

TWIN OAKS JUVENILE DEVELOPMENT, INC.

FINANCIAL STATEMENTS

JUNE 30, 2014

TWIN OAKS JUVENILE DEVELOPMENT, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Twin Oaks Juvenile Development, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Twin Oaks Juvenile Development, Inc., (the "Organization") which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the State of Florida, Office 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, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

James Moore & Co., P.L.C.

Tallahassee, Florida
December 19, 2014

TWIN OAKS JUVENILE DEVELOPMENT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Current assets	
Cash and cash equivalents	\$ 587,142
Restricted cash and cash equivalents	638,666
Grants and contracts receivable	1,746,177
Accounts receivable	75,698
Prepaid expenses	73,735
Total current assets	<u>3,121,418</u>
Non current assets	
Restricted cash and cash equivalents	1,158,211
Property and equipment, net	17,048,375
Total Assets	<u><u>\$ 21,328,004</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued liabilities	\$ 1,435,188
Accrued salaries	809,926
Accrued leave	158,394
Accrued interest	417,772
Current portion of capital leases payable	152,833
Bonds payable	18,120,000
Current portion of notes payables	142,344
Total current liabilities	<u>21,236,457</u>
Long-term liabilities	
Notes payable, less current portion	356,630
Capital leases payable, less current portion	244,954
Total long-term liabilities	<u>601,584</u>
Net assets (deficit)	
Unrestricted	(510,037)
Total Liabilities and Net Assets (Deficit)	<u><u>\$ 21,328,004</u></u>

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

TWIN OAKS JUVENILE DEVELOPMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Unrestricted	
Support and revenue	
Grants and contracts	\$ 17,669,602
Education	1,399,035
Medicaid	229,979
Other	65,649
Total support and revenue	<u>19,364,265</u>
Expenses	
Program services	18,731,823
Administrative	1,613,497
Total expenses	<u>20,345,320</u>
Decrease in net assets before extraordinary item	<u>(981,055)</u>
Extraordinary item (note 13)	1,952,911
Increase in net assets	<u>971,856</u>
Net assets (deficit), beginning of year	(1,481,893)
Net assets (deficit), end of year	<u><u>\$ (510,037)</u></u>

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

TWIN OAKS JUVENILE DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Boys & Girls Club	LWCC/JUST DJJ Residential	DOVE DJJ Residential	TOVA DJJ Residential	RAMC DJJ Residential	Project Connect DJJ Residential
Program Costs						
Academic Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233
Contractual Services	-	3,088	3,307	3,716	9,735	-
Equipment	1,208	707	4,153	7,135	14,326	21,380
Facility Supplies	7,065	15,179	15,717	2,799	6,654	283
Insurance	6,383	63,031	38,436	15,996	52,698	53,665
Interest	-	133,212	-	-	-	177,003
Depreciation and amortization	4,754	43,121	119,446	190,687	101,643	59,886
Bond Interest	-	190,517	22,278	19,016	39,041	-
Office/Postage	4,618	13,260	18,061	3,344	11,191	29,094
Professional Fees	26,913	135,461	106,140	44,937	136,304	51,455
Rent	-	-	-	-	-	5,600
Repairs & Maintenance	2,463	43,612	56,852	11,093	54,434	3,913
Salaries	372,728	1,631,729	1,234,921	844,838	1,808,584	1,087,869
Student Clothing, Dorm, Food	2,374	127,700	101,956	45,967	113,543	-
Telephone & Utilities	4,518	87,808	104,147	60,706	186,361	19,634
Training	-	1,817	1,779	630	1,533	273
Travel	6,582	2,760	1,713	980	2,140	42,060
Transportation	23,238	79,206	35,722	15,831	55,034	70,971
Vocational Supplies	-	1,498	1,207	477	501	2,250
Total Operating Expenses	462,844	2,573,706	1,865,835	1,268,152	2,593,722	1,625,569
Administrative Cost Allocation	43,045	226,337	173,519	117,938	229,993	134,717
Total Expenses	\$ 505,889	\$ 2,800,043	\$ 2,039,354	\$ 1,386,090	\$ 2,823,715	\$ 1,760,286

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

TWIN OAKS JUVENILE DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)

