



**Mayer Hoffman McCann P.C.**  
An Independent CPA Firm

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**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, 2014 and 2013



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# THE CHILDREN'S HOME

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**AUDITED FINANCIAL STATEMENT**



**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 statement of financial position as of June 30, 2014, and the related combined 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.

***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 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 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, 2014, and the changes in their net assets, their functional expenses and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements and Report on Summarized Comparative Information**

The combined financial statements of The Children’s Home as of June 30, 2013 were audited by other auditors, Lewis, Birch & Ricardo, LLC whose members became shareholders of Mayer Hoffman McCann P.C. as of February 1, 2014, and whose report dated November 8, 2013, expressed an unmodified opinion on those combined 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.

**Other Matters**

*Other Information*

Our audit was performed for the purpose of forming an opinion on the combined financial statements of The Children’s Home as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. 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 also 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 December 5, 2014 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.



Tampa, Florida  
December 5, 2014

**THE CHILDREN'S HOME**

Combined Statements of Financial Position

June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Cash (note 9)	\$ 180,517	19,124
Receivables:		
Grants and contracts (note 9)	905,515	779,956
Medicaid	94,003	66,111
Accrued interest	22,386	22,107
Contributions (note 4)	828,258	953,836
Contribution of use of School facility (note 4)	1,815,356	1,861,335
Investments (notes 2, 5 and 16)	16,029,758	13,249,898
Prepaid expenses and other assets	155,527	184,195
Cash surrender value of life insurance (note 16)	92,309	87,330
Beneficial interest in perpetual trust (note 10)	1,319,234	1,206,305
Net property and equipment (note 3)	<u>3,621,019</u>	<u>3,885,891</u>
	\$ <u>25,063,882</u>	<u>22,316,088</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Line of credit (note 5)	\$ -	48,000
Accounts payable	291,468	235,461
Other accrued expenses	607,777	493,995
Deferred revenue	4,234	17,368
Estimated third-party payor liabilities (note 15)	27,000	27,000
Annuities payable (notes 14 and 16)	<u>57,104</u>	<u>55,215</u>
Total liabilities	<u>987,583</u>	<u>877,039</u>
Net assets (note 11):		
Unrestricted -		
Undesignated	3,249,313	3,423,249
Designated for long-term investment	<u>11,892,957</u>	<u>9,116,969</u>
	<u>15,142,270</u>	<u>12,540,218</u>
Temporarily restricted (note 10)	3,501,726	3,579,457
Permanently restricted for endowment (note 10)	<u>5,432,303</u>	<u>5,319,374</u>
Total net assets	<u>24,076,299</u>	<u>21,439,049</u>
	\$ <u>25,063,882</u>	<u>22,316,088</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, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>Operating Support and Revenue:</b>		
<i>Public support:</i>		
Special event revenue	\$ 272,151	444,731
Less special event costs	(124,596)	(249,908)
Net revenue from special events	147,555	194,823
United Way	116,865	139,098
Contributions	753,810	759,977
Bequests	1,614,064	540,308
Government fees and grants (note 9)	8,365,933	6,831,678
	10,998,227	8,465,884
 <i>Revenue:</i>		
Investment return designated for current operations (note 2)	884,508	450,000
Medicaid	822,007	888,192
Program service fees	1,433	5,781
In-kind (note 8)	345,319	379,265
Other	3,000	208
	2,056,267	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	375,782	52,206
Expiration of other time restrictions	197,019	216,493
Satisfaction of donor restrictions	89,730	142,251
	707,751	456,170
 Total operating support and revenue	13,762,245	10,645,500
 <b>Operating Expenses:</b>		
<i>Program services:</i>		
Residential services	3,312,131	3,335,317
Community counseling	381,542	368,051
S.E.A.R.C.H.	725,317	565,645
Family support network	5,548,653	3,941,274
Community based care	-	204,254
	9,967,643	8,414,541
 <i>Supporting services:</i>		
Management and general	1,636,190	1,442,317
Development and public information	515,897	477,239
	2,152,087	1,919,556
 Total operating expenses	12,119,730	10,334,097
 Increase in unrestricted net assets from operations	1,642,515	311,403
 <b>Other Changes:</b>		
Increase in fair value of investment portfolio over amounts designated for current operations (note 2)	953,326	852,034
Change in value of split-interest agreements	(8,989)	4,010
Loss on sale of equipment	-	(2,534)
Donated equipment	15,200	3,000
	15,200	3,000
 Increase in unrestricted net assets	\$ 2,602,052	1,167,913

See accompanying notes to combined financial statements.

