Plan**

The Organization sponsors a defined contribution retirement plan which covers all employees with one year's service who have attained the age of 21. For the years ended June 30, 2013 and 2012, the plan, subject to minimum funding standards, required matching contributions up to 2% of each participant's gross wages, which are paid to the plan in bi-weekly installments. Participants are immediately vested in their salary deferral contributions and become fully vested in Organization contributions over a five year period of continuous service. Organization contributions to the plan were \$44,654 and \$54,580 for the years ended June 30, 2013 and 2012, respectively. For the years ended June 30, 2013 and 2012, the Organization recognized pension forfeiture income totaling \$4,133 and \$22,711, respectively, which is netted against employee benefits in the accompanying combined statement of functional expenses.

(8) **Donated Services and Materials**

A substantial number of volunteers have donated significant amounts of time in different projects for the Organization. In addition, materials are donated to the Organization on a periodic basis. For the years ended June 30, 2013 and 2012, total in-kind support was \$517,217 and \$781,302, respectively, of which \$137,952 and \$188,048 are included in special event revenue and expense. For the years ended June 30, 2013 and 2012, contributed services totaled \$67,715 and \$174,409, respectively, and consisted of a variety of services utilized in the Organization's residential treatment program. For the years ended June 30, 2013 and 2012, donated materials totaled \$449,503 and \$606,893, respectively. For the years ended June 30, 2013 and 2012, donated fixed assets were \$3,000 and \$0, respectively.

(9) **Credit and Funding Concentrations**

The Organization maintains several deposit accounts with what management believes to be high credit quality financial institutions and a large commercial brokerage. The total balances of these accounts were covered by federal deposit insurance at June 30, 2013 and 2012. The Organization has no financial instruments which subject it to off-balance-sheet risk.

The Organization relies to a significant extent on the State of Florida as a source of funding. Funding from the State of Florida represented approximately 32% and 35% of total operating support and revenue before investment return for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, approximately 26% and 45%, respectively, of total receivables from grants, contracts and the Medicaid program were comprised of funding provided by the State of Florida.

(Continued)

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Notes to Combined Financial Statements

(10) Temporary and Permanent Restrictions on Net Assets

Temporary restrictions on net assets as of June 30, 2013 and 2012 relate to the following:

	2013	2012
Charitable gift annuities	\$ 36,281	104,848
United Way funding	45,220	45,220
Contributions restricted for future periods	915,077	799,311
Contributions restricted for programs	173,481	144,391
Investment earnings restricted for programs	5,685	-
Capital grants	-	21,485
Contributed use of school facility	1,861,335	1,904,642
Facilities subject to time restrictions	542,378	557,444
	\$ 3,579,457	3,577,341

In 2013, the Organization recorded a prior period adjustment to recognize its interest in a charitable remainder unitrust agreement. The effect of the prior period restatement was to simultaneously increase temporarily restricted net assets and accrued contributions by \$377,297 as of June 30, 2011. The prior period adjustment also decreased the change in net assets for the year ended June 30, 2012 by \$4,573.

Permanent restrictions on net assets include the Organization's beneficial interest in a perpetual trust and assets contributed by donors as endowments to be held in perpetuity. Earnings on these endowments are unrestricted in most cases. Restrictions on earnings are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the earnings are recognized. At June 30, 2013 and 2012, permanently restricted net assets consist of the following:

	2013	2012
<i>Internally-Controlled Endowment:</i>		
Donor restricted endowment funds	\$ 4,113,069	4,113,069
<i>Externally-Controlled Endowment:</i>		
Beneficial interest in a perpetual trust	1,206,305	1,193,764
	\$ 5,319,374	5,306,833

(11) Endowment Funds

The Organization's internally-controlled endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Boards of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Boards of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

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Notes to Combined Financial Statements

Effective July 1, 2012, the State of Florida adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and in accordance with ASC Topic 958-205-45-28 *Classification of Donor Restricted Endowment Funds Subject to UPMIFA*, the Organization classifies investment earnings on endowments as a component of temporarily restricted net assets if not appropriated for expenditure in the period earned. Once investment earnings are appropriated for expenditure, the Organization reclassifies the amount appropriated as a component of unrestricted net assets.