	LCSB	JCSB	MCSB	AFYC DCF Residential	TOFOS DCF Outpatient	DOT	Connections
Program Costs							
Academic Supplies	\$ 8,131	\$ 8,222	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual Services	89	-	1,029	2,699	246	-	-
Equipment	-	-	2,540	60,000	-	-	-
Facility Supplies	1,049	238	752	25,360	-	60	77
Insurance	12,474	-	4,402	78,624	46,223	38,722	1,858
Interest	-	-	-	225,241	-	-	-
Depreciation and amortization	-	-	-	82,350	2,142	122	-
Bond Interest	-	-	-	376,614	26,319	-	-
Office/Postage	2,316	294	1,344	25,878	26,049	-	393
Professional Fees	22,477	-	3,301	246,162	839,897	10,262	22,262
Rent	-	-	-	-	20,740	-	-
Repairs & Maintenance	4,733	2,704	1,033	31,956	4,859	1,511	441
Salaries	612,447	15,117	301,582	2,584,634	676,907	221,734	100,804
Student Clothing, Dorm, Food	9,982	-	-	184,856	-	146,010	-
Telephone & Utilities	3,756	-	2,307	81,434	52,546	3,617	1,062
Training	19	-	188	366	30	-	-
Travel	74	14	150	2,774	86,221	-	413
Transportation	714	55	2,641	57,293	44,561	43,471	7,530
Vocational Supplies	11,897	200	231	292	-	56,073	-
Total Operating Expenses	690,158	26,844	321,500	4,066,533	1,826,740	521,582	134,840
Administrative Cost Allocation	64,185	2,497	29,900	353,051	158,028	48,507	-
Total Expenses	\$ 754,343	\$ 29,341	\$ 351,400	\$ 4,419,584	\$ 1,984,768	\$ 570,089	\$ 134,840

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

TWIN OAKS JUVENILE DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)

	21st Century Liberty	Transition House	DOVE BHOS	TOVA BHOS	TOCS	Total
Program Costs						
Academic Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,586
Contractual Services	-	360	-	12	-	24,281
Equipment	-	360	-	120	-	111,929
Facility Supplies	47	1,077	-	3	96	76,456
Insurance	5,060	5,683	-	-	-	423,255
Interest	-	-	-	-	-	535,456
Depreciation and amortization	1,702	-	-	-	-	605,853
Bond Interest	-	-	-	-	-	673,785
Office/Postage	806	657	-	122	741	138,168
Professional Fees	34,344	2,632	-	-	1,000	1,683,547
Rent	-	7,200	-	-	-	33,540
Repairs & Maintenance	30	5,738	-	127	1,856	227,355
Salaries	363,653	158,287	20,452	43,518	56,785	12,136,589
Student Clothing, Dorm, Food	-	8,126	-	-	-	740,514
Telephone & Utilities	3,872	8,649	-	8	340	620,765
Training	-	-	-	-	1,540	8,175
Travel	2,612	24	-	-	561	149,078
Transportation	-	15,593	-	5	-	451,865
Vocational Supplies	-	-	-	-	-	74,626
Total Operating Expenses	412,126	214,386	20,452	43,915	62,919	18,731,823
Administrative Cost Allocation	-	19,938	1,906	4,084	5,852	1,613,497
Total Expenses	\$ 412,126	\$ 234,324	\$ 22,358	\$ 47,999	\$ 68,771	\$ 20,345,320

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

**TWIN OAKS JUVENILE DEVELOPMENT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities	
Cash received from grantors, contractors and contributors	\$ 21,106,696
Cash paid to employees, vendors and subcontractors	(19,921,807)
Interest paid	(1,231,953)
Interest received	4,656
Net cash used in operating activities	(42,408)
Cash flows from investing activities	
Purchases of property and equipment	(15,721)
Cash flows from financing activities	
Payments on long-term debt	(1,305,589)
Payments on capital leases	(170,002)
Payments on line-of-credit	(800,000)
Proceeds from long term debt	1,819,699
Net cash used in financing activities	(455,892)
Net decrease in cash and cash equivalents	(514,021)
Cash and cash equivalents, beginning of year	2,898,040
Cash and cash equivalents, end of year	\$ 2,384,019
Reconciliation of increase in net assets to net cash used in operating activities	
Increase in net assets	\$ 971,856
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	650,623
Increase in grants and contracts receivable	(134,782)
Increase in accounts receivable	(75,698)
Decrease in prepaid expenses	48,480
Increase in accounts payable	521,376
Decrease in accrued interest	(204,564)
Forgiveness of long-term debt	(1,819,699)
Total adjustments	(1,014,264)
Net cash used in operating activities	\$ (42,408)
Supplemental Schedule of non cash investing and financing activities	
Forgiveness of interest	\$133,212
Purchase of equipment with relating capital leases	\$326,749