# THE CHILDREN'S HOME

## Combined Statements of Changes in Net Assets

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Unrestricted net assets:</b>		
Total unrestricted operating support and revenue	\$ 13,054,494	10,189,330
Total unrestricted operating expenses	(12,119,730)	(10,334,097)
Increase in fair value of investment portfolio over amounts designated for current operations	953,326	852,034
Change in value of split-interest agreements	(8,989)	4,010
Loss on sale of equipment	-	(2,534)
Donated equipment	15,200	3,000
Net assets released from restrictions	<u>707,751</u>	<u>456,170</u>
Increase in unrestricted net assets	<u>2,602,052</u>	<u>1,167,913</u>
<b>Temporarily restricted net assets:</b>		
United Way allocations	69,775	45,220
Contributions	305,378	195,128
Bequests	172,734	187,562
Investment return	10,057	5,685
Change in value of split-interest agreements	72,076	24,691
Net assets released from restrictions	<u>(707,751)</u>	<u>(456,170)</u>
Increase (decrease) in temporarily restricted net assets	<u>(77,731)</u>	<u>2,116</u>
<b>Permanently restricted net assets:</b>		
Change in value of beneficial interest in perpetual trust	<u>112,929</u>	<u>12,541</u>
Increase in permanently restricted net assets	<u>112,929</u>	<u>12,541</u>
Increase in net assets	2,637,250	1,182,570
Net assets at beginning of year	<u>21,439,049</u>	<u>20,256,479</u>
Net assets at end of year	<u>\$ 24,076,299</u>	<u>21,439,049</u>

See accompanying notes to combined financial statements.

**THE CHILDREN'S HOME**

Combined Statement of Functional Expenses

Year ended June 30, 2014  
(With Comparative Totals for 2013)

	<i>Program Services</i>				<i>Supporting Services</i>			<b>Total expenses</b>		
	<b>Residential Services</b>	<b>Community Counseling</b>	<b>S.E.A.R.C.H.</b>	<b>Family Support Network</b>	<b>Total</b>	<b>Management and General</b>	<b>Development and Public Information</b>	<b>Total</b>	<b>2014</b>	<b>2013</b>
<b>Awards, grants, and assistance:</b>										
Awards, grants and assistance to individuals	\$ 49,942	-	193,804	73,689	317,435	569.00	-	569	318,004	222,822
	<u>49,942</u>	<u>-</u>	<u>193,804</u>	<u>73,689</u>	<u>317,435</u>	<u>569.00</u>	<u>-</u>	<u>569</u>	<u>318,004</u>	<u>222,822</u>
<b>Salaries and related expenses:</b>										
Salaries	1,728,475	116,269	346,181	3,346,696	5,537,621	938,255	291,243	1,229,498	6,767,119	5,588,762
Payroll taxes	166,369	10,532	29,336	293,048	499,285	75,126	25,525	100,651	599,936	503,969
Employee benefits	171,624	8,707	45,471	519,035	744,837	85,060	12,970	98,030	842,867	662,036
	<u>2,066,468</u>	<u>135,508</u>	<u>420,988</u>	<u>4,158,779</u>	<u>6,781,743</u>	<u>1,098,441</u>	<u>329,738</u>	<u>1,428,179</u>	<u>8,209,922</u>	<u>6,754,767</u>
<b>Other operating expenses:</b>										
Professional fees	52,938	9,692	13,811	159,994	236,435	241,757	45,792	287,549	523,984	462,789
Subcontractors	5,000	222,645	-	183,629	411,274	-	-	-	411,274	405,350
Supplies and materials	151,491	3,493	4,551	102,768	262,303	27,849	11,722	39,571	301,874	250,907
Electronic communications	18,184	1,697	7,624	86,344	113,849	9,109	5,946	15,055	128,904	117,643
Postage and shipping	1,810	-	149	4,084	6,043	5,476	45,999	51,475	57,518	39,541
Occupancy	300,434	5,544	8,963	359,857	674,798	36,609	10,906	47,515	722,313	637,659
Repairs, maintenance and rentals	37,293	7	6,280	36,762	80,342	29,976	29	30,005	110,347	112,093
Copying and printing	5,844	178	7,047	31,886	44,955	7,884	17,107	24,991	69,946	64,949
Travel and vehicle	28,993	528	18,732	194,130	242,383	13,724	1,366	15,090	257,473	186,835
Financing expense	-	-	-	-	-	4,843	-	4,843	4,843	5,891
Insurance	84,451	2,010	7,664	66,693	160,818	38,584	5,358	43,942	204,760	210,589
Organization and staff development	8,941	190	4,002	38,193	51,326	34,681	4,003	38,684	90,010	71,797
In-kind	325,396	-	-	19,923	345,319	-	-	-	345,319	379,265
Bad debt expense	-	-	-	13,586	13,586	-	15,000	15,000	28,586	21,181
Other	-	50	25	4,342	4,417	8,737	4,989	13,726	18,143	11,268
	<u>1,020,775</u>	<u>246,034</u>	<u>78,848</u>	<u>1,302,191</u>	<u>2,647,848</u>	<u>459,229</u>	<u>168,217</u>	<u>627,446</u>	<u>3,275,294</u>	<u>2,977,757</u>
Depreciation and amortization	174,946	-	31,677	13,994	220,617	77,951	17,942	95,893	316,510	378,751
Total expenses before allocation of management and general	3,312,131	381,542	725,317	5,548,653	9,967,643	1,636,190	515,897	2,152,087	12,119,730	10,334,097
Allocation of management and general	<u>533,284</u>	<u>61,432</u>	<u>116,783</u>	<u>841,628</u>	<u>1,553,127</u>	<u>(1,636,190)</u>	<u>83,063</u>	<u>(1,553,127)</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,845,415</u>	<u>442,974</u>	<u>842,100</u>	<u>6,390,281</u>	<u>11,520,770</u>	<u>-</u>	<u>598,960</u>	<u>598,960</u>	<u>12,119,730</u>	<u>10,334,097</u>

See accompanying notes to combined financial statements.

