

**BIG BEND COMMUNITY BASED CARE, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**BIG BEND COMMUNITY BASED CARE, INC.**  
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**JAMES MOORE & CO., P.L.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors,  
Big Bend Community Based Care, Inc.:

We have audited the accompanying consolidated statement of financial position of Big Bend Community Based Care, Inc. as of June 30, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Big Bend Community Based Care, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of Big Bend Community Based Care, Inc.'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 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenses of Federal awards and state financial assistance on pages 14 – 17 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Section 215.97, Florida Statutes, Florida Single Audit Act, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

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

Tallahassee, Florida  
December 5, 2011

**BIG BEND COMMUNITY BASED CARE, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**

**ASSETS**

<b>Current assets</b>	
Cash and cash equivalents	\$ 3,269,724
Accounts receivable	8,983
Prepaid expenses and other assets	279,862
Total current assets	<u>3,558,569</u>
<b>Property and equipment</b> , net of accumulated depreciation	5,839,673
<b>Restricted cash and cash equivalents - client trust funds</b>	136,658
<b>Other non-current assets</b>	46,084
<b>Total Assets</b>	<u><u>\$ 9,580,984</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>	
Accounts payable and accrued expenses	\$ 2,041,412
Deferred revenue	1,529,931
Due to grantor	39,619
Current portion of long-term debt	247,629
Total current liabilities	<u>3,858,591</u>
<b>Client trust funds</b>	136,658
<b>Long-term debt</b> , less current portion	5,381,309
<b>Net assets</b> , unrestricted	204,426
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 9,580,984</u></u>

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

**BIG BEND COMMUNITY BASED CARE, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

**Unrestricted**

**Support and revenues**

Grants and contracts	\$ 31,843,663
Program service fees	111,587
Other	539,217
Total support and revenues	<u>32,494,467</u>

**Expenses**

<b>Program services</b>	30,122,077
<b>Depreciation and other facility costs</b>	421,809
<b>Administrative services</b>	<u>1,940,330</u>
Total expenses	<u>32,484,216</u>

<b>Increase in net assets</b>	<u>10,251</u>
<b>Net assets, beginning of year</b>	194,175
<b>Net assets, end of year</b>	<u><u>\$ 204,426</u></u>

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

**BIG BEND COMMUNITY BASED CARE, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Program Services</u>		
	<u>Child Services</u>	<u>Administrative Services</u>	<u>Total</u>
Personnel	\$ 2,072,069	\$ 1,351,056	\$ 3,423,125
Supplies and printing	21,151	26,439	47,590
Communication and utilities	14,513	6,689	21,202
Travel	44,844	30,728	75,572
Direct program expenses	26,109,607	-	26,109,607
Occupancy	1,674,747	179,309	1,854,056
Other	-	7,167	7,167
Professional fees	31,489	253,608	285,097
Other staff related costs	3,026	8,336	11,362
Expendable equipment, furniture and maintenance	94,978	26,372	121,350
Postage and shipping	118	1,622	1,740
Dues, memberships and subscriptions	7,625	26,450	34,075
Conferences and meetings	47,910	22,554	70,464
	<u>30,122,077</u>	<u>1,940,330</u>	<u>32,062,407</u>
<b>Allocation of administrative services</b>	1,940,330	(1,940,330)	-
<b>Total expenses before depreciation and other facility costs</b>	<u>32,062,407</u>	<u>\$ -</u>	<u>\$ 32,062,407</u>
<b>Depreciation and other facility costs</b>	421,809		
<b>Total expenses</b>	<u>\$ 32,484,216</u>		

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

**BIG BEND COMMUNITY BASED CARE, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash flows from operating activities</b>	
Cash received from grantors and others	\$ 32,228,929
Cash paid to employees, vendors and sub-recipients	(31,897,369)
Interest paid	(409,249)
Interest received	3,323
Other receipts	535,894
Net cash provided by operating activities	<u>461,528</u>
<b>Cash flows from investing activities</b>	
Purchases of property and equipment	(111,751)
<b>Cash flows from financing activities</b>	
Payments of principal on long-term debt	(230,375)
<b>Net increase in cash and cash equivalents</b>	<u>119,402</u>
<b>Cash and cash equivalents, beginning of year</b>	3,286,980
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 3,406,382</u></u>
<b>Reconciliation of increase in net assets to net cash provided by operating activities</b>	
Increase in net assets	<u>\$ 10,251</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	176,633
Decrease in accounts receivable	16,689
Increase in deferred revenue	256,990
Increase in client trust fund liability	10,375
Increase in accounts payable and accrued expenses	149,695
Increase in prepaid expenses and other assets	(147,031)
Decrease in due to grantor	(12,074)
Total adjustments	<u>451,277</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 461,528</u></u>

