

**Financial Statements and
Other Financial Information**

**FLORIDA UNITED METHODIST
CHILDREN'S HOME, INC.**

December 31, 2007

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Financial Statements and Other Financial Information

December 31, 2007

(With Independent Auditors' Report Thereon)

FLORIDA UNITED METHODIST CHILDREN’S HOME, INC.

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TSCHOPP, WHITCOMB & ORR, P.A.

Certified Public Accountants

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Independent Auditors' Report

The Board of Trustees
Florida United Methodist Children's Home, Inc.

We have audited the accompanying statement of financial position of Florida United Methodist Children's Home, Inc. as of December 31, 2007 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Florida United Methodist Children's Home, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Florida United Methodist Children's Home, Inc. 2006 financial statements and, in our report dated February 9, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida United Methodist Children's Home, Inc. at December 31, 2007, 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.

The financial statements include certain December 31, 2006 summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Home's financial statements for the year ended December 31, 2006 from which the summarized information was derived.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2008 on our consideration of the Home's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Governmental Financial Assistance for the year ended December 31, 2007 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 is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Tschopp, Whitcomb & Orr, P.A.

February 19, 2008

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Financial Position

December 31, 2007

(With summarized totals for December 31, 2006)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007	2006
Assets:					
Cash	\$ 1,686,461	-	11,081	1,697,542	2,568,587
Contributions and other receivables	2,317,831	45,308	219,467	2,582,606	1,123,374
Other assets	37,603	-	2,105	39,708	83,790
Interfund receivables (payables)	27,569	(27,769)	200	-	-
Land, buildings and equipment (note 2)	11,945,331	-	-	11,945,331	9,766,820
Investments (note 3)	8,723,992	3,036,655	18,733,292	30,493,939	27,678,100
Total assets	<u>\$ 24,738,787</u>	<u>3,054,194</u>	<u>18,966,145</u>	<u>46,759,126</u>	<u>41,220,671</u>
Liabilities:					
Accounts payable	\$ 965,734	11,491	-	977,225	178,144
Accrued expenses	461,534	-	50,000	511,534	475,550
Annuity payment liability (note 5)	-	-	2,174,152	2,174,152	2,072,887
Total liabilities	<u>1,427,268</u>	<u>11,491</u>	<u>2,224,152</u>	<u>3,662,911</u>	<u>2,726,581</u>
Net Assets:					
Unrestricted	23,311,519	-	-	23,311,519	20,308,408
Temporarily restricted (note 6)	-	3,042,703	-	3,042,703	3,587,510
Permanently restricted (note 6)	-	-	16,741,993	16,741,993	14,598,172
Total net assets	<u>23,311,519</u>	<u>3,042,703</u>	<u>16,741,993</u>	<u>43,096,215</u>	<u>38,494,090</u>
Total liabilities and net assets	<u>\$ 24,738,787</u>	<u>3,054,194</u>	<u>18,966,145</u>	<u>46,759,126</u>	<u>41,220,671</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Activities

Year Ended December 31, 2007

(With summarized totals for the year ended December 31, 2006)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007	2006
Revenues and Support:					
Contributions	\$ 7,794,706	430,371	1,850,289	10,075,366	10,358,410
Support payments	2,736,384	-	-	2,736,384	2,358,880
Child care center	417,561	-	-	417,561	385,489
Rental income	32,560	-	-	32,560	28,560
Interest and dividends	524,936	131,533	793,992	1,450,461	1,212,831
Net realized and unrealized gains (losses) on investments	53,736	28,023	126,024	207,783	1,156,179
Split-interest agreements	-	-	(193,065)	(193,065)	(206,285)
Miscellaneous income	27,961	-	-	27,961	279,013
Net assets released from restrictions:					
Transfer of capital improvements and earnings	1,568,153	(1,134,734)	(433,419)	-	-
Total revenues and support	13,155,997	(544,807)	2,143,821	14,755,011	15,573,077
Expenses:					
Program, residential home care and scholarship	7,611,324	-	-	7,611,324	6,933,236
Child care center	550,387	-	-	550,387	501,017
Management and general	903,691	-	-	903,691	825,492
Financial development/public relations	1,087,484	-	-	1,087,484	941,033
Total expenses	10,152,886	-	-	10,152,886	9,200,778
Change in net assets	3,003,111	(544,807)	2,143,821	4,602,125	6,372,299
Net assets at beginning of year	20,308,408	3,587,510	14,598,172	38,494,090	32,121,791
Net assets at end of year	\$ 23,311,519	3,042,703	16,741,993	43,096,215	38,494,090