## THE CHILDREN'S HOME

### Combined Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<b>2014</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 2,637,250	1,182,570
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	316,510	378,751
Loss on sale of equipment	-	2,534
Net realized and unrealized gains on investments	(1,416,755)	(758,333)
Change in value of split-interest agreements	(63,087)	(28,701)
Change in value of beneficial interest in perpetual trust	(112,929)	(12,541)
Donated equipment	(15,200)	(3,000)
Decrease (increase) in accounts receivable	89,903	(159,774)
Decrease (increase) in prepaid expenses and other assets	28,668	(49,090)
Increase in cash surrender value of life insurance	(4,979)	(19,744)
Increase (decrease) in accounts payable and other liabilities	156,655	(11,007)
	<u>1,616,036</u>	<u>521,665</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(36,438)	(121,253)
Purchase of investment securities	(2,418,420)	(5,196,595)
Proceeds from sale of investment securities	1,055,315	4,603,037
	<u>(1,399,543)</u>	<u>(714,811)</u>
<b>Cash flows from financing activities:</b>		
Net borrowings (repayments) under line of credit	(48,000)	23,000
Principal payments on annuities payable	(7,100)	(13,650)
	<u>(55,100)</u>	<u>9,350</u>
Net increase (decrease) in cash	161,393	(183,796)
Cash at beginning of year	19,124	202,920
Cash at end of year	<u>\$ 180,517</u>	<u>19,124</u>
<b>Supplemental disclosure of cash flow information-</b>		
Cash paid during the year for interest	\$ 4,843	5,891

See accompanying notes to combined financial statements.

# THE CHILDREN'S HOME

## Notes to Combined Financial Statements

June 30, 2014 and 2013

### (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, 2013, 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. The discount rate used in computing the present value of the remaining annuity at June 30, 2014 was 2.53%.

(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, *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, 2010 remain subject to examination.

(j) **Reclassifications**

Certain amounts in the 2013 combined financial statements have been reclassified to conform to the presentation of the 2014 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, 2014 and 2013, the cost and market value of investments are as follows:

	<b>2014</b>		<b>2013</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
<b><u>Annuity Funds</u></b>				
Money market funds	\$ 12,039	12,039	10,784	10,784
Fixed income mutual funds	45,938	54,034	96,339	105,013
U.S. Government obligations	3,634	3,654	-	-
Corporate obligations	2,392	2,411	-	-
	<u>64,003</u>	<u>72,138</u>	<u>107,123</u>	<u>115,797</u>
<b><u>Endowments</u></b>				
Money market funds	700,032	700,032	597,339	597,339
U.S. Government and Agency obligations	1,002,958	893,093	634,608	521,502
Corporate obligations	1,936,011	2,024,225	1,804,004	1,777,092
Common stock	3,291,679	3,991,427	2,085,289	2,472,584
Foreign bonds	62,679	62,130	47,283	46,607
Hedge funds	-	-	55,827	41,703
Mutual funds	6,698,611	8,286,713	6,710,745	7,677,274
	<u>13,691,970</u>	<u>15,957,620</u>	<u>11,935,095</u>	<u>13,134,101</u>
	<u>\$ 13,755,973</u>	<u>16,029,758</u>	<u>12,042,218</u>	<u>13,249,898</u>

The Organization's investments in equities and debt securities are not concentrated in a single entity or in a few entities, nor are there any specific industry concentrations.

The following schedule summarizes investment return for the years ended June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Dividend and interest income	\$ 502,543	620,391
Net realized and unrealized gains	1,416,755	758,333
Investment management fees	<u>(71,407)</u>	<u>(71,005)</u>
Total investment return	1,847,891	1,307,719
Investment return designated for current operations	(884,508)	(450,000)
Investment return temporarily restricted	<u>(10,057)</u>	<u>(5,685)</u>
Increase in fair value of investment portfolio over amounts designated for current operations	<u>\$ 953,326</u>	<u>852,034</u>

(Continued)

## THE CHILDREN'S HOME

### Notes to Combined Financial Statements

#### (3) Property and Equipment

Property and equipment at June 30, 2014 and 2013 consists of the following:

	<b>2014</b>	<b>2013</b>
Land and improvements	\$ 805,444	805,444
Buildings and improvements	6,474,407	6,469,807
Furniture and equipment	1,172,246	1,125,208
Computer software	225,061	225,061
Transportation equipment	270,783	270,783
	8,947,941	8,896,303
Less accumulated depreciation and amortization	5,326,922	5,010,412
	\$ 3,621,019	3,885,891

Depreciation expense for the years ended June 30, 2014 and 2013 was \$316,510 and \$378,751, 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, 2014 and 2013 consist of the following:

	<b>2014</b>	<b>2013</b>
United Way allocations	\$ 69,775	45,220
Bequests	208,702	383,440
Remainder trusts	501,502	457,735
Pledges	56,920	82,465
Total contributions receivable	836,899	968,860
Less allowance for doubtful collections	8,600	14,700
Less unamortized discount	41	324
	\$ 828,258	953,836
Amounts due in:		
Less than one year	\$ 157,113	346,442
One to five years	679,786	622,418
	\$ 836,899	968,860

(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, 2014 and 2013.