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

**BIG BEND COMMUNITY BASED CARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

The following is a summary of the more significant accounting policies and practices of Big Bend Community Based Care, Inc. (the "Organization"), which affect significant elements of the accompanying consolidated financial statements:

(a) **Organization and Purpose**—The Organization is a Florida not-for-profit charitable corporation headquartered in Tallahassee, Florida. The primary purpose of the Organization is developing community based services and support for children and families served by the child protection and foster care system.

(b) **Principles of Consolidation**—During fiscal year 2008, the Organization formed Independence Village, LLC. The organizations share common management. The consolidated financial statements include the amounts from Big Bend Community Based Care, Inc. and Independence Village, LLC. Independence Village, LLC is consolidated since Big Bend Community Based Care, Inc. has both an economic interest in and control of Independence Village, LLC through a majority voting interest in its governing board. All significant inter-company transactions and accounts are eliminated.

(c) **Property and Equipment**—Property and equipment acquired by the Organization is considered to be owned by the Organization. However, funding sources may maintain an equitable interest in the items purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year. The Federal Government has a reversionary interest in those assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year.

Property and equipment with a value greater than \$1,000 and an estimated useful life of at least one year is recorded at cost when purchased or at estimated fair market value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to thirty-nine years.

(d) **Income Taxes**—The Organization is generally exempt from income taxes under Section 501(c)(3). The Organization's wholly owned subsidiary, Independence Village, LLC, is not a taxpaying entity for Federal income tax purposes. Therefore, no provision for income taxes has been made in the accompanying consolidated 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 consolidated financial statements.

(e) **Cash and Cash Equivalents**—For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts in demand deposits and short-term investments with an original maturity of ninety days or less.

**BIG BEND COMMUNITY BASED CARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

(f) **Use of Estimates**—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(g) **Basis of Accounting**—The consolidated financial statements of Big Bend Community Based Care, Inc. have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

(h) **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*—Net assets that are not subject to donor-imposed restrictions.

*Temporarily restricted net assets*—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

*Permanently restricted net assets*—Net assets subject to donor-imposed stipulations that will not be met by either actions of the Organization or the passage of time.

The Organization has no permanently or temporarily restricted net assets at June 30, 2011, and all support and revenue is considered unrestricted for the year then ended.

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

(j) **Accounts Receivable and Grant and Contract Receivables**—Accounts receivable and grant and contract receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with parties having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

(k) **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 entity reports the support as unrestricted.

**BIG BEND COMMUNITY BASED CARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

(k) **Contributions**—(Continued)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributed property and equipment is recorded at fair value at the date of donation.

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

(m) **Accrued Leave**—The Organization compensates its employees for unused vacation leave 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.

(n) **Revenue Recognition**—The Organization receives all of its grant and contract revenue from Federal, State and local agencies. The Organization recognizes contract revenue (up to the contract ceiling) from its contracts over a period which represents the service period for certain contracts, or to the extent of expenses. Revenue recognition depends on the contract.

Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance with the terms of the grant/contracts.

(2) **Significant Funding Source:**

The Organization receives approximately 46% of its funding from the U.S. Department of Health and Human Services that is passed through the State of Florida and the Department of Children and Families and approximately 52% of its funding directly from the Department of Children and Families. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the Organization's programs and activities.

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

(a) **Demand Deposits**—The Organization has demand deposits with two regional banks amounting to \$3,883,611 at June 30, 2011. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Organization's deposits may not be returned. The Organization has a deposit policy for custodial credit risk and all demand deposits with banks are insured for amounts in excess of Federal Deposit Insurance Corporation limits.

(b) **Grant and Contract Receivables**—The Organization's grant and contract receivables are for amounts due under grants and contracts with the State of Florida and Federal government agencies. The Organization has no policy requiring collateral or other security to support its grant and contract receivables.