The Boards of Directors have interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable and classified as temporarily restricted net assets until appropriated for expenditures.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the Boards of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and fixed-income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of no more than 4.5% to 7.0% (depending on the nature of the endowment), while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% net of fees over a full market cycle. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has a policy of appropriating for distribution each year no more than 4.5% to 7.0% of its endowment fund's fair market value at the end of the calendar year that precedes the start of the organization's fiscal year. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a real after-inflation growth rate of 0.5% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

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Notes to Combined Financial Statements

Endowment net asset composition by type of fund as of June 30, 2013 and 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
<i>2013:</i>				
Board-designated endowments	\$ 9,116,969	-	-	9,116,969
Donor-restricted endowments	-	41,966	4,113,069	4,155,035
	<u>\$ 9,116,969</u>	<u>41,966</u>	<u>4,113,069</u>	<u>13,272,004</u>
<i>2012:</i>				
Board-designated endowments	\$ 7,701,055	-	-	7,701,055
Donor-restricted endowments	-	104,848	4,113,069	4,217,917
	<u>\$ 7,701,055</u>	<u>104,848</u>	<u>4,113,069</u>	<u>11,918,972</u>

Changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Balance, June 30, 2011	\$ 8,135,846	104,848	4,112,569	12,353,263
Contributions	689,694	-	500	690,194
Net investment income	444,855	3,843	-	448,698
Net depreciation	(645,936)	(2,247)	-	(648,183)
Reclassifications	1,596	(1,596)	-	-
Withdrawals	(925,000)	-	-	(925,000)
Balance, June 30, 2012	7,701,055	104,848	4,113,069	11,918,972
Contributions	613,799	-	-	613,799
Net investment income	441,310	2,514	-	443,824
Net appreciation	751,771	6,407	-	758,178
Reclassifications	71,803	(71,803)	-	-
Withdrawals	(462,769)	-	-	(462,769)
Balance, June 30, 2013	<u>\$ 9,116,969</u>	<u>41,966</u>	<u>4,113,069</u>	<u>13,272,004</u>

(Continued)

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Notes to Combined Financial Statements

(12) Funds Held by Community Foundation

In 1992, the Organization established an account at the Community Foundation of Tampa Bay (Foundation) with a payment of \$25,000. This amount is considered an asset (beneficial interest in assets held by others) of the Organization and is included in other assets in the accompanying combined statements of financial position. Earnings on this account are earmarked to be distributed on a periodic basis to the Organization. The Foundation has been granted variance power over these funds, which provides the Foundation the unilateral power to redirect the use of the funds to other beneficiaries. Because the Foundation has been granted variance power, funds contributed to the Foundation on behalf of the Organization are not considered to be an asset. The Foundation distributed approximately \$1,172 and \$2,600 of earnings to the Organization for the years ended June 30, 2013 or 2012, respectively.

(13) Assets Held in Trust By Others

The Organization is currently the sole income beneficiary of the Mary W. Wiggins trust, a perpetual trust established for the Organization's benefit. The trustee directs investment of the principal assets in the trust. Income received by the Organization from the trust was \$20,905 and \$19,494 for the years ended June 30, 2013 or 2012, respectively. The market value of the investments held in the trust was approximately \$524,000 and \$484,000 at June 30, 2013 or 2012, respectively.

(14) Split-Interest Gifts

Charitable Gift Annuities

The Organization is certified by the State of Florida to market and manage charitable gift annuity contracts. Under these contracts, a donor transfers assets to the Organization at the beginning of the contract and the Organization makes predetermined quarterly or semi-annual payments to the donor over their remaining lifetime. Upon the donors' death, the remaining assets are available for the Organization's use. State law requires that the Organization limit the manner in which the Organization invests these assets and that the Organization maintain a reserve fund equal to a minimum of 110% of the actuarial present value of the related annuity obligations. At June 30, 2013, the Organization was in compliance with this requirement.

Receivable under Remainder Trusts

The Organization has been named the remainder beneficiary under two charitable remainder trusts. Each remainder trust provides for the payment of quarterly distributions to donors over the donors' lifetimes, ranging from 5% to 6% of the fair market value of the trust assets as of the beginning of the trust year. Upon the death of the donors, the remaining assets are available for the Organization's use. The receivable under remainder trusts is reported at the estimated fair market value and is included with accrued contributions in the accompanying statements of financial position.

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Notes to Combined Financial Statements

(15) Contingencies

The Organization is involved in various legal actions arising during the ordinary course of its operations. The potential loss under these claims is not determinable at this time. Management believes any potential loss would be expected to fall within the Organization's insurance policy limits. The only anticipated financial exposure would be payment of the insurance deductible, a nominal amount. In the opinion of management, no material liability exists with respect to these claims.

The Organization routinely enters into grant agreements and contracts with governmental agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Organization's program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Organization's financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying combined financial statements.

The Organization is also subject to Medicaid audits. As of June 30, 2013 and 2012, the Organization has included a provision for any potential third party payor liabilities in the amount of \$27,000 and \$22,000, respectively. The effect of an adjustment, if any, resulting from future audits cannot be determined at this time and no provision above the reserve has been made for any such adjustment in the accompanying combined financial statements. Management's estimate of the provision is subject to a significant degree of uncertainty and actual third party payor liabilities may differ from management's estimate in the near term.