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

TWIN OAKS JUVENILE DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of Twin Oaks Juvenile Development, Inc, (the “Organization”) which affect significant elements of the accompanying statements:

(a) **General**— The Organization is a Florida not-for-profit corporation. The Organization operates various programs to serve youth offenders in a variety of programs in Liberty, Madison and Jackson County. There are programs that provide services to juvenile offenders by providing them with a unique setting with a balanced approach to lead to successful and safe integration of the youth into the family and community as a responsible, productive and accountable citizen. Various services provide education and vocational opportunities. Programs also provide competency restoration services, case management and community liaison services, including treatment and/or retardation training, for the purpose of restoring the juvenile’s competency to proceed.

(b) **Property and Equipment**—Property and equipment are recorded at cost. Major renewals and betterments are capitalized; maintenance and repairs are charged to expense. The Organization’s policy is to capitalize property and equipment with a cost greater than \$500. The cost of assets sold or retired and the related accumulated depreciation is eliminated from the appropriate accounts and resulting gain or loss included in other income. Provision for depreciation is computed using the straight line method over useful lives ranging from 5 to 39 years.

(c) **Income Taxes**—Twin Oaks Juvenile Development, Inc, is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. The Organization files income tax returns in the U.S. Federal jurisdiction. The Organization’s income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The Organization has reviewed and evaluated the relevant technical merits of each of their tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements.

(d) **Cash and Cash Equivalents**—Cash and cash equivalents include cash on hand, cash deposits with banks, money market funds, and certificates of deposit with original maturities of 90 days or less attributable to the Organization’s operating funds. Current restricted cash consists of debt service sinking funds which are utilized for the payment of debt. Noncurrent restricted cash and cash equivalents consist of reserve and other additional funds required according to the Organization’s bond issues.

TWIN OAKS JUVENILE DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Use of Estimates**—The process in preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(f) **Basis of Accounting**—The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(g) **Basis of Presentation**—The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(h) **Functional Allocation of Expenses**—The cost of providing the various services and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

(i) **Contributions**—All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed assets must be used, the Organization has adopted a policy of not implying a time restriction on contributions of such assets that expires. Therefore, all contributions of property and equipment, and of the assets contributed to acquire property and equipment, are recorded as unrestricted support or contributions.

Donated services are recognized as contributions in accordance with accounting principles generally accepted in the United States of America, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under accounting principles generally accepted in the United States of America were not met. It is impracticable to determine the fair market value of all donated services by volunteers of the Organization beyond those required to be recognized as income.

TWIN OAKS JUVENILE DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Accrued Leave**—The Organization compensates its employees for unused accrued paid time off upon termination of employment. The amount of the change in accrued leave for all employees from one year to the next is reported as an expense during the current year.

(k) **Advertising Costs**—Advertising costs are charged to operations as incurred.

(l) **Grants, Contracts and Accounts Receivable**—Accounts receivable represent amounts due from contracts with Department of Juvenile Justice (DJJ), Department of Children & Families (DCF), Department of Transportation (DOT), Jackson County School Board (JCSB), Medicaid and the National School Lunch Program (NSLP) and the Boys and Girls Club of America. Allowance for doubtful accounts are based on management’s judgment, including historical data and the age, nature and source of each receivable. All account receivables are 100% collectible as of June 30, 2014; therefore, no allowance for doubtful accounts has been recorded.

(m) **Revenue Recognition**—Grant revenue is recognized as expenses are incurred for cost reimbursement and as services are provided for fee-for-services and purchase of service contracts. Amounts earned but not received are reported as accounts receivable.