**BIG BEND COMMUNITY BASED CARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

(c) **Accounts receivable**—The Organization’s accounts receivable are for amounts due under an agreement with a not-for-profit Organization. The Organization has no policy requiring collateral or other security to support its accounts receivable.

(4) **Employee Leasing Company:**

The Organization utilizes the services of an employee leasing service for staffing purposes. The employee leasing service provides employee benefits, including life insurance and 401(k) plan participation. All expenses associated with the services provided by the employee leasing service are shown as personnel expense on the Statement of Functional Expenses.

(5) **Operating Leases:**

The entity leases buildings and equipment under operating leases expiring in various years through 2021. Rent expense for the buildings and equipment for the year ended June 30, 2011 amounted to \$1,404,360. Minimum future rental payments under operating leases having remaining terms in excess of one year for each of the next five years and in the aggregate are:

<u>Year</u>	<u>Amount</u>
2012	\$ 1,270,656
2013	1,269,906
2014	1,241,235
2015	897,863
2016	897,863
Thereafter	4,675,855
	<u>\$ 10,253,378</u>

All of these lease agreements are contingent upon receipt of continued funding from the State of Florida, Department of Children and Families.

Total minimum future payments have not been reduced by \$152,339 of sublease rentals.

(6) **Other Assets – Child Welfare Trust:**

In 2009, the limited partners of The Community Based Care Partnership, Ltd. formed the Child Welfare Trust (the “Trust”) which is a risk pool formed to provide assets to meet the obligations of the prepaid mental health program to Medicaid eligible children in the State of Florida. Each partner made an initial contribution to the Trust of \$45,000. The Organization shares in this risk pool based on its respective ownership percentage. The Organization may be required to fund the risk pool on an annual basis based on the medical loss ratio. Quarterly, the general partner makes a determination whether the assets held in the risk pool are sufficient to meet the obligations of the prepaid mental health program in the Organization’s service areas. If funding of the risk pool is required, the Organization may be required to utilize unrestricted. During the year ended June 30, 2011, the Organization was not required to make any additional contributions to the Trust.

**BIG BEND COMMUNITY BASED CARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

(7) **Property and Equipment:**

Property and equipment consists of the following as of June 30, 2011:

Land	\$ 298,635
Building and improvements	5,698,109
Furniture and equipment	327,315
Construction in progress	210,497
	<hr/>
	6,534,556
Less: Accumulated depreciation	694,883
	<hr/>
Net property and equipment	\$ 5,839,673

Depreciation expense for the year ended June 30, 2011 was \$176,633.

(8) **Deferred Compensation Plan:**

The Organization has a non-qualified deferred compensation plan for certain members of management. The Organization made non-elective deferral contribution of \$24,750 for the year ended June 30, 2011. The deferred compensation accounts are shown as both assets and liabilities on the Organization's financial statements and are available to creditors in the event of the Organization's liquidation.

(9) **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 Big Bend Community Based Care, Inc. expects such amounts, if any, to be immaterial.

(10) **Pending Litigation:**

The Organization has been named a defendant in various lawsuits. The cases are being handled by the insurance carrier's respective legal departments, the insurance of which was in effect at the time of the respective claims. The Organization is vigorously defending itself and at this time, the amount of liability, if any, cannot be determined and therefore no provision has been made in the consolidated financial statements.

**BIG BEND COMMUNITY BASED CARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

(11) **Long-term Debt:**

Long-term debt consisted of the following at June 30, 2011:

	<b>Principle Amount</b>
7.0% mortgage payable to bank, payable in 119 monthly installments of \$5,708, including principal and interest, and a one-time balloon payment of \$293,196, maturing March 01, 2018, collateralized by a commercial office building.	\$ 544,652
8.5% second mortgage payable to Company, payable in monthly installments of \$1,183, interest only, all remaining unpaid principal and accrued interest due February 28, 2018, collateralized by a commercial office building.	167,800
7.0% mortgage payable to bank, payable in 119 monthly installments of \$21,095, including principal and interest, and a one-time balloon payment of \$1,830,252, maturing February 08, 2018, collateralized by a commercial office building.	2,468,348
8.5% second mortgage payable to Company, payable in monthly installments of \$5,155, interest only, all remaining unpaid principal and accrued interest due February 08, 2018, collateralized by a commercial office building.	727,825
6.0% mortgage payable to bank, payable in 59 monthly installments of \$12,911, including principal and interest and a one-time balloon payment of \$1,175,850 maturing May 14, 2014, collateralized by a commercial office building.	1,393,244
8% second mortgage payable to Company, payable in monthly installments of \$1,610 interest only, all remaining unpaid principal and interest due May 14, 2014, collateralized by a commercial office building.	241,600
7.4% note payable to bank, payable in monthly installments of \$5,627, including principal and interest, maturing October 01, 2012, collateralized by office furniture.	85,469
	5,628,938
Less: Current portion	247,629
Long-term debt, less current portion	\$ 5,381,309

**BIG BEND COMMUNITY BASED CARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

(11) **Long-term Debt:** (Continued)

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

Year ending June 30,	Amount
2012	\$ 247,629
2013	220,481
2014	1,615,635
2015	141,925
2016	152,186
Thereafter	3,251,082
	\$ 5,628,938

(12) **Related Party Transactions and Balances:**

Certain board members of the Organization hold non-managerial positions at not-for-profit agencies that provide services to the Organization. Amounts paid and payable to these service providers for direct program services for the year ended June 30, 2011 were \$1,663,156 and \$159,533, respectively.

(13) **Construction Commitments:**

The Organization's wholly owned subsidiary, Independence Village, LLC, is in the process of constructing an Independent Living apartment complex. The total estimated costs of the apartment complex are expected to exceed \$1,860,000. The construction of the apartment complex is being funded through loans received from a corporation and a bank. As of June 30, 2011, the Organization's wholly owned subsidiary, Independence Village, LLC had incurred costs of approximately \$210,000.

(14) **Subsequent Events:**

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through December 5, 2011, the date which the consolidated financial statements were available to be issued. The following subsequent events have been disclosed:

**Construction Loan Agreement**—The Organization's wholly owned subsidiary, Independence Village, LLC, entered into a construction loan agreement for the purpose of constructing an Independent Living apartment complex, with a corporation on August 3, 2011 in the amount of \$1,691,745. The interest is 1% simple interest per annum and the entire unpaid principal amount of this note is due on August 3, 2026.

**Promissory Note**—The Organization's wholly owned subsidiary, Independence Village, LLC, entered into a loan agreement for the purpose of constructing an Independent Living apartment complex, with a bank on July 15, 2011 for the amount of \$656,871. The interest rate is a variable interest rate based on the 30-day LIBOR and the loan is collateralized by a commercial office property.

**BIG BEND COMMUNITY BASED CARE, INC.**  
**SCHEDULE OF EXPENSES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/ State Grantor/Program Title	Federal CFDA Number	State CSFA Number	Contract Number	Expenses
<b><u>FEDERAL AWARDS</u></b>				
<b>U.S. Department of Health and Human Services</b>				
Passed through State of Florida, Department of Children and Families				
Foster Care _ Title IV-E	93.658	-	BJU01	\$ 2,649,525
ARRA – Foster Care _ Title IV-E	ARRA-93.658	-	BJU01	214,035
Foster Care _ Title IV-E	93.658	-	BJS01	2,910,788
ARRA – Foster Care _ Title IV-E	ARRA-93.658	-	BJS01	291,292
				<u>6,065,640</u>
Adoption Assistance	93.659	-	BJU01	1,473,742
ARRA – Adoption Assistance	ARRA-93.659	-	BJU01	130,359
Adoption Assistance	93.659	-	BJS01	1,865,272
ARRA – Adoption Assistance	ARRA-93.659	-	BJS01	165,317
				<u>3,634,690</u>
Temporary Assistance for Needy Families	93.558	-	BJU01	972,349
Temporary Assistance for Needy Families	93.558	-	BJS01	1,308,397
				<u>2,280,746</u>
Medical Assistance Program	93.778	-	BJU01	24,233
Medical Assistance Program	93.778	-	BJS01	12,644
				<u>36,877</u>
Chafee Foster Care Independence Program	93.674	-	BJU01	131,333
Chafee Foster Care Independence Program	93.674	-	BJS01	90,882
				<u>222,215</u>

See accompanying notes to schedule of expenses of Federal awards and state financial assistance.