(16) Fair Value Measurements

Financial instruments measured at fair value are classified and disclosed in the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are cash, money market mutual funds, fixed income mutual funds, equity mutual funds, corporate and government bonds, and mortgage backed securities.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Valuation is based on unobservable inputs. The Organization's investments in equity hedge funds are considered to be Level 3 since the Organization's ownership interest and investment value is based on an allocation of the underlying securities, investment income and expenses. The Organization's cash surrender value of life insurance is considered a financial asset subject to the valuation hierarchy and has been classified as Level 3 since observable inputs are minimal. Fair values for receivable under remainder trusts and annuities payable are determined by calculating the present value of expected cash flows over the term of the underlying agreements.

There have been no changes in the valuation methodologies used at June 30, 2013 and 2012.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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Notes to Combined Financial Statements

Fair value of assets and liabilities measured on a recurring basis at June 30, 2013 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Assets:</u>				
<i>Fixed Income Securities:</i>				
Corporate obligations	\$ 1,777,092	1,777,092	-	-
U.S. Government and Agency obligations	521,502	521,502	-	-
Short-term bonds	298,514	298,514	-	-
Foreign bonds	46,607	46,607	-	-
Intermediate bonds	33,841	33,841	-	-
Inflation-protected bonds	46,379	46,379	-	-
Other bonds	9,220	9,220	-	-
<i>Mutual Funds:</i>				
Multi-sector bond funds	699,239	699,239	-	-
International funds	2,625,322	2,625,322	-	-
Long-short funds	4,380	4,380	-	-
Large cap funds	35,645	35,645	-	-
Small/mid cap funds	3,361	3,361	-	-
Other funds	5,082	5,082	-	-
<i>Corporate Stock:</i>				
Consumer discretionary	604,255	604,255	-	-
Consumer staples	844,886	844,886	-	-
Energy	586,971	586,971	-	-
Financials	887,555	887,555	-	-
Health Care	921,573	921,573	-	-
Industrial	809,088	809,088	-	-
Information technology	1,098,705	1,098,705	-	-
Materials	202,834	202,834	-	-
Telecom	282,221	282,221	-	-
Utilities	255,801	255,801	-	-
<i>Money Market Funds</i>	608,123	608,123	-	-
<i>Cash Surrender Value:</i>				
Life Insurance	87,330	-	-	87,330
<i>Receivable under remainder trusts</i>	457,735	-	-	457,735
<i>Beneficial interest in perpetual trust</i>	1,206,305	-	1,206,305	-
<i>Low volatility hedge fund</i>	41,703	-	-	41,703
	<u>\$ 15,001,269</u>	<u>13,208,196</u>	<u>1,206,305</u>	<u>586,768</u>
<u>Liabilities</u>				
Annuities payable	\$ 55,215	-	-	55,215

(Continued)

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Notes to Combined Financial Statements

Fair value of assets and liabilities measured on a recurring basis at June 30, 2012 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i><u>Assets:</u></i>				
<i>Fixed Income Securities:</i>				
Corporate obligations	\$ 2,806,219	2,806,219	-	-
U.S. Government and Agency obligations	351,827	351,827	-	-
Short-term bonds	309,854	309,854	-	-
Foreign bonds	52,318	52,318	-	-
Intermediate bonds	13,180	13,180	-	-
Inflation-protected bonds	56,035	56,035	-	-
Other bonds	13,096	13,096	-	-
<i>Mutual Funds</i>				
Multi-sector bond funds	539,424	539,424	-	-
International funds	1,087,876	1,087,876	-	-
Long-short funds	1,968	1,968	-	-
Large cap funds	37,918	37,918	-	-
Small/mid cap funds	3,878	3,878	-	-
Other funds	4,752	4,752	-	-
<i>Corporate Stock:</i>				
Consumer discretionary	509,713	509,713	-	-
Consumer staples	709,656	709,656	-	-
Energy	539,282	539,282	-	-
Financials	750,458	750,458	-	-
Health Care	649,931	649,931	-	-
Industrial	552,270	552,270	-	-
Information technology	867,386	867,386	-	-
Materials	337,261	337,261	-	-
Telecom	286,547	286,547	-	-
Utilities	253,993	253,993	-	-
<i>Money Market Funds</i>	1,102,370	1,102,370	-	-
<i>Cash Surrender Value:</i>				
Life Insurance	67,586	-	-	67,586
<i>Receivable under remainder trusts</i>	444,284	-	-	444,284
<i>Beneficial interest in perpetual trust</i>	1,193,764	-	1,193,764	-
<i>Low volatility hedge fund</i>	60,795	-	-	60,795
	<u>\$ 13,603,641</u>	<u>11,837,212</u>	<u>1,193,764</u>	<u>572,665</u>
<i><u>Liabilities</u></i>				
Annuities payable	<u>\$ 72,875</u>	<u>-</u>	<u>-</u>	<u>72,875</u>

(Continued)

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Notes to Combined Financial Statements

The following table sets forth a summary of changes in fair value of assets and liabilities using significant unobservable inputs (Level 3) for the years ended June 30, 2013 and 2012:

