

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA**

JUNE 30, 2013

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA**

JUNE 30, 2013

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11
Additional Elements of Report Prepared in Accordance with Government Auditing Standards, Issued by the Comptroller General of the United States and the Rules of the Auditor General of the State of Florida	
Schedule of Expenditures of State Financial Assistance	12
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 <i>Government Auditing Standards</i>	13-14
Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Florida Department of Financial Services, <i>State Projects Compliance Supplement</i>	15-16
Schedule of Findings and Questioned Costs and State Financial Assistance Projects	17-18
Management Letter	19-20
Management Response	21

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida nonprofit organization, which comprise the statement of financial position as of June 30, 2013, 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 Foundation for the year ended 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.

Certified Public Accountants

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Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

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 state financial assistance, as required by the Florida *Single Audit Act* and Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, included 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 a report dated September 6, 2013, on our consideration of the Foundation's internal control over financial reporting and 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 Foundation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2012 financial statements and our report dated October 17, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Purvis, Gray and Company, LLP

September 6, 2013
Ocala, Florida

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2012
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA

ASSETS

	2013	2012
Current Assets		
Cash and Cash Equivalents	\$ 245,029	\$ 279,505
Short-term Investments	251,951	729,537
Accounts Receivable:		
State of Florida	230,211	232,719
Medicaid and Insurance	25,606	11,913
Prepaid and Other Assets	55,847	25,915
Total Current Assets	808,644	1,279,589
Non-Current Assets		
Long-term Investments	632,937	150,318
Property and Equipment, Net of Accumulated Depreciation	78,754	94,584
Total Non-Current Assets	711,691	244,902
Total Assets	1,520,335	1,524,491
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	24,508	26,092
Accrued Payroll and Fringe Benefits	105,971	130,229
Total Current Liabilities	130,479	156,321
Net Assets		
Unrestricted:		
Investment in Property and Equipment	78,754	94,584
All Other Net Assets	1,311,102	1,273,586
Total Net Assets	1,389,856	1,368,170
Total Liabilities and Net Assets	\$ 1,520,335	\$ 1,524,491

See accompanying notes

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2012
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA

	2013	2012
Changes in Unrestricted Net Assets:		
Revenues		
Primary Care Services:		
State of Florida DOH	\$ 664,916	\$ 664,916
Medicaid - Physicians' Services/Case Management	5,815	119,343
Other State of Florida DOH Revenue	628,675	846,347
Total Primary Care Services	1,299,406	1,630,606
Medical Foster Care Services:		
State of Florida DOH	366,908	366,908
Medicaid - Case Management	77,373	45,796
Total Medical Foster Care Services	444,281	412,704
Other Revenues		
Interest Income	6,247	12,053
Other Income	3,392	420
Net Assets Released from Restriction (Wheel Chair Ramps)	0	10,800
Total Other Revenues	9,639	23,273
Total Revenues	1,753,326	2,066,583
Functional Expenses		
Primary Care	1,276,490	1,612,261
Medical Foster Care	455,150	460,690
(Total Functional Expenses)	(1,731,640)	(2,072,951)
Increase (Decrease) in Unrestricted Net Assets	21,686	(6,368)
Changes in Temporarily Restricted Net Assets		
Net Assets Released from Restriction (Wheel Chair Ramps Donation)	0	(10,800)
(Decrease) in Temporarily Restricted Net Assets	0	(10,800)
Increase (Decrease) in Net Assets	21,686	(17,168)
Net Assets, Beginning of Year	1,368,170	1,385,338
Net Assets, End of Year	\$ 1,389,856	\$ 1,368,170

See accompanying notes

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2012
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA

	2013			Total	2012
	General and Administrative	Primary Care	Medical Foster Care		
Expenses					
Personnel Expenses:					
Salaries	\$ 156,928	\$ 740,272	\$ 237,540	\$ 1,134,740	\$ 1,287,597
Payroll Taxes	5,412	64,650	21,197	91,259	110,622
Fringe Benefits	16,916	74,924	22,324	114,164	122,732
Retirement	19,296	108,725	28,965	156,986	168,192
Total Personnel Expenses	<u>(198,552)</u>	<u>(988,571)</u>	<u>(310,026)</u>	<u>(1,497,149)</u>	<u>(1,689,143)</u>
Operating Expenses:					
Patient Services	0	34,273	79	34,352	134,787
Contractual Services	15,750	20,250	0	36,000	40,528
Contributions - Wheelchair Ramps	0	0	0	0	10,800
Advertising	0	1,057	2,854	3,911	2,530
Repairs and Maintenance	2,627	406	262	3,295	1,807
Rent	32,001	13,597	13,597	59,195	59,804
Telephone	8,012	9,438	7,159	24,609	24,905
Insurance	1,687	19,403	5,715	26,805	22,396
Postage	957	3,952	1,800	6,709	7,924
Depreciation	15,830	0	0	15,830	14,570
Training	0	0	0	0	3,470
Travel	401	919	9,689	11,009	10,774
Other	8,680	2,793	1,303	12,776	60,313
Total Operating Expenses	<u>(85,945)</u>	<u>(106,088)</u>	<u>(42,458)</u>	<u>(234,491)</u>	<u>(394,608)</u>
Indirect Expenses Allocation	<u>284,497</u>	<u>(181,831)</u>	<u>(102,666)</u>	<u>0</u>	<u>0</u>
(Total Expenses)	<u>\$ 0</u>	<u>\$ (1,276,490)</u>	<u>\$ (455,150)</u>	<u>\$ (1,731,640)</u>	<u>\$ (2,083,751)</u>

See accompanying notes

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2012
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 21,686	\$ (17,168)
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	15,830	14,570
Decrease (Increase) in Assets and Increase (Decrease) in Liabilities:		
Accounts Receivable	(11,185)	(3,515)
Prepaid Expenses and Other Assets	(29,932)	(16,923)
Accounts Payable	(1,584)	2,360
Accrued Expenses	(24,258)	(3,390)
Net Cash Provided by (Used in) Operating Activities	<u>(29,443)</u>	<u>(24,066)</u>
Cash Flows from Investing Activities		
Net Investment Purchases/Maturities		
Certificates of Deposit	(5,033)	(62,730)
Purchases of Office Furniture and Equipment	0	(7,666)
Net Cash Provided by (Used in) Investing Activities	<u>(5,033)</u>	<u>(70,396)</u>
Net (Decrease) in Cash and Cash Equivalents	(34,476)	(94,462)
Cash, Beginning of Year	<u>279,505</u>	<u>373,967</u>
Cash, End of Year	<u><u>\$ 245,029</u></u>	<u><u>\$ 279,505</u></u>

Cash and Cash Equivalents are presented in the accompanying Statement of Financial Positions as cash.

See accompanying notes

**NOTES TO FINANCIAL STATEMENTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA**

Note 1 - Summary of Significant Accounting Policies

Organization and Nature of Activities

Pediatric Primary Care Foundation, Inc. (the Foundation) is a Florida nonprofit organization, incorporated on March 18, 1992, for the purpose of insuring financially eligible children with special health care needs, primary medical care through physician referral and case management services. The Foundation has an additional program for medical foster care, which provides intensive care coordination as the medical overlay to the existing foster care system. The Foundation is funded by the State of Florida Department of Health in conjunction with Medicaid and insurance service fees.

Basis of Accounting

The Foundation follows standards of accounting and financial reporting prescribed for nonprofit voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, state, and other public grants are recorded as revenue when performance occurs under the terms of the grant agreement.

Cash and Cash Equivalents

The Foundation considers cash and cash equivalents to include cash deposits and investments with original maturities of three months or less. At times, the Foundation carries varying amounts in excess of the Federal Deposit Insurance Corporation's (FDIC) insurance.

Investments

Investments consist of certificates of deposit with original maturities of more than three months.

Property and Equipment

The Foundation capitalizes all property and equipment with a cost of greater than one thousand dollars and an estimated useful life exceeding one year.

Property and equipment, consisting of office furniture and equipment, are recorded at cost and depreciated over their estimated useful lives of three to ten years using the straight-line method. Repairs and maintenance are expensed as incurred.

Title to property and equipment purchased with State of Florida Department of Health funds vest with the State of Florida Department of Health upon completion or termination of the State of Florida Department of Health contracts.

Restricted and Unrestricted Revenue

Federal and state grant awards are recognized in accordance with the legal and contractual requirements of the grants. All of the Foundation's grants have been determined to be exchange transactions and not contributions; therefore, revenues are recognized when earned. Donor-restricted contributions are recognized as increases in temporarily restricted net assets and are released from restriction when donor-imposed stipulations are met by the Foundation.