**BIG BEND COMMUNITY BASED CARE, INC.**  
**SCHEDULE OF EXPENSES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
(Continued)

<b>Federal Grantor/Pass Through Grantor/ State Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State CSFA Number</b>	<b>Contract Number</b>	<b>Expenses</b>
<b><u>FEDERAL AWARDS</u></b> (Continued)				
<b>U.S. Department of Health and Human Services</b>				
Passed through State of Florida, Department of Children and Families				
Stephanie Tubbs Jones Child Welfare Services Program	93.645	-	BJU01	\$ 153,418
Stephanie Tubbs Jones Child Welfare Services Program	93.645	-	BJS01	<u>208,796</u>
				<u>362,214</u>
Promoting Safe and Stable Families	93.556	-	BJU01	218,684
Promoting Safe and Stable Families	93.556	-	BJS01	<u>328,846</u>
				<u>547,530</u>
Chafee Education and Training Vouchers Program	93.599	-	BJU01	53,022
Chafee Education and Training Vouchers Program	93.599	-	BJS01	<u>34,983</u>
				<u>88,005</u>
Social Services Block Grant	93.667	-	BJU01	862,833
Social Services Block Grant	93.667	-	BJS01	<u>622,330</u>
				<u>1,485,163</u>
Child Abuse and Neglect State Grants	93.669	-	BJU01	30,034
Child Abuse and Neglect State Grants	93.669	-	BJS01	<u>59,968</u>
				<u>90,002</u>

See accompanying notes to schedule of expenses of Federal awards and state financial assistance.

**BIG BEND COMMUNITY BASED CARE, INC.**  
**SCHEDULE OF EXPENSES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
(Continued)

<u>Federal Grantor/Pass Through Grantor/ State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State CSFA Number</u>	<u>Contract Number</u>	<u>Expenses</u>
<b><u>FEDERAL AWARDS</u></b> (Continued)				
<b>U.S. Department of Health and Human Services</b>				
Passed through State of Florida, Department of Children and Families				
Grants to States for Access and Visitation Programs	93.597	-	BJU01	\$ 37,667
Adoption Incentive Payments	93.603	-	BJU01	116,817
Adoption Incentive Payments	93.603	-	BJS01	105,085
				<u>221,902</u>
<b>Total Federal Awards</b>				<u>\$ 15,072,651</u>
<b><u>STATE FINANCIAL ASSISTANCE</u></b>				
<b>State of Florida, Department of Children and Families</b>				
Community Based Care Supports	-	60.094	BJU01	\$ 5,820,659
Community Based Care Supports	-	60.094	BJS01	7,567,064
<b>Total State Financial Assistance</b>				13,387,723
<b>Total Federal Awards and State Financial Assistance</b>				<u>\$ 28,460,374</u>

See accompanying notes to schedule of expenses of Federal awards and state financial assistance.

**BIG BEND COMMUNITY BASED CARE, INC.**  
**NOTES TO SCHEDULE OF EXPENSES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Note 1. Basis of Presentation**

The accompanying schedule of expenses of Federal awards and state financial assistance includes the Federal and state grant and contract activity of Big Bend Community Based Care, Inc. and is presented on the accrual basis of accounting. 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, 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 consolidated financial statements.

**Note 2. Sub-recipients**

Of the expenses presented in the accompanying schedule of expenses of Federal awards and state financial assistance, Big Bend Community Based Care, Inc. provided Federal awards and state financial assistance to sub-recipients as follows:

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>State CSFA Number</b>	<b>Amounts Provided To Sub- recipients</b>
Temporary Assistance for Needy Families	93.558	-	\$ 1,236,813
Promoting Safe and Stable Families	93.556	-	536,790
Social Services Block Grant	93.667	-	714,156
Stephanie Tubbs Jones Child Welfare Services Program	93.645	-	315,667
Foster Care _ Title IV-E	93.658	-	3,038,184
ARRA - Foster Care _ Title IV-E	ARRA-93.658	-	330,291
Adoption Assistance	93.659	-	1,543,020
Chafee Foster Care Independence Program	93.674	-	108,624
Child Abuse and Neglect State Grants	93.669	-	73,074
Community Based Care Supports	-	60.094	7,421,189
Grants to States for Access and Visitation Programs	93.597	-	37,667