	<u>Hedge Funds</u>	<u>Cash Surrender Value</u>	<u>Receivable under Remainder Trusts</u>	<u>Annuities Payable</u>
Balances at June 30, 2011	\$ 109,591	61,395	450,477	75,892
Total gains/(losses) included in changes in net assets	(9,120)	(10,978)	(6,193)	-
Purchases, issues sales and settlements:				
Purchases	-	-	-	-
Issues	-	17,169	-	-
Sales	(39,676)	-	-	-
Settlements	-	-	-	(3,017)
Balances at June 30, 2012	60,795	67,586	444,284	72,875
Total gains/(losses) included in changes in net assets	1,782	3,126	13,451	-
Purchases, issues sales and settlements:				
Purchases	-	-	-	-
Issues	-	16,618	-	-
Sales	(20,874)	-	-	-
Settlements	-	-	-	(17,660)
Balances at June 30, 2012	\$ <u>41,703</u>	<u>87,330</u>	<u>457,735</u>	<u>55,215</u>
Change in unrealized gains/(losses) for the period included in changes in net assets for assets held at June 30, 2012	\$ <u>2,359</u>	<u>(10,978)</u>	<u>(6,193)</u>	<u>-</u>
Change in unrealized gains/(losses) for the period included in changes in net assets for assets held at June 30, 2013	\$ <u>8,907</u>	<u>3,126</u>	<u>13,451</u>	<u>-</u>

(Continued)

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Notes to Combined Financial Statements

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

To estimate the fair value of the Organization's investment in hedge funds, the Organization utilizes the net asset value provided by the hedge fund manager and compares the net asset value to the range of quarterly redemption prices realized during the fiscal year. At June 30, 2013, the net asset value of the hedge fund was \$91.09 and quarterly redemption prices during fiscal 2013 ranged from \$89.08 to \$92.61.

The Organization's cash surrender value of its life insurance policies are valued based upon the gross accumulation value of the underlying policy net of outstanding loans, termination dividends and the cash value of additional insurance paid. These values are provided by the insurance company.

The Organization utilizes discounted cash flow methods to estimate the fair value of the receivable under remainder trusts and annuities payable. Significant unobservable inputs include using a discount rates ranging from .33% to 1.96% and estimated life expectancies of income beneficiaries which range from 2 to 8 years.

(17) Subsequent Events

The Organization has evaluated subsequent events through November 8, 2013, the date the financial statements were available for issuance.

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SUPPLEMENTARY FINANCIAL INFORMATION

THE CHILDREN'S HOME

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2013

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Federal/State Agency Pass-through Entity Federal Program	CFDA/ CSFA No.	Contract/ Grant No.	Expenditures	Transfers To Subrecipients
<i>U.S. Department of Agriculture</i>				
Passed-through State of Florida Department of Education:				
National School Breakfast Program	10.553	01-0131	\$ 29,837	-
National School Lunch Program	10.555	01-0131	24,814	-
			<u>54,651</u>	<u>-</u>
Passed-through State of Florida Department of Agriculture :				
National School Lunch Program	10.555	4001354	1,579	-
			<u>56,230</u>	<u>-</u>
Subtotal - U.S. Department of Agriculture				
<i>U.S. Department of Health and Human Services</i>				
Family Connection Grants	93.605	90CF0050/01	378,121	-
			<u>378,121</u>	<u>-</u>
Passed-through Hillsborough County, Florida				
Enhance Safety of Children Affected by Substance Abuse	93.087	90CU0043	53,356	-
			<u>53,356</u>	<u>-</u>
Passed-through Sarasota Family YMCA:				
Promoting Safe and Stable Families	93.556	CHMOHCR13	6	-
Temporary Assistance to Needy Families	93.558	CHMOHCR13	265	-
Child Welfare Services_State Grants	93.645	CHMOHCR13	49	-
Foster Care_Title IV-E	93.658	CHMOHCR13	21,932	-
Adoption Assistance	93.659	CHMOHCR13	163	-
Social Services Block Grant	93.667	CHMOHCR13	12,621	-
Block Grants for Community Mental Health Services	93.958	CHMOHCR13	1,361	-
			<u>36,397</u>	<u>-</u>
Passed-through Healthy Start Coalition of Hillsborough County, Inc.:				
Temporary Assistance to Needy Families	93.558	HF-12-13-1	88,111	-
Community Based Child Abuse Prevention Grants	93.590	HF-12-13-1	8,753	-
			<u>96,864</u>	<u>-</u>
Passed-through Heartland for Children, Inc.:				
County, Inc.:				
Foster Care_Title IV-E	93.658	RA-ICI-01	69,031	-
Social Services Block Grant	93.667	RA-ICI-01	45,543	-
			<u>114,574</u>	<u>-</u>

THE CHILDREN'S HOME

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2013

(Page 2 of 2)