Accounts Receivable

Accounts receivable consist of uncollateralized amounts due from the State of Florida Department of Health and third party insurance providers that are recorded.

NOTES TO FINANCIAL STATEMENTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenue for service fees from the State of Florida Department of Health that are not related to contracts, Medicaid, and insurance companies are recognized when services are provided at net realizable rates established by Medicaid and the insurance companies. Medicaid payments received for physician charges are used to offset patient services expense for the State of Florida Department of Health reimbursement purposes.

For state reporting and financial purposes, the Foundation reports contract revenue for program related capital purchases in the year purchased.

Allocation of Expenditures

Expenses are allocated among the various program services to the extent a direct relationship can be established. Salaries and other expenses, which are associated with a specific program, are allocated directly to that program. Salaries and other expenses, which benefit various programs, are allocated to the program services based on the relative benefit provided. The following is a summary description of the Foundation's functional expense categories:

■ **General and Administrative**

Costs associated with administration of the Foundation, including finance, accounting, staff supervision, board operations, and human resources. These costs are ultimately allocated to programs based upon relative direct labor.

■ **Primary Care**

Costs associated with providing primary care medical and targeted case management services to financially eligible children with special health care needs and the related personnel costs.

■ **Medical Foster Care**

Costs associated with providing medical foster care and targeted case management services to eligible children with special health care needs and the related personnel costs.

Income Taxes

The Foundation is currently exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision has been made for income tax liabilities or expenses.

It is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management also believes that no such required disclosures currently exist.

The Foundation is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2010. The Foundation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

Compensated Absences

The Foundation accrues paid leave for contract employees at the rate of eight hours per biweekly pay period for all eligible full-time staff, which vests up to a maximum of 360 hours upon termination. The accumulated earned vacation leave for the period ended June 30, 2013, is \$65,721 and recorded as a current liability.

NOTES TO FINANCIAL STATEMENTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Prior Period Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

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.

Subsequent Events

Pediatric Primary Care Foundation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 6, 2013, the date the financial statements were available to be issued.

Matching Requirements

The Foundation's funding contracts with the State of Florida Department of Health do not require any matching revenues.

Note 2 - Investments

Investments consist of certificates of deposit held for investment, that are not debt securities are included. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "Short-term Investments". Certificates of deposit with remaining maturities greater than one year are classified as "Long-term Investments".

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Short-term Investments			
Alarion Bank CD	0.64%	08/13/2013	\$ 151,199
Florida Citizens Bank CD	0.75%	08/02/2013	<u>100,752</u>
Total Short-term Investments			<u>\$ 251,951</u>
Long-term Investments			
Community Bank of Marion County CD	0.45-0.50%	03/24/2014	\$ 100,577
Florida Citizens Bank CD	0.40-1.15%	05/11/2014	152,609
Gateway Bank	0.60-1.29%	03/11/2014	255,667
Heritage Bank of the South CD	0.55-1.40%	03/11/2014	<u>124,084</u>
Total Long-term Investments			<u>\$ 632,937</u>

NOTES TO FINANCIAL STATEMENTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA
(Continued)

Note 3 - Office Lease

The Foundation is leasing office space in Ocala under a five-year lease that expires on June 30, 2014. Under the terms of the lease, the lessor is responsible for maintenance and utilities. At termination of lease, the Foundation has the option to renew the lease for an additional one to five year period at an escalating rental rate. Lease expense for 2013 totaled \$58,105.

Minimum annual rents for the remainder of the lease terms are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Annual Rent</u>
2014	<u>\$ 56,678</u>
Total	<u><u>\$ 56,678</u></u>

Note 4 - Property and Equipment

The following is a schedule of property and equipment owned by the Foundation as of June 30, 2013:

Office Equipment	\$ 214,882
(Accumulated Depreciation)	<u>(136,128)</u>
Property and Equipment, Net of Accumulated Depreciation	<u><u>\$ 78,754</u></u>

Depreciation expense for the year ended June 30, 2013, was \$15,830.

Note 5 - Retirement Plan

During 1993, the Foundation established a simplified employee retirement plan to cover all eligible full time employees that complete one year of service. The Foundation contributes 15% of eligible gross wages to the plan. Contributions for the year ended June 30, 2013, totaled \$154,606.