(2) **Significant Funding Sources:**

The Organization receives a substantial amount of its funding from the State of Florida, Department of Children and Families and the State of Florida, Department of Juvenile Justice. A significant reduction in the level of this funding, if it were to occur, could have an adverse effect on the Organization’s programs and activities.

(3) **Concentrations of Credit Risk:**

The more significant concentrations of credit risk are as follows:

(a) **Demand Deposits**—The Organization maintains cash deposits with several financial institutions. The Organization has no policy requiring collateral or other security to support its deposits, although all demand deposits with the financial institutions are Federally insured up to FDIC limits.

(b) **Grants, Contracts and Accounts Receivable**—The Organization’s receivables are for amounts due under contracts with local, state, and Federal government agencies. The Organization has no policy requiring collateral or other security to support its receivables.

TWIN OAKS JUVENILE DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(4) **Property and Equipment:**

The following is a summary of property and equipment at June 30, 2014:

Land	\$	4,386,045
Buildings		15,398,678
Furniture and Equipment		514,270
Computer Equipment		1,271,340
Leasehold Improvements		47,830
		21,618,163
Less: Accumulated depreciation and amortization		4,569,788
Total		\$ 17,048,375

Depreciation and amortization expense for the year ending June 30, 2014 was \$605,853.

(5) **Long Term Debt:**

6% bond payable to financial institution, payments of \$115,000 monthly, not including principal, through June 2015. The loan is collateralized by land and buildings.	\$	12,765,000
8.25% bond payable to financial institution, principal and interest payments beginning in July 2015. The loan is collateralized by land and buildings.		5,355,000
6% note payable to financial institution, \$1,313 principal and interest paid monthly. The loan is collateralized by land.		123,187
8% note payable to financial institution, payable \$1,372 principal and interest payments paid monthly. The loan is collateralized by land.		1,372
5% note payable to company, \$14,793 principal and interest paid monthly. The loan is uncollateralized.		242,037
8% note payable to financial institution, \$2,421 principal and interest paid monthly. The loan is collateralized by vehicles.		44,656

TWIN OAKS JUVENILE DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(5) **Long Term Debt:** (Continued)

5% note payable to company, \$7,510 principal and interest paid monthly. The loan is ucollateralized. 87,722

	18,618,974
Less: current portion of notes payables	18,262,344
Notes payables, less current portion	\$ 356,630

The Twin Oaks Juvenile Development, Inc. (Organization and Borrower) entered into a forbearance agreement with the Bank of New York Mellon Trust Company, National Association (Trustee) pursuant to the Madison County, Florida First Mortgage Revenue Bonds, Series 2005 and the Liberty County, Florida Subordinate Revenue Bonds, Series 2008. The forbearance agreement states the Trustee forbear its rights, powers, privileges and remedies under the 2005 Loan Documents as set forth in the 2005 Loan Agreement, the Mortgage, the 2005 Indenture, the Series 2005A Bonds or any related agreement (collectively, the "Loan Documents").

The Organization was unable to remain in compliance with the forbearance agreement. The creditors have not waived the financial covenant requirements. A total of \$18,200,000 long-term debt is subject to accelerated maturity and, as such, the creditors may, at their option, give notice to the Organization that amounts owed are immediately due and payable. As a result, the full amount of the related long-term debt has been classified as a current liability in the accompanying Statement of Net Assets at June 30, 2014. Regardless of the non-compliance with financial covenants, the Organization has made every scheduled payment required by the forbearance agreement.

Principal maturities of long-term debt for each of the next five years and in the aggregate are:

Year Ending June 30,	Amount
2015	\$ 18,262,344
2016	85,813
2017	90,298
2018	95,023
2019	10,919
Thereafter	74,577
	\$ 18,618,974

(a) **Medicaid:**

The Organization bills Medicaid at Medicaid established rates for eligible services performed. Services rendered are reimbursed by Medicaid subject to specific documentation requirements. Compliance audits are conducted periodically by the Medicaid fiscal intermediaries, as well as the Organization's corporate compliance program, which can result in the recoupment of fees paid to the Organization.