Pass-through Entity Federal Program	CFDA/ CSFA No.	Contract/ Grant No.	Expenditures	Transfers To Subrecipients
Passed-through Eckerd Youth Alternatives, Inc.:				
Foster Care_Title IV-E	93.658	ECA-KIN-TCH-FY13	\$ 13,734	-
		ECAH-TFC-CHI-FY13	59,099	-
		ECAH-RGC-CHI-FY13	704,358	-
		ECAH-FCO-CHI-FY13	49,527	-
Promoting Safe and Stable Families	93.556	ECA-KIN-TCH-FY13	194	-
		ECAH-TFC-CHI-FY13	766	-
Temporary Assistance for Needy Families (TANF)	93.558	ECA-KIN-TCH-FY13	12,759	-
		ECAH-TFC-CHI-FY13	41,185	-
Child Welfare Services_State Grants	93.645	ECA-KIN-TCH-FY13	1,510	-
		ECAH-TFC-CHI-FY13	5,779	-
Adoption Assistance	93.659	ECA-KIN-TCH-FY13	3,557	-
		ECAH-TFC-CHI-FY13	13,258	-
Social Services Block Grant	93.667	ECAH-RGC-CHI-FY13	460,973	-
	93.667	ECAH-FCO-CHI-FY13	32,413	-
			<u>1,399,112</u>	<u>-</u>
Subtotal - U.S. Department of Health and Human Services			<u>2,078,424</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,134,654</u>	<u>-</u>
Passed-through Eckerd Youth Alternatives, Inc.:				
Community Based Care Supports	60.094	ECA-KIN-TCH-FY13	18,215	-
		ECAH-TFC-CHI-FY13	66,108	-
		ECAH-RGC-CHI-FY13	447,330	-
		ECAH-FCO-CHI-FY13	31,454	-
Passed-through Sarasota Family YMCA:				
Community Based Care Supports	60.094	CHMOHCR13	15,644	-
Passed-through Heartland for Children, Inc.:				
Community Based Care Supports	60.094	RA-ICI-01	<u>39,790</u>	<u>-</u>
Subtotal - Department of Children and Families			<u>618,541</u>	<u>-</u>
Total State Financial Assistance			<u>\$ 618,541</u>	<u>-</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

THE CHILDREN'S HOME

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2013
(Page 1 of 2)

(1) **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal and state grant activity of The Children's Home under programs of the federal government and state grant activity of the State of Florida for the year ended June 30, 2013. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.650, Rules of the State of Florida Auditor General. Because the Schedule presents only a selected portion of the operations of The Children's Home, it is not intended to and does not present the combined financial position, changes in net assets, or cash flows of The Children's Home.

(2) **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) **Food Donation**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed and totaled \$1,579.

(4) **Subrecipients**

None of the expenditures of federal awards and state financial assistance included in the Schedule were paid or provided to subrecipients.

(5) **Other**

The accompanying Schedule presents federal expenditures and state financial assistance by pass-through agency. Expenditures of certain federal programs and state projects were awarded to the Children's Home by more than one pass-through agency or under more than one contract.

THE CHILDREN'S HOME

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2013

(Page 2 of 2)

Total federal expenditures by federal program for the year ended June 30, 2013 were as follows:

<u>CFDA No.</u>	<u>Federal Program</u>	<u>Federal Expenditures</u>
10.553	National School Breakfast Program	\$ 29,837
10.555	National School Lunch Program	26,393
93.087	Enhance Safety of Children Affected by Substance Abuse	53,356
93.556	Promoting Safe and Stable Families	966
93.558	Temporary Assistance to Needy Families	142,320
93.590	Community Based Child Abuse Prevention Grants	8,753
93.605	Family Connection Grants	378,121
93.645	Child Welfare Services_State Grants	7,338
93.658	Foster Care_Title IV-E	917,681
93.659	Adoption Assistance	16,978
93.667	Social Services Block Grant	551,550
93.958	Block Grants for Community Mental Health Services	<u>1,361</u>
		<u>\$ 2,134,654</u>