### (5) Line of Credit

At June 30, 2014 and 2013, the Organization had a revolving line of credit from a commercial bank that allows the Organization to borrow up to \$750,000 at the greater of 3% or one month LIBOR plus 1.65% (1.80% at June 30, 2014). The loan is secured by an investment account with a fair market value of \$3,028,389 and \$2,363,102 as of June 30, 2014 and 2013, respectively. The outstanding balance on the line of credit at June 30, 2014 and 2013 was \$0 and \$48,000, respectively.

### (6) Leases

The Organization is obligated under several noncancellable operating leases, primarily for office space, that expire over the next six years. Security deposits related to such leases are included in other assets. Rental expense on operating leases was approximately \$359,000 and \$747,000 for the years ended June 30, 2014 and 2013, respectively. Rental income under sublease agreements totaled approximately \$0 and \$505,000 for the years ended June 30, 2014 and 2013, 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, 2014 are as follows:

<u>Year ending June 30:</u>	
2015	\$ 343,675
2016	194,651
2017	66,402
2018	22,192
2019	15,736
Thereafter	<u>3,537</u>
	\$ <u><u>646,193</u></u>

(Continued)

## THE CHILDREN'S HOME

### 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, 2014 and 2013, 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 \$46,493 and \$44,654 for the years ended June 30, 2014 and 2013, respectively. For the years ended June 30, 2014 and 2013, the Organization recognized pension forfeiture income totaling \$5,377 and \$4,133, 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, 2014 and 2013, total in-kind support was \$393,257 and \$517,217, respectively, of which \$47,938 and \$137,952 are included in special event revenue and expense. For the years ended June 30, 2014 and 2013, contributed services totaled \$0 and \$67,715, respectively, and consisted of a variety of services utilized in the Organization's residential treatment program. For the years ended June 30, 2014 and 2013, donated materials totaled \$393,257 and \$449,503, respectively. For the years ended June 30, 2014 and 2013, donated fixed assets were \$15,200 and \$3,000, 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, 2014 and 2013. The Organization has no financial instruments which subject it to off-balance-sheet risk.

The Organization relies to a significant extent on the federal government and the State of Florida as sources of funding. Funding from the federal government and the State of Florida represented approximately 30% and 36% of total operating support and revenue before investment return for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, approximately 41% and 33%, respectively, of total receivables from grants, contracts and the Medicaid program were comprised of funding provided by the federal government and the State of Florida.

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## THE CHILDREN'S HOME

### Notes to Combined Financial Statements

#### (10) Temporary and Permanent Restrictions on Net Assets

Temporary restrictions on net assets as of June 30, 2014 and 2013 relate to the following:

	<b>2014</b>	<b>2013</b>
Charitable gift annuities	\$ 30,376	36,281
United Way funding	69,775	45,220
Contributions restricted for future periods	758,843	915,077
Contributions restricted for programs	177,657	173,481
Investment earnings restricted for programs	15,742	5,685
Capital improvements	106,666	-
Contributed use of school facility	1,815,356	1,861,335
Facilities subject to time restrictions	527,311	542,378
	\$ 3,501,726	3,579,457

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 are satisfied in the fiscal year in which the earnings are recognized. At June 30, 2014 and 2013, permanently restricted net assets consist of the following:

	<b>2014</b>	<b>2013</b>
<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	1,319,234	1,206,305
	\$ 5,432,303	5,319,374

#### (11) Endowment Funds

The Organization's internally-controlled endowment net assets are comprised of investments held in various donor endowments and funds designated by the Boards of Directors. 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)

## THE CHILDREN'S HOME

### Notes to Combined Financial Statements

#### *Interpretation of Relevant Law*

The Boards of Directors have interpreted the wishes of donors and state law 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 expenditure.

#### *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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## THE CHILDREN'S HOME

### Notes to Combined Financial Statements

Endowment net asset composition by type of fund as of June 30, 2014 and 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
<i>2014:</i>				
Board-designated endowments	\$ 11,892,957	-	-	11,892,957
Donor-restricted endowments	-	46,118	4,113,069	4,159,187
	<u>\$ 11,892,957</u>	<u>46,118</u>	<u>4,113,069</u>	<u>16,052,144</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>

Changes in endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
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	9,116,969	41,966	4,113,069	13,272,004
Contributions	1,936,819	-	-	1,936,819
Net investment income	365,924	1,150	-	367,074
Net appreciation	1,407,848	8,907	-	1,416,755
Reclassifications	5,905	(5,905)	-	-
Withdrawals	(940,508)	-	-	(940,508)
Balance, June 30, 2014	<u>\$ 11,892,957</u>	<u>46,118</u>	<u>4,113,069</u>	<u>16,052,144</u>

(Continued)

## THE CHILDREN'S HOME

### 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 \$885 and \$1,172 of earnings to the Organization for the years ended June 30, 2014 and 2013, 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 \$19,008 and \$20,905 for the years ended June 30, 2014 or 2013, respectively. The market value of the investments held in the trust was approximately \$598,000 and \$524,000 at June 30, 2014 and 2013, 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, 2014, 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 estimated fair market value and is included with contributions receivable in the accompanying statements of financial position.