TWIN OAKS JUVENILE DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(7) **Operating Leases:**

The Organization leases equipment under operating leases expiring in various years through 2016. Minimum future rental payments under the non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2014, for each of the next five years and in the aggregate are:

<u>Year Ended June 30,</u>	<u>Amount</u>
2015	\$ 437,436
2016	10,500
2017	-
2018	-
2019	-
	<u>\$ 447,936</u>

(8) **Extraordinary Items:**

In June 2014 a Corporation owned by the CFO's wife and CEO of the Organization forgave the interest and principal on two notes payable totaling \$1,952,911.

(9) **Subsequent Events:**

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 19, 2014, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

TWIN OAKS JUVENILE DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(10) **Capital Leases:**

The Organization has entered into several lease agreements as a lessee for financing equipment. The lease agreements qualifies as capital leases for accounting purposes and, therefore has been recorded at the present value of its future minimum lease payments as of its inception date. Leased equipment under the capital lease obligation of \$397,787 is included in property and equipment at June 30, 2014. Accumulated depreciation related to the equipment is \$183,660 at June 30, 2014. Depreciation expense related to the equipment and included in the Statement of Activities for the year ended June 30, 2014 was \$110,531. The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2014 were as follows:

Year Ended June 30,	Amount
2015	\$ 187,013
2016	187,013
2017	74,907
2018	-
2019	-
	448,933
Less interest	51,146
Present value of net minimum lease payments	\$ 97,787

(11) **Contingencies:**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

The Organization has fully and unconditionally guaranteed the debt for Liberty Wilderness Crossroads Camp, Inc. for \$348,174 for the purchase of vehicles.

TWIN OAKS JUVENILE DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(12) **Related Parties:**

Both Liberty Wilderness Crossroads Camp, Inc. and Liberty Wilderness Land & Development, Inc. are related parties, due to common board members, to Twin Oaks Juvenile Development, Inc. Payables accrued to those entities are in the normal course of business. The amount owed is comprised of \$329,759 for notes payables, of which there are formal notes including interest at 5% and \$162,087 included in accounts payable.

The Organization leases vehicles from Liberty Wilderness Crossroads Camp, Inc. which is controlled by the Organization's officers. The \$416,436 vehicle lease expense is accounted for as operating leases.

(13) **401(K) Profit Sharing Retirement Plan:**

(a) **General**—The Plan is a defined contribution prototype plan and trust covering substantially all employees of the Organization. The Organization sponsors a single-employer plan. Participants who have attained the age of 21 and have completed at least six months of service are eligible for salary deferral contributions. The Plan is subject to the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

(b) **Contributions**—Each year, participants may contribute up to 90% of pretax and post-tax annual compensation including bonuses, as defined by the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants who have attained the age of 50 before the end of the plan year are eligible to make catch-up contributions. The Organization may contribute matching contributions to the Plan. For the year ended December 31, 2013, the Organization elected to make matching contributions of the participant's elective deferral contributions to the Plan. The matching contribution equals 25% on the first 6% of the Participant's compensation. Participants direct the investment of their contributions and the Organization's contribution into various investment options offered by the Plan. Contributions are subject to certain limitations.

(c) **Vesting**—Participants are vested immediately in their contributions plus actual earnings thereon. Participants are vested in the Organization's matching portion of their accounts based on years of service. A participant is fully vested after two years of credited service. Participants become immediately 100% vested in the Organization's contribution portion of their accounts upon death or disability. Retirement expense for the year ended June 30, 2014 was \$20,795

TWIN OAKS JUVENILE DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/ State Grantor/Program Title	Federal CFDA Number	State CSFA Number	Contract Number	Current Year Expenditures
<u>FEDERAL AWARDS</u>				
U.S. Department of Justice				
Passed through the Boys and Girls Club Juvenile Mentoring Program	16.726	-	N/A	<u>\$ 26,292</u>
U.S. Department of Education				
Passed through the Florida Department of Education and Boys and Girls Club Twenty-First Century Community Learning Centers	84.287	-	403-244A-OPCC1	43,570
Twenty-First Century Community Learning Centers	84.287	-	403-2444A-4PCC2	354,859
Twenty-First Century Community Learning Centers	84.287	-	400-2444A-4CCC1	130,821
				<u>529,250</u>
U.S. Department of Agriculture				
Passed through the Florida Department of Education National School Lunch Program	10.555	-	01-0356	265,024
Total Federal Assistance				<u>820,566</u>