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Functional Expenses

Year Ended December 31, 2007

(With summarized totals for the year ended December 31, 2006)

	Program Services			Supporting Services			Total	2007	Total	2006	
	Program and Residential Home Care	Child Care Center	Total	Management and General	Financial						Total
					Development/ Public Relations						
Salaries	\$ 3,668,737	329,154	3,997,891	428,316	403,424	831,740	4,829,631	4,250,177			
Employee benefits	844,382	111,641	956,023	81,924	136,896	218,820	1,174,843	1,017,496			
Payroll taxes	265,296	23,084	288,380	31,913	27,016	58,929	347,309	299,973			
Total salaries and related expenses	4,778,415	463,879	5,242,294	542,153	567,336	1,109,489	6,351,783	5,567,646			
Utilities	542,832	12,063	554,895	30,157	18,094	48,251	603,146	569,944			
Materials, supplies and postage	249,897	14,534	264,431	25,588	299,876	325,464	589,895	519,792			
Repairs and maintenance	433,252	570	433,822	22,296	37,885	60,181	494,003	434,251			
Public relations	-	-	-	-	-	-	-	-			
Travel and related expenses	30,468	2,792	33,260	40,472	29,123	69,595	102,855	96,239			
Insurance	202,283	4,495	206,778	11,238	6,743	17,981	224,759	218,848			
Food	158,853	29,939	188,792	2,190	952	3,142	191,934	184,517			
Professional fees	74,513	-	74,513	44,821	89,198	134,019	208,532	128,240			
Investment expense	-	-	-	63,310	-	63,310	63,310	42,332			
Education and training programs	58,159	300	58,459	674	915	1,589	60,048	57,423			
Scholarship payments	68,238	-	68,238	-	-	-	68,238	53,420			
Conferences and memberships	21,204	1,256	22,460	32,749	4,349	37,098	59,558	54,428			
Special events	53,388	-	53,388	17,264	-	17,264	70,652	63,575			
Real estate assessments	-	-	-	1,725	-	1,725	1,725	10,157			
Community support	13,975	-	13,975	-	1,371	1,371	15,346	13,288			
Recruitment	680	-	680	17,656	803	18,459	19,139	57,430			
Total expenses before depreciation	6,686,157	529,828	7,215,985	852,293	1,056,645	1,908,938	9,124,923	8,071,530			
Depreciation	925,167	20,559	945,726	51,398	30,839	82,237	1,027,963	1,129,248			
Total expenses	\$ 7,611,324	550,387	8,161,711	903,691	1,087,484	1,991,175	10,152,886	9,200,778			

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Cash Flows

Year Ended December 31, 2007

(With summarized totals for the year ended December 31, 2006)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,602,125	6,372,299
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,027,963	1,129,248
(Gains) losses on investments	(207,783)	(1,156,179)
Contribution of investments	-	(7,646,584)
Gain on disposition of property and equipment	(2,643,429)	(262,286)
Cash provided by (used for) changes in:		
Contributions receivable	(1,423,859)	241,848
Other assets	44,080	(58,929)
Accounts payable and accrued expenses	835,067	(113,459)
Annuity payment liability	101,265	(86,295)
	<u>2,335,429</u>	<u>(1,580,337)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Proceeds from dispositions of property and equipment	-	552,207
Acquisition of land, buildings and equipment	(3,206,474)	(2,224,693)
	<u>(3,206,474)</u>	<u>(1,672,486)</u>
Net cash used in investing activities		
Net decrease in cash	(871,045)	(3,252,823)
Cash at beginning of year	<u>2,568,587</u>	<u>5,821,410</u>
Cash at end of year	<u>\$ 1,697,542</u>	<u>2,568,587</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

December 31, 2007

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

(a) **Organization**

Florida United Methodist Children's Home, Inc. (the "Home") was incorporated in 1908 as a not-for-profit corporation. The purpose of the Home is to care for children who otherwise cannot be provided for. The Home is governed by a Board of Trustees which are Florida Methodist Church members or clergy. Nominations for membership come from the Board and are approved by the Florida Annual Conference of The United Methodist Church.