(Continued)

## THE CHILDREN'S HOME

### 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, 2014 and 2013, the Organization has included a provision for any potential third party payor liabilities in the amount of \$27,000. 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, 2014 and 2013.

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, 2014 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>Assets:</i>				
<i>Fixed Income Securities:</i>				
Corporate obligations	\$ 1,976,149	1,976,149	-	-
U.S. Government and Agency obligations	896,747	896,747	-	-
Short-term bonds	299,352	299,352	-	-
Foreign bonds	62,130	62,130	-	-
Inflation-protected bonds	50,488	50,488	-	-
<i>Mutual Funds:</i>				
Multi-sector bond funds	617,572	617,572	-	-
International funds	2,186,245	2,186,245	-	-
Long-short funds	798,225	798,225	-	-
<i>Corporate Stock:</i>				
Consumer discretionary	715,636	715,636	-	-
Consumer staples	951,467	951,467	-	-
Energy	714,652	714,652	-	-
Financials	1,123,595	1,123,595	-	-
Health Care	1,292,468	1,292,468	-	-
Industrial	1,236,991	1,236,991	-	-
Information technology	1,501,938	1,501,938	-	-
Materials	327,888	327,888	-	-
Telecom	279,813	279,813	-	-
Utilities	286,331	286,331	-	-
<i>Money Market Funds</i>	712,071	712,071	-	-
<i>Cash Surrender Value:</i>				
Life Insurance	92,309	-	-	92,309
<i>Receivable under remainder trusts</i>	501,502	-	-	501,502
<i>Beneficial interest in perpetual trust</i>	1,319,234	-	1,319,234	-
	<u>\$ 17,942,803</u>	<u>16,029,758</u>	<u>1,319,234</u>	<u>593,811</u>
 <i>Liabilities</i>				
Annuities payable	<u>\$ 57,104</u>	<u>-</u>	<u>-</u>	<u>57,104</u>

(Continued)

## THE CHILDREN'S HOME

### 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>
<i>Assets:</i>				
<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	8,443	8,443	-	-
<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>
<i>Liabilities</i>				
Annuities payable	\$ 55,215	-	-	55,215

(Continued)

## THE CHILDREN'S HOME

### 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, 2014 and 2013:

	<u>Hedge Funds</u>	<u>Cash Surrender Value</u>	<u>Receivable under Remainder Trusts</u>	<u>Annuities Payable</u>
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	(4,010)
Purchases, issues sales and settlements:				
Purchases	-	-	-	-
Issues	-	16,618	-	-
Sales	(20,874)	-	-	-
Settlements	-	-	-	(13,650)
Balances at June 30, 2013	41,703	87,330	457,735	55,215
Total gains/(losses) included in changes in net assets	(2,060)	4,979	43,767	8,989
Purchases, issues sales and settlements:				
Purchases	-	-	-	-
Issues	-	-	-	-
Sales	(39,643)	-	-	-
Settlements	-	-	-	(7,100)
Balances at June 30, 2014	\$ <u>-</u>	<u>92,309</u>	<u>501,502</u>	<u>57,104</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>
Change in unrealized gains/(losses) for the period included in changes in net assets for assets held at June 30, 2014	\$ <u>14,124</u>	<u>4,979</u>	<u>43,767</u>	<u>-</u>

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**THE CHILDREN'S HOME**

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 2014 ranged from \$89.08 to \$92.61. The hedge fund was liquidated in February 2014.

The fair value of the Organization's cash surrender value of its life insurance policies is 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. At June 30, 2014, significant unobservable inputs include using discount rates ranging from .47% to 2.13% and estimated life expectancies of income beneficiaries which range from 2 to 7 years.

**(17) Subsequent Events**

The Organization has evaluated subsequent events through December 5, 2014, the date the combined 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, 2014