Note 6 - Contingencies

Concentrations

The Foundation receives a substantial amount of its support from federal and state grants. A significant reduction in the levels of this support, if this were to occur, may have an effect on the Foundation's programs and activities.

Grant Compliance

Grants and contracts require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although this is a possibility, the management deems the contingency remote, since by accepting the grants and their terms, it has adapted to the objectives of the grantors' provisions of the contract.

NOTES TO FINANCIAL STATEMENTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC.
OCALA, FLORIDA
(Concluded)

Note 7 - Related Party Transactions

A member of the Foundation's Board of Directors is currently the Executive Vice-President at a bank the Foundation holds accounts. Another member of the Foundation's Board of Directors serve as Medical Director for the Foundation and provides patient care services for the Foundation. Payments for June 30, 2013, are as follows:

Medical Director Payments	<u>\$ 14,388</u>
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Note 8 - Single Audits

During the fiscal year, the Foundation expended less than \$500,000 in federal awards; therefore, no audit was required pursuant to the Circular A-133, *Federal Single Audit*. However, a State Single Audit was required because the Foundation did expend more than \$500,000 of state financial assistance.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES AND THE *RULES OF THE AUDITOR GENERAL*
OF THE STATE OF FLORIDA**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013
PEDIATRIC PRIMARY CARE FOUNDATION, INC. - OCALA, FLORIDA**

<u>State Agency and Project Title</u>	<u>State Contract/ Grant Number</u>	<u>State CSFA Number</u>	<u>Program or Award Amount</u>	<u>State Expenditures</u>
State of Florida Department of Health				
Primary Care	COQPS	64.007		\$ 445,830
Infant and Toddler Step-Down	COQSD	64.010		366,908
Total				<u>\$ 812,738</u>

Notes to Schedule of Expenditures of State Financial Assistance

- 1) The schedule of expenditures of state financial assistance was prepared on the accrual basis of accounting.
- 2) Total Primary Care program award includes both federal and state program funding. The amount above represents the state portion only for Primary Care. The state portion is reconciled to the contract amount below:

	<u>Primary Care</u>
State Expenditures (from Above)	\$ 445,830
Federal Expenditures	219,086
Total Contract	<u>\$ 664,916</u>

**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**

Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida not-for-profit organization, as of and for the year ended 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 September 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 Foundation'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 combination of deficiencies, in internal control such that there is 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 over financial reporting was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Certified Public Accountants

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Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

**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*
(*Concluded*)**

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Foundation in a separate letter dated September 6, 2013.

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 Foundation's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Purvis, Gray and Company, LLP

September 6, 2013
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
FLORIDA DEPARTMENT OF FINANCIAL SERVICES,
STATE PROJECTS COMPLIANCE SUPPLEMENT**

Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

Report on Compliance for Each Major State Project

We have audited Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida nonprofit organization, compliance with the types of compliance requirements described in the Executive Office of the Governor's state projects, *Compliance Supplement*, that could have a direct and material effect on each of its major state projects for year ended June 30, 2013. The Foundation's major state projects are identified in the summary of auditors' 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 state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major 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 of the United States; and Chapter 10.650, *Rules of the Auditor General*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*. Those standards and Chapter 10.650, *Rules of the Auditor General*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation'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 for each major state project. However, Our audit does not provide a legal determination on the Foundation's compliance.

Opinion on Each Major State Project

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

Certified Public Accountants

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Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
FLORIDA DEPARTMENT OF FINANCIAL SERVICES,
STATE PROJECTS COMPLIANCE SUPPLEMENT
(Concluded)**

Internal Control Over Compliance

Management of the Foundation 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 Foundation's internal control over compliance with requirements that could have a direct and material effect on a major 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 state project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*, 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 Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operations 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 state project on a timely basis. *A material weakness in internal control* 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 state project will not be prevented or detected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 a material weaknesses as defined above. 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 Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Purvis, Gray and Company, LLP
September 6, 2013
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
STATE FINANCIAL ASSISTANCE PROJECTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC. - OCALA, FLORIDA**

1. Summary of Audit Results

I. Type of Audit Report Issued on Financial Statements

Unmodified Opinion

II. Significant Deficiencies and/or Material Weaknesses in Internal Control

Audit disclosed no instances of significant deficiencies in internal control or significant deficiencies, which were material weaknesses in internal control.