THE CHILDREN'S HOME

Schedule of Local Contracts and Awards

Year ended June 30, 2013

<u>Grantor/Pass-Through</u>	<u>Grantor/ Pass-Through No.</u>	<u>Accrued Revenue at June 30, 2012</u>	<u>Cash Received</u>	<u>Revenue Recognized and/or Reimbursable Expenses</u>	<u>Accrued Revenue at June 30, 2013</u>
Healthy Start Coalition of Hillsborough County, Inc.	HF-10-11-2/HF-12-13-1 CBFRC-012-13 Y10	\$ 116,805	1,097,353	1,201,368 *	220,820
Hillsborough Board of County Commissioners	11-0067/11-1120	8,908	106,583	102,480	4,805
Department of Children's Services of Hillsborough County	90CU0043	22,416	75,772	53,356 *	-
Hillsborough County Children's Board	-	47,314	1,299,988	1,450,935	198,261
Tampa Metropolitan Area YMCA, Inc.	-	54,792	550,415	535,936	40,313
Juvenile Welfare Board of Pinellas County	-	150,751	1,031,542	966,908	86,117
Heartland for Children, Inc.	RA-HCI01/RA-ICI01	50,916	186,563	155,069 *	19,422
Eckerd Youth Alternatives, Inc.	ECA-KIN-TCH-FY12/13 ECAH-TFC-CHI-FY13 ECAH-RGC-CHI-FY13 ECAH-FCO-CHI-FY13 ECA-HRC-TCH-FY12	41,961	1,892,699	1,974,691 *	123,953
Hillsborough Kids, Inc.	HKIJ106/HKIJ146 HKIJ107	121,839	121,839	- *	-
Total local contracts and awards		\$ <u>615,702</u>	<u>6,362,754</u>	<u>6,440,743</u>	<u>693,691</u>

* Includes federal expenditures and/or state financial assistance.

THE CHILDREN'S HOME

Combining Schedule of Statement of Financial Position Information

June 30, 2013

<u>Assets</u>	<u>The Children's Home, Inc.</u>	<u>The Children's Home Properties, Inc.</u>	<u>The Children's Home Foundation, Inc.</u>	<u>Eliminations</u>	<u>Combined Total</u>
Cash	\$ -	-	19,124	-	19,124
Receivables:					
Grants and contracts	779,956	-	-	-	779,956
Medicaid	66,111	-	-	-	66,111
Accrued interest	-	-	22,107	-	22,107
Contributions	953,836	-	-	-	953,836
Contribution of use of School facility	1,861,335	-	-	-	1,861,335
Intercompany	-	-	(11,905)	11,905	-
Investments	115,797	-	13,134,101	-	13,249,898
Prepaid expenses and other assets	153,869	-	30,326	-	184,195
Cash surrender value of life insurance	-	-	87,330	-	87,330
Beneficial interest in a perpetual trust	-	-	1,206,305	-	1,206,305
Net property and equipment	<u>3,464,578</u>	<u>421,313</u>	<u>-</u>	<u>-</u>	<u>3,885,891</u>
	<u>\$ 7,395,482</u>	<u>421,313</u>	<u>14,487,388</u>	<u>11,905</u>	<u>22,316,088</u>
<u>Liabilities and Net Assets</u>					
Liabilities:					
Line of credit	\$ 48,000	-	-	-	48,000
Accounts payable-					
Trade	235,461	-	-	-	235,461
Intercompany	(11,905)	-	-	11,905	-
Other accrued expenses	493,995	-	-	-	493,995
Deferred revenue	17,368	-	-	-	17,368
Estimated third-party payor liabilities	27,000	-	-	-	27,000
Annuities payable	55,215	-	-	-	55,215
Capital lease obligations	-	-	-	-	-
Total liabilities	<u>865,134</u>	<u>-</u>	<u>-</u>	<u>11,905</u>	<u>877,039</u>
Net assets	<u>6,530,348</u>	<u>421,313</u>	<u>14,487,388</u>	<u>-</u>	<u>21,439,049</u>
	<u>\$ 7,395,482</u>	<u>421,313</u>	<u>14,487,388</u>	<u>11,905</u>	<u>22,316,088</u>

THE CHILDREN'S HOME

Combining Schedule of Unrestricted Support and Revenue, Expenses
and Other Changes in Unrestricted Net Assets

Year ended June 30, 2013

	The Children's Home Community, Inc.	The Children's Home, Inc.	The Children's Home Community- Based Care, Inc.	The Children's Home Properties, Inc.	The Children's Home Foundation, Inc.	The Children's Imagination Center, Inc.	Eliminations	Combined Total
Operating Support and Revenue:								
<i>Public support:</i>								
Special event revenue	\$ -	444,731	-	-	-	-	-	444,731
Less special event costs	-	(249,908)	-	-	-	-	-	(249,908)
Net revenue from special events	-	194,823	-	-	-	-	-	194,823
United Way	-	139,098	-	-	-	-	-	139,098
Contributions	-	719,327	-	-	40,650	-	-	759,977
Bequests	-	4,450	-	-	535,858	-	-	540,308
Government fees and grants	-	6,831,678	-	-	-	-	-	6,831,678
	-	7,889,376	-	-	576,508	-	-	8,465,884
<i>Revenue:</i>								
Investment return designated for current operations	-	-	-	-	450,000	-	-	450,000
Medicaid	-	888,192	-	-	-	-	-	888,192
Program service fees	-	5,781	-	-	-	-	-	5,781
In-kind	-	379,265	-	-	-	-	-	379,265
Other	-	208	-	-	-	-	-	208
	-	1,273,446	-	-	450,000	-	-	1,723,446
<i>Net assets released from restrictions:</i>								
Expiration of time restrictions on United Way funding	-	45,220	-	-	-	-	-	45,220
Expiration of time restrictions on bequests	-	52,206	-	-	-	-	-	52,206
Expiration of other time restrictions	-	216,493	-	-	-	-	-	216,493
Satisfaction of donor restrictions	-	142,251	-	-	-	-	-	142,251
	-	456,170	-	-	-	-	-	456,170
Total operating support and revenue	-	9,618,992	-	-	1,026,508	-	-	10,645,500