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<b>Federal/State Agency Pass-through Entity Federal Program</b>	<b>CFDA/ CSFA No.</b>	<b>Contract/ Grant No.</b>	<b>Expenditures</b>	<b>Transfers To Subrecipients</b>
<i>U.S. Department of Agriculture</i>				
Passed-through State of Florida Department of Education:				
National School Breakfast Program	10.553	01-0131	\$ 25,901	-
National School Lunch Program	10.555	01-0131	22,804	-
			<u>48,705</u>	<u>-</u>
Passed-through State of Florida Department of Agriculture :				
National School Lunch Program	10.555	4001354	2,576	-
			<u>51,281</u>	<u>-</u>
Subtotal - U.S. Department of Agriculture				
<i>U.S. Department of Health and Human Services</i>				
Unaccompanied Alien Children Program	93.676	90ZU0137/01	8,807	-
Family Connection Grants	93.605	90CF0050/01	205,975	-
Family Connection Grants	93.605	90CF0050/02	591,930	-
			<u>806,712</u>	<u>-</u>
Passed-through Sarasota Family YMCA:				
Promoting Safe and Stable Families	93.556	CHMOHCR13	38	-
Temporary Assistance to Needy Families	93.558	CHMOHCR13	2,454	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	CHMOHCR13	301	-
Foster Care_Title IV-E	93.658	CHMOHCR13	9,742	-
Adoption Assistance	93.659	CHMOHCR13	1,297	-
Social Services Block Grant	93.667	CHMOHCR13	5,038	-
Block Grants for Community Mental Health Services	93.958	CHMOHCR13	8,869	-
			<u>27,739</u>	<u>-</u>
Passed-through Healthy Start Coalition of Hillsborough County, Inc.:				
Temporary Assistance to Needy Families	93.558	HF-13-14-1	133,478	-
Community Based Child Abuse Prevention Grants	93.590	HF-13-14-1	11,314	-
			<u>144,792</u>	<u>-</u>
Passed-through Heartland for Children, Inc.:				
County, Inc.:				
Foster Care_Title IV-E	93.658	RA-ICI-01	35,025	-
Social Services Block Grant	93.667	RA-ICI-01	20,711	-
			<u>55,736</u>	<u>-</u>

**THE CHILDREN'S HOME**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2014

(Page 2 of 2)

<b>Federal/State Agency Pass-through Entity Federal Program</b>	<b>CFDA/ CSFA No.</b>	<b>Contract/ Grant No.</b>	<b>Expenditures</b>	<b>Transfers To Subrecipients</b>
Passed-through Eckerd Youth Alternatives, Inc.:				
Foster Care_Title IV-E	93.658	ECAH-TFC-CHI-FY14 \$	82,682	-
		ECAH-RGC-CHI-FY15	649,583	-
		ECAH-FCO-CHI-FY15	29,480	-
Promoting Safe and Stable Families	93.556	ECAH-TFC-CHI-FY14	967	-
		ECAH-FCO-CHI-FY15	340	-
Temporary Assistance for Needy Families (TANF)	93.558	ECAH-TFC-CHI-FY14	51,553	-
		ECAH-FCO-CHI-FY15	18,236	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	ECAH-TFC-CHI-FY14	7,153	-
		ECAH-FCO-CHI-FY15	2,511	-
Adoption Assistance	93.659	ECAH-TFC-CHI-FY14	15,371	-
		ECAH-FCO-CHI-FY15	5,435	-
Social Services Block Grant	93.667	ECAH-RGC-CHI-FY15	557,491	-
			<u>1,420,802</u>	<u>-</u>
Subtotal - U.S. Department of Health and Human Services			<u>2,455,781</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,507,062</u>	<u>-</u>
Passed-through Eckerd Youth Alternatives, Inc.:				
Out-of-Home Supports	60.074	ECA-KIN-TCH-FY14 \$	50,766	-
		ECAH-TFC-CHI-FY14	24,924	-
		ECAH-RGC-CHI-FY15	268,830	-
		ECAH-FCO-CHI-FY15	188,503	-
In-Home Supports	60.075	ECAH-TFC-CHI-FY14	12,993	-
		ECAH-FCO-CHI-FY15	4,581	-
Passed-through Sarasota Family YMCA:				
Out-of-Home Supports	60.074	CHMOHCR13	5,515	-
In-Home Supports	60.075	CHMOHCR13	326	-
Passed-through Heartland for Children, Inc.:				
Out-of-Home Supports	60.074	RA-ICI-01	17,761	-
Subtotal - Department of Children and Families			<u>574,199</u>	<u>-</u>
Total State Financial Assistance			<u>\$ 574,199</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, 2014  
(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 the State of Florida for the year ended June 30, 2014. 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 \$2,576.

(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, 2014

(Page 2 of 2)

Total federal expenditures by federal program for the year ended June 30, 2014 were as follows:

<b>CFDA No.</b>	<b>Federal Program</b>	<b>Federal Expenditures</b>
10.553	National School Breakfast Program	\$ 25,901
10.555	National School Lunch Program	25,380
93.556	Promoting Safe and Stable Families	1,345
93.558	Temporary Assistance to Needy Families	205,721
93.590	Community Based Child Abuse Prevention Grants	11,314
93.605	Family Connection Grants	797,905
93.645	Child Welfare Services_State Grants	9,965
93.658	Foster Care_Title IV-E	806,512
93.659	Adoption Assistance	22,103
93.667	Social Services Block Grant	583,240
93.676	Unaccompanied Alien Children Program	8,807
93.958	Block Grants for Community Mental Health Services	8,869
		<u>\$ 2,507,062</u>

Total state financial assistance by state project for the year ended June 30, 2014 was as follows:

<b>CSFA No.</b>	<b>State Project</b>	<b>State Financial Assistance</b>
60.074	Out-of-Home Supports	\$ 556,299
60.075	In-Home Supports	17,900
		<u>\$ 574,199</u>