**JAMES MOORE & CO., P.L.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors,  
Big Bend Community Based Care, Inc.:

We have audited the consolidated financial statements of Big Bend Community Based Care, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated December 5, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Big Bend Community Based Care, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Bend Community Based Care, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, management, others within the entity, Federal awarding agencies, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Tallahassee, Florida  
December 5, 2011

**JAMES MOORE & CO., P.L.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL  
PROGRAM AND MAJOR STATE PROJECT AND 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,  
Big Bend Community Based Care, Inc.:

**Compliance**

We have audited Big Bend Community Based Care, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the State of Florida, Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on each of Big Bend Community Based Care, Inc.'s major Federal awards programs and major state financial assistance projects for the year ended June 30, 2011. Big Bend Community Based Care, Inc.'s major Federal programs and major state financial assistance projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs and major state projects is the responsibility of Big Bend Community Based Care, Inc.'s management. Our responsibility is to express an opinion on Big Bend Community Based Care, Inc.'s compliance based on our audit.

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 also includes examining, on a test basis, evidence about Big Bend Community Based Care, 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. Our audit does not provide a legal determination of Big Bend Community Based Care, Inc.'s compliance with those requirements.

In our opinion, Big Bend Community Based Care, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs and major state projects for the year ended June 30, 2011.

## Internal Control Over Compliance

Management of Big Bend Community Based Care, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs and state projects. In planning and performing our audit, we considered Big Bend Community Based Care, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major Federal program or major state project to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Big Bend Community Based Care, 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, Federal awarding agencies, state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Tallahassee, Florida  
December 5, 2011

**BIG BEND COMMUNITY BASED CARE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**I. Summary of Auditors' Results:**

*Financial Statements*

Type of auditors' report issued:

*Unqualified*

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

Type of auditors' report issued on compliance for major Federal programs:

*Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

\_\_\_yes      X\_no

Identification of major programs:

<b>Federal Program</b>	<b>Federal CFDA Number</b>
Foster Care _ Title IV-E	93.658
ARRA – Foster Care _ Title IV-E	ARRA – 93.658
Adoption Assistance	93.659
ARRA – Adoption Assistance	ARRA – 93.659
Dollar threshold used to distinguish between type A and type B Federal programs:	\$452,180
Auditee qualified as low-risk auditee?	<u>X</u> _yes      ___no

**BIG BEND COMMUNITY BASED CARE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
(Continued)

**I. Summary of Auditors' Results:** (Continued)

*State Financial Assistance*

Internal control over major projects:

- Material weakness(es) identified? \_\_\_yes      Xno
- Significant deficiency(ies) identified? \_\_\_yes      Xnone reported

Type of auditors' report issued on compliance for major state projects: *Unqualified*

Any audit findings disclosed that are required to be reported related to state financial assistance projects? \_\_\_yes      Xno

Identification of major state projects:

State Project	State CSFA Number
Community Based Care Supports	60.094
Dollar threshold used to distinguish between type A and type B state projects:	\$401,631

**II. Financial Statement Findings:** None.

**III. Federal Award Findings and Questioned Costs:** None.

**IV. State Financial Assistance Findings and Questioned Costs:** None.

**V. Federal Award Summary Schedule of Prior Year Findings:** There were no audit findings for the year ended June 30, 2010.

**VI. State Financial Assistance Summary Schedule of Prior Year Findings:** There were no audit findings for the year ended June 30, 2010.

**JAMES MOORE & CO., P.L.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' MANAGEMENT LETTER IN ACCORDANCE WITH CHAPTER  
10.650, RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL**

To the Board of Directors,  
Big Bend Community Based Care, Inc.:

We have audited the consolidated financial statements of the Big Bend Community Based Care, Inc., as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated December \_\_, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each major Federal program and state project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 5, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the State of Florida, Office 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 consolidated financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential affect on the consolidated financial statements or State project amounts, considering both quantitative and qualitative factors the following may be reported based on professional judgment: (1) Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not identify any such items.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of Directors, and the State of Florida, Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

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

Tallahassee, Florida  
December 5, 2011