Operating Expenses:

Program services	-	8,414,541	-	-	-	-	-	8,414,541
Supporting services:								
Management and general	-	1,442,302	-	-	15	-	-	1,442,317
Development and public information	-	477,239	-	-	-	-	-	477,239
	-	<u>1,919,541</u>	-	-	<u>15</u>	-	-	<u>1,919,556</u>
 Total operating expenses	-	<u>10,334,082</u>	-	-	<u>15</u>	-	-	<u>10,334,097</u>

Increase (decrease) in unrestricted net assets
from operations

-	(715,090)	-	-	1,026,493	-	-	311,403
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Other Changes:

Increase in fair value of investment portfolio over amounts designated for current operations	-	10,391	-	-	841,643	-	-	852,034
Affiliate contributions	(670,568)	4,510,010	458,978	(3,156,670)	(1,142,170)	420	-	-
Change in value of split-interest agreements	-	4,010	-	-	-	-	-	4,010
Loss on sale of equipment	-	(2,534)	-	-	-	-	-	(2,534)
Donated capital assets	-	3,000	-	-	-	-	-	3,000
	-	<u>3,000</u>	-	-	-	-	-	<u>3,000</u>
 Increase (decrease) in unrestricted net assets	\$ (670,568)	<u>3,809,787</u>	<u>458,978</u>	<u>(3,156,670)</u>	<u>725,966</u>	<u>420</u>	<u>-</u>	<u>1,167,913</u>

INTERNAL CONTROL AND COMPLIANCE

Members:

Douglas R. Birch, CPA*
Craig A. Gilman, CPA*
Betty Isler, CPA*
Michael D. Kindt, CPA*/PFS, CFP®
Michael E. Lewis, CPA*/ABV/CFE, CVA
Tracey McDonald, CPA*
Kathy Mills, CPA*/ABV/CFE, CVA
Anthony S. Phillips, CPA*/ABV/CFE

Of Counsel:

Ronald M. Ricardo, CPA*



CLEARWATER
1401 Court Street
Clearwater, Florida 33756
(727) 446-3058 • FAX (727) 441-1499

TAMPA
1530 W. Cleveland Street
Tampa, Florida 33606
(813) 594-1400 • FAX (813) 594-1408

SARASOTA
1990 Main Street, Suite 750
Sarasota, Florida 34236
(941) 373-0555 • FAX (941) 309-5149

www.lbrllc.com

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
The Children's Home:

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 combined financial statements of The Children's Home, which comprise the statement of financial position as of June 30, 2013, and the related statements of unrestricted support and revenue, expenses and other changes in unrestricted net assets, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered The Children's Home'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Children's Home'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 combined 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Children's Home's combined 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 combined 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*.

The Children's Home's Response to Findings

The Children's Home's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Children's Home's response was not subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we express no opinion on it.

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.

Lewis, Brich & Ricardo, LLC

Clearwater, Florida
November 8, 2013

Members:

Douglas R. Birch, CPA*
Craig A. Gilman, CPA*
Betty Isler, CPA*
Michael D. Kindt, CPA*/PFS, CFP®
Michael E. Lewis, CPA*/ABV/CFE, CVA
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Anthony S. Phillips, CPA*/ABV/CFE

Of Counsel:

Ronald M. Ricardo, CPA*



CLEARWATER
1401 Court Street
Clearwater, Florida 33756
(727) 446-3058 • FAX (727) 441-1499

TAMPA
1530 W. Cleveland Street
Tampa, Florida 33606
(813) 594-1400 • FAX (813) 594-1408

SARASOTA
1990 Main Street, Suite 750
Sarasota, Florida 34236
(941) 373-0555 • FAX (941) 309-5149

www.lbrllc.com

Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.650, Rules of the State of Florida Auditor General

The Board of Directors
The Children's Home:

Report on Compliance for Each Major Federal Program and State Project

We have audited The Children's Home's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2013. The Children's Home's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Children's Home's major federal programs and state projects 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 of America; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the State of Florida Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the State of Florida Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about The Children's Home'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 and state project. However, our audit does not provide a legal determination of The Children's Home's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, The Children's Home 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 and state projects for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of The Children's Home is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit, we considered The Children's Home's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project 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 state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, 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 Children's Home's internal control over compliance.