**THE CHILDREN'S HOME**

Combining Schedule of Statement of Financial Position Information

June 30, 2014

<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	\$ 175,036	-	5,481	-	180,517
Receivables:					
Grants and contracts	905,515	-	-	-	905,515
Medicaid	94,003	-	-	-	94,003
Accrued interest	-	-	22,386	-	22,386
Contributions	828,258	-	-	-	828,258
Contribution of use of School facility	1,815,356	-	-	-	1,815,356
Intercompany	-	-	182,051	(182,051)	-
Investments	72,138	-	15,957,620	-	16,029,758
Prepaid expenses and other assets	125,201	-	30,326	-	155,527
Cash surrender value of life insurance	-	-	92,309	-	92,309
Beneficial interest in a perpetual trust	-	-	1,319,234	-	1,319,234
Net property and equipment	<u>3,199,706</u>	<u>421,313</u>	<u>-</u>	<u>-</u>	<u>3,621,019</u>
	<u>\$ 7,215,213</u>	<u>421,313</u>	<u>17,609,407</u>	<u>(182,051)</u>	<u>25,063,882</u>
 <b><u>Liabilities and Net Assets</u></b>					
Liabilities:					
Line of credit	\$ -	-	-	-	-
Accounts payable-					
Trade	291,468	-	-	-	291,468
Intercompany	182,051	-	-	(182,051)	-
Other accrued expenses	607,777	-	-	-	607,777
Deferred revenue	4,234	-	-	-	4,234
Estimated third-party payor liabilities	27,000	-	-	-	27,000
Annuities payable	<u>57,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,104</u>
Total liabilities	<u>1,169,634</u>	<u>-</u>	<u>-</u>	<u>(182,051)</u>	<u>987,583</u>
Net assets	<u>6,045,579</u>	<u>421,313</u>	<u>17,609,407</u>	<u>-</u>	<u>24,076,299</u>
	<u>\$ 7,215,213</u>	<u>421,313</u>	<u>17,609,407</u>	<u>(182,051)</u>	<u>25,063,882</u>

**THE CHILDREN'S HOME**

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

Year ended June 30, 2014

	<u>The Children's Home, Inc.</u>	<u>The Children's Home Foundation, Inc.</u>	<u>Eliminations</u>	<u>Combined Total</u>
<b>Operating Support and Revenue:</b>				
<i>Public support:</i>				
Special event revenue	\$ 272,151	-	-	272,151
Less special event costs	<u>(124,596)</u>	-	-	<u>(124,596)</u>
Net revenue from special events	<u>147,555</u>	-	-	<u>147,555</u>
United Way	116,865	-	-	116,865
Contributions	729,824	23,986	-	753,810
Bequests	1,614,064	-	-	1,614,064
Government fees and grants	<u>8,365,933</u>	-	-	<u>8,365,933</u>
	<u>10,974,241</u>	<u>23,986</u>	-	<u>10,998,227</u>
<i>Revenue:</i>				
Investment return designated for current operations	-	884,508	-	884,508
Medicaid	822,007	-	-	822,007
Program service fees	1,433	-	-	1,433
In-kind	345,319	-	-	345,319
Other	<u>3,000</u>	-	-	<u>3,000</u>
	<u>1,171,759</u>	<u>884,508</u>	-	<u>2,056,267</u>
<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	375,782	-	-	375,782
Expiration of other time restrictions	197,019	-	-	197,019
Satisfaction of donor restrictions	<u>89,730</u>	-	-	<u>89,730</u>
	<u>707,751</u>	-	-	<u>707,751</u>
Total operating support and revenue	<u>12,853,751</u>	<u>908,494</u>	-	<u>13,762,245</u>

<b>Operating Expenses:</b>				
Program services	9,967,643	-	-	9,967,643
Supporting services:				
Management and general	1,636,163	27	-	1,636,190
Development and public information	515,897	-	-	515,897
	<u>2,152,060</u>	<u>27</u>	<u>-</u>	<u>2,152,087</u>
 Total operating expenses	 <u>12,119,703</u>	 <u>27</u>	 <u>-</u>	 <u>12,119,730</u>
 Increase (decrease) in unrestricted net assets from operations	 734,048	 908,467	 -	 1,642,515
<b>Other Changes:</b>				
Increase in fair value of investment portfolio over amounts designated for current operations	14,508	938,818	-	953,326
Affiliate contributions	(840,798)	840,798	-	-
Change in value of split-interest agreements	(8,989)	-	-	(8,989)
Donated capital assets	15,200	-	-	15,200
	<u>15,200</u>	<u>-</u>	<u>-</u>	<u>15,200</u>
 Increase (decrease) in unrestricted net assets	 \$ <u>(86,031)</u>	 <u>2,688,083</u>	 <u>-</u>	 <u>2,602,052</u>

## **INTERNAL CONTROL AND COMPLIANCE**



**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, 2014, 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 December 5, 2014.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The 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*.

## **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.

*Mayer Neffman McCann P.C.*

Tampa, Florida  
December 5, 2014



**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, 2014. 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, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and Chapter 10.650 and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002. Our opinion on each major federal program and state project is not modified with respect to these matters.

The Children's Home's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

### **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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002, that we consider to be significant deficiencies.

The Children's Home's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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.