The accompanying note to Schedule of Expenditures of Federal Awards and State Financial Assistance is an integral part of this Schedule

TWIN OAKS JUVENILE DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

(Continued)

Federal Grantor/Pass Through Grantor/ State Grantor/Program Title	Federal CFDA Number	State CSFA Number	Contract Number	Current Year Expenditures
<u>STATE FINANCIAL ASSISTANCE</u>				
State of Florida, Department of Children and Families				
Children's Mental Health Juvenile Restoration	-	60.049	LH233	2,009,306
Children's Mental Health Juvenile Restoration	-	60.049	LH234	4,433,517
				<u>6,442,823</u>
State of Florida, Department of Juvenile Justice				
Delinquency Non-Secure Residential Services	-	80.016	R2105	256,615
Delinquency Non-Secure Residential Services	-	80.016	R2105	2,527,241
Delinquency Non-Secure Residential Services	-	80.016	R2108	2,600,117
				<u>5,383,973</u>
Vocational Training Services	-	80.013	R2113	1,491,381
Passed through Florida Alliance of Boys and Girls Club				
Delinquency Prevention	-	80.029	V2039	86,770
Delinquency Prevention	-	80.029	V2039	29,602
Delinquency Prevention	-	80.029	V2039	18,146
				<u>134,518</u>
State of Florida, Department of Education				
Passed through Florida Alliance of Boys and Girls Club				
Mentoring/Student Assistance Initiative	-	48.068	37P-96449-48001	137,888
Total State Financial Assistance				<u>13,590,583</u>
Total Federal Awards and State Financial Assistance				<u>\$ 14,411,149</u>

The accompanying note to Schedule of Expenditures of Federal Awards and State Financial Assistance is an integral part of this Schedule

TWIN OAKS JUVENILE DEVELOPMENT, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the Federal and State award activity of Twin Oaks Juvenile Development, Inc. and is presented on the accrual basis of accounting. The information in this 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, Office of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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

To the Board of Directors,
Twin Oaks Juvenile Development, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Twin Oaks Juvenile Development, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Twin Oaks Juvenile Development, Inc.'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 Twin Oaks Juvenile Development, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Twin Oaks Juvenile Development, Inc.'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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

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

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.

James Moore & Co., P.L.C.

Tallahassee, Florida
December 19, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650 RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL

To the Board of Directors,
Twin Oaks Juvenile Development, Inc.:

Report on Compliance for Each Major Federal Program and State Project

We have audited Twin Oaks Juvenile Development, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the *State of Florida State Projects Compliance Supplement*, that could have a direct and material effect on each of Twin Oaks Juvenile Development, Inc.'s major Federal programs and major State projects for the year ended June 30, 2014. Twin Oaks Juvenile Development, Inc.'s major Federal programs and 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 Federal programs and State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Twin Oaks Juvenile Development, Inc.'s major Federal programs and 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 General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the State of Florida, Office of the 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 major State project occurred. An audit includes examining, on a test basis, evidence about Twin Oaks Juvenile Development, Inc.'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 major State project. However, our audit does not provide a legal determination of Twin Oaks Juvenile Development, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Twin Oaks Juvenile Development, Inc. 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 major State projects for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Twin Oaks Juvenile Development, Inc. 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 Twin Oaks Juvenile Development, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program and 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 Federal program and major State project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General, 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 Twin Oaks Juvenile Development, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, Rules of State of Florida, Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

James Moore & Co., P.L.

Tallahassee, Florida
December 19, 2014

**TWIN OAKS JUVENILE DEVELOPMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. Summary of Auditors' Results:

Financial Statements

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Types of auditor's report issued on compliance for major Federal programs: *Unmodified*

Any audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major Federal programs:

Federal Program	Federal CFDA Number
Twenty-First Century Community Learning Centers	84.287
Dollar threshold used to distinguish between Type A and Type B Federal programs:	\$ 300,000
Auditee qualified as low risk auditee? _____ yes <u> X </u> no	