III. Noncompliance Material to Auditee Financial Statements

Audit disclosed no material instances of noncompliance.

IV. Significant Deficiencies and/or Material Weaknesses in Internal Control Over the Major State Financial Assistance Projects

Audit disclosed no instances of significant deficiencies in internal control over the major state project or significant deficiencies, which were material weaknesses in internal control over the state major program.

V. Type of Audit Report Issued on Compliance with Requirements Applicable to Major State Financial Assistance Projects

Unmodified Opinion

VI. Audit Findings Relative to Chapter 10.650, *Rules of the Auditor General*

The audit disclosed no findings required to be reported under Chapter 10.650, *Rules of the Auditor General*.

VII. Major State Financial Assistance Projects

State Project:

- Department of Health:
 - Primary Care; Contract No. COQPS, CSFA No. 64.007 \$ 445,830
 - Infant and Toddler Step-Down; Contract No. COQSD, CSFA No. 64.010 366,908

VIII. Dollar Threshold Used to Distinguish Between Type A and Type B State Financial Assistance Projects

\$243,821

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
STATE FINANCIAL ASSISTANCE PROJECTS
PEDIATRIC PRIMARY CARE FOUNDATION, INC. - OCALA, FLORIDA
(Concluded)**

2. **Findings Related to the Financial Statements Required to be Reported Under Generally Accepted Government Auditing Standards (GAGAS)**

The audit disclosed no findings, which are required to be reported under GAGAS.

3. **Findings and Questioned Costs for Major State Financial Assistance Projects**

Not Applicable

4. **Findings and Questioned Costs for Major State Financial Assistance Projects**

The audit disclosed no findings that are required to be reported under Chapter 10.650, *Rules of the Auditor General*.

5. **Other Issues**

- I. No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.
- II. No corrective action plan is required because there are no findings required to be reported under the Florida *Single Audit Act*.

MANAGEMENT LETTER

Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

We have audited the financial statements of the Pediatric Primary Care Foundation, Inc. (the Foundation), a Florida not-for-profit organization, as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated September 6, 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 Chapter 10.650, *Rules of the Florida Auditor General*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance For Each Major State Project and on Internal Control over Compliance Required by Florida Department of Financial Services, *State Projects Compliance Supplement*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 6, 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 noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, the following matter is required to be disclosed:

2013-1—Segregation of Duties

As in prior years, the primary weakness in the Foundation's internal control has been the lack of segregation of incompatible duties in the Finance and Accounting Department due to the limited number of department personnel. This condition is typical of many social service organizations with limited budgetary resources. To the extent possible, the Foundation has instituted procedures to overcome this condition, such as separating mail pickups and bank deposits from general ledger and receivable posting, and by instituting disbursement controls, such as prepayment approvals, dual signature requirements, and periodic financial reporting to the Board of Directors. We recognize the effort made to overcome weaknesses that are inherent to limited personnel and encourage the Foundation to continue with this ongoing effort.

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Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

MANAGEMENT LETTER
(Concluded)

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

September 6, 2013
Ocala, Florida

Sponsored by



Board of Directors
Pediatric Primary Care Foundation, Inc.
Ocala, Florida

Management Response, Independent Auditors Reports FY12-13, ended June 30, 2013

FY12-13 was the sixth fiscal year we have produced our financial statements internally, including the statement of functional expense.

The enclosed reports accurately summarize our operations for this fiscal year and represent another busy year of dedicated service to our CMS Network. We continue to find your independent auditors to be most thorough.

These bound reports contain a comment related to Segregation of Duties due to our limited fiscal staff but we continue to segregate duties to the extent possible. We very much appreciate the continued assistance of our Board members as an outside reviewer of all our disbursements.

We were pleased to receive another report near the end of FY12-13 related to a DOH contract administration review of both contracts that identified zero deficiencies.

With your help we shall continue to navigate the continuing changes and challenges necessary to be able to deliver Primary Care and Medical Foster Care services to our CMS children and families.

On behalf of our staff and all whom we serve, we remain appreciative of your volunteer service on our Board of Directors. Thank you for being part of our Children's Medical Services Network team; we count on this and the support of our Regional and headquarters CMSN team members, our staff and providers to be able to accomplish our mission.

We remain proud serve our CMSN,

Jeffery E. Baxla
CEO/Program Administrator

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