*Mayer Hoffman McCann P.C.*

Tampa, Florida  
December 5, 2014

# THE CHILDREN'S HOME

## Schedule of Findings and Questioned Costs

Year ended June 30, 2014

(Page 1 of 3)

### (A) Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the combined financial statements of The Children's Home.
2. No significant deficiencies were disclosed relating to the audit of the combined financial statements and 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. Two 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 a major federal program and state project were:

#### **Federal Programs:**

Family Connection Grants (CFDA No. 93.605)

#### **State Projects:**

Out-of-Home Supports (CSFA No. 60.074)

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, 2014

(Page 2 of 3)

**(B) Findings - Audit of Financial Statements**

None

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

None

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

**Item 2014-001**            Out-of-Home Supports – CSFA No. 60.074  
Grant No. ECAH-FCO-CHI-FY15  
Grant period: Year ended June 30, 2014

*Significant Deficiency:* Documentation of weekly contacts and bi-weekly face-to-face meetings is not consistently maintained for transitional foster care children.

*Condition:* Children in transitional foster care are required to be contacted at least once each week and must be visited in the foster care home at least once every two weeks.

*Criteria:* Internal controls should be in place to provide reasonable assurance that the Organization satisfies the minimum contacts and in-home site visits as specified in the grant award. Documentation of each contact should be maintained in the case notes.

*Cause:* Documentation of weekly contacts and in-home site visits included in case progress notes was inconsistent primarily due to employee turnover in the program.

*Effect:* The Organization cannot provide adequate documentation that minimum contact and face-to-face visits have occurred.

*Context:* From a sample of twelve children in foster care, documentation of weekly contact and bi-weekly face-to-face meetings was missing or incomplete for six children.

*Auditor's Recommendation:* The Organization should maintain a master log of all transitional foster care children detailing required minimum contacts and face-to-face meetings. The master log should be updated daily and reviewed weekly to ensure minimum contacts have been made.

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

# THE CHILDREN'S HOME

## Schedule of Findings and Questioned Costs

Year ended June 30, 2014

(Page 3 of 3)

**Item 2014-002** Out-of-Home Supports – CSFA No. 60.074  
Grant No. ECAH-RJC-CHI-FY15  
Grant period: Year ended June 30, 2014

*Significant Deficiency:* Case treatment plans are not being completed within 30 days of admission into the residential treatment program or updated every six months on a consistent basis.

*Condition:* Case treatment plans are required to be completed within 30 days of admission and updated every six months.

*Criteria:* Internal controls should be in place to provide reasonable assurance that the Organization completes the initial case treatment plan within 30 days of admission and updates treatment plans every six months.

*Cause:* The completion of initial case treatment plans and updated case treatment plans was delayed due to employee turnover of clinical therapists.

*Effect:* Delays in completing and updating case treatment plans may negatively impact treatment outcomes of children in the program.

*Context:* From a sample of twenty-three children in the residential program, three initial case treatment plans were not completed within 30 days and three existing case treatment plans were not updated within six months.

*Auditor's Recommendation:* The Organization should train new staff on the required deadlines for completing and updating case treatment plans.

*Views of Responsible Officials and Planned Corrective Actions:* The Children's Home agrees with the finding and has initiated training for all program staff.

(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.



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, 2014, and have issued our report thereon dated December 5, 2014.

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 December 5, 2014, 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 identified the following matter that is required to be disclosed.

#### **Accounting for Investment Activities**

We noted that the Organization accounted for investment activities in the last quarter of the fiscal year. We recommend that the Organization account for investment activity on a monthly basis to ensure interim financial statements properly reflect investment activities in the proper interim reporting period.

Our management letter is intended solely for the information and use of the Legislative Audit 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.

*Mayer Hoffman McCann P.C.*

Tampa, Florida  
December 5, 2014

# THE CHILDREN'S HOME

Corrective Action Plan

Year ended June 30, 2014

Cognizant or Oversight Agency for Audit

Florida Department of Children and Families

The Children's Home respectfully submits the following corrective action plan for the year ended June 30, 2014.

Name and address of independent public accounting firm:

Mayer Hoffman McCann P.C.  
1530 W. Cleveland Street  
Tampa, FL 33606

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2014 are discussed below. The finding is numbered consistently with the number assigned in the schedule.

## FINDINGS – MAJOR STATE PROJECTS

### DEPARTMENT OF CHILDREN AND FAMILIES

#### **2014-001** Out-of-Home Supports – CSFA No. 60.074

*Auditor's Recommendation:* The Organization should maintain a master log of all transitional foster care children detailing required minimum contacts and face-to-face meetings. The master log should be updated daily and reviewed weekly to ensure minimum contacts have been made.

*Action Taken:* We concur with the recommendation and we implemented procedures effective October 1, 2014.

#### **2014-002** Out-of-Home Supports – CSFA No. 60.074

*Auditor's Recommendation:* The Organization should train new staff on the required deadlines for completing and updating case treatment plans.

*Action Taken:* The Children's Home agrees with the finding and has initiated training for all program staff.

If the Department of Children and Families has questions regarding this plan, please call Mary Lu Kiley, CFO, at (813) 864-1510.