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

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 and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Lewis, Birch & Ricardo, LLC

Clearwater, Florida
November 8, 2013

THE CHILDREN'S HOME

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(Page 1 of 2)

(A) Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the combined financial statements of The Children's Home.
2. One significant deficiency was disclosed relating to the audit of the combined financial statements and is reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of The Children's Home were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal programs and state projects are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.650, Rules of the State of Florida Auditor General.
5. The auditors' report on compliance for the major federal award programs and state project for The Children's Home expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs and state project for The Children's Home are reported in Part C. and Part D. of this schedule.
7. The programs tested as major federal programs and state project were:
 - Federal Programs:**
 - Family Connection Grants (CFDA No. 93.605)
 - Social Services Block Grant (CFDA No. 93.667)
 - State Projects:**
 - Community Based Care Supports (CSFA No. 60.094)
8. The threshold for distinguishing Types A and B programs was \$300,000 for major federal programs and for major state projects.
9. The Children's Home was determined to be a low-risk auditee.

THE CHILDREN'S HOME

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(Page 2 of 2)

(B) Findings - Audit of Financial Statements

Item 2013-001 Pending Estates and Trusts

Condition: Correspondence and documentation related to pending estates and trusts received by the Organization's development department is not being reconciled to the Organization's accounting records in a timely manner.

Criteria: Internal controls should be in place to provide reasonable assurance that the Organization's interest in irrevocable bequests and trusts are recorded in the period notification of the interest is received.

Cause: Information and correspondence received for pending estates and trusts are maintained by the development department and there are no procedures in place to ensure this information is reconciled to the Organization's accounting records.

Effect: The Organization's irrevocable interest in pending estates and trusts are not being recorded in the proper accounting period.

Auditor's Recommendation: The Organization's development office should maintain a master list of pending estates and trusts and the Organization's accounting office should reconcile the master list to its accounting records on a monthly basis. Missing documentation needed to record the Organization's interest in a pending estate or trust should be logged in the master list so that pending estates and trusts meeting the criteria for recognition in the Organization's financial statements can be recorded in the proper period.

Views of Responsible Officials and Planned Corrective Actions: The Children's Home agrees with the finding and the recommended procedures have been implemented.

(C) Findings and Questioned Costs - Major Federal Award Programs

None.

(D) Findings and Questioned Costs - Major State Financial Assistance Projects

None.

(E) Other Issues

A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to a major federal program or state project.

Members:

Douglas R. Birch, CPA*
Craig A. Gilman, CPA*
Betty Isler, CPA*
Michael D. Kindt, CPA*/PFS, CFP®
Michael E. Lewis, CPA*/ABV/CFE, CVA
Tracey McDonald, CPA*
Kathy Mills, CPA*/ABV/CFE, CVA
Anthony S. Phillips, CPA*/ABV/CFE

Of Counsel:

Ronald M. Ricardo, CPA*



CLEARWATER
1401 Court Street
Clearwater, Florida 33756
(727) 446-3058 • FAX (727) 441-1499

TAMPA
1530 W. Cleveland Street
Tampa, Florida 33606
(813) 594-1400 • FAX (813) 594-1408

SARASOTA
1990 Main Street, Suite 750
Sarasota, Florida 34236
(941) 373-0555 • FAX (941) 309-5149

www.lbrllc.com

The Board of Directors
The Children's Home:

We have audited the financial statements of The Children's Home as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated November 8, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our independent auditors' report on internal control over financial reporting and on compliance and other matters, our independent auditors' report on compliance and internal control over compliance applicable to major federal programs and state projects, and the schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated November 8, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In addition, for matters that are inconsequential, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements or major federal programs or state projects (2) improper expenditures or illegal acts that would not materially affect the financial statements or major federal programs and state projects; (3) control deficiencies that are not significant deficiencies, including but not limited to: (a) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit did not identify any matters that are required to be disclosed.

This management letter is intended solely for the information of management of The Children's Home and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Lewis, Birch & Ricardo, LLC

Clearwater, Florida
November 8, 2013

THE CHILDREN'S HOME

Corrective Action Plan

Year ended June 30, 2013

Cognizant or Oversight Agency for Audit

U.S. Department of Health and Human Services

The Children's Home respectfully submits the following corrective action plan for the year ended June 30, 2013.

Name and address of independent public accounting firm:

Lewis, Birch & Ricardo, LLC
1401 Court Street
Clearwater, FL 33756

The finding from the Schedule of Findings and Questioned Costs for the year ended June 30, 2013 are discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency:

2013-001 Pending Estates and Trusts

Auditor's Recommendation: The Organization's development office should maintain a master list of pending estates and trusts and the Organization's accounting office should reconcile the master list to its accounting records on a monthly basis. Missing documentation needed to record the Organization's interest in a pending estate or trust should be logged in the master list so that pending estates and trusts meeting the criteria for recognition in the Organization's financial statements can be recorded in the proper period.

Action Taken: We concur with the recommendation and it was implemented effective November 8, 2013.