(b) **Contributions Receivable**

Contributions receivable represent monies due or pledged to the Home that were not collected as of December 31, 2007. Contributions receivable are stated at the amounts management expects to collect from outstanding balances. Management provides an allowance for doubtful accounts for any amounts considered to be uncollectible. As of December 31, 2007, no allowance for doubtful accounts has been provided and no bad debt expense has been recorded for the year then ended.

(c) **Contributions**

The Home reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support. The majority of contributions originate either from United Methodist laity or from United Methodist churches in the State of Florida.

The Home reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Home reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(Continued)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(d) **Land, Buildings, and Equipment**

Land, buildings, and equipment acquisitions are recorded at cost when purchased, or at fair market value at date of gift when donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed as incurred.

(e) **Basis of Accounting**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Home.

The Home has adopted the Financial Accounting Standards Board Statement No. 117, "Financial Statements of Not-for-Profit Organizations." This statement establishes standards for financial reporting by not-for-profit organizations. The statement requires financial statements to be prepared on an entity wide basis, to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets – unrestricted, temporarily restricted or permanently restricted as follows:

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations. The Home reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Temporarily Restricted Net Assets

Temporarily restricted amounts will become either unrestricted or permanently restricted when the conditions of the temporary restrictions are met. Temporarily restricted assets consist of amounts held in the designated fund for the construction or purchase of buildings or equipment and amounts held in the education scholarship fund which principal and income is used for the education of qualified candidates in the Home.

(Continued)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(e) **Basis of Accounting - Continued**

Permanently Restricted Net Assets

General endowment fund net assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. Annually, a portion of the income is approved by the Board for use in the Home's operations.

Annuity fund net assets represent resources contributed to the Home where specified amounts are to be paid to the donor while living. Any funds remaining at the death of the donor revert to the use of the Home, primarily being designated for transfer to the general endowment fund.

Education/endowment fund net assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income is available to provide college scholarships for former residents of the Home.

(f) **Income Taxes**

The Home is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code.

(g) **Donated Goods and Services**

Significant non-cash asset contributions are recorded at fair market value when received. No amounts have been recorded in the financial statements for contributed services. There is no objective basis for measuring the fair market value of services provided by volunteers to program or fund raising activities, and such services did not require specialized skills.

(h) **Investments**

Investments are carried at current market value in the accompanying financial statements. Current value is described primarily by reference to market quotations. Certain investments which do not have readily determinable current market values are carried at cost.

(i) **Cash and Cash Equivalents**

For purposes of cash flows, the Home considers highly liquid investments in demand deposit and money market accounts to be cash equivalents.

(Continued)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(j) **Concentrations of Credit and Market Risk**

The Home has its operating funds maintained in an overnight sweep account and, therefore, maintains a zero balance in its bank checking account. The funds are protected by specific U.S. Government securities that have been pledged as collateral for these deposits. The Home has no exposure to loss for having deposits in banks in excess of the insurance provided.

The Home receives a large portion of its support by and through churches in the Florida Annual Conference of The United Methodist Church. That continued association and support is necessary for the Home to operate.

(k) **Functional Allocation of Expenses**

The costs of providing the various programs, fund-raising and other activities of the Home have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the activities benefited.

(l) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) **Land, Buildings and Equipment**

At December 31, 2007, land, buildings and equipment consist of the following:

Land	\$ 2,541,439
Land improvements	2,259,909
Buildings	14,502,171
Furniture, fixtures and equipment	6,030,268
Vehicles	1,391,380
Construction in progress	897,348
	<hr/>
	27,622,515
Less accumulated depreciation	15,677,184
	<hr/>
	\$ 11,945,331

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(3) **Investments**

At December 31, 2007, investment balances consist of the following:

	<u>Cost</u>	<u>Market</u>
Debt	\$ 6,452,302	6,490,785
Equities	14,352,803	16,238,952
Money market funds	4,714,694	4,735,015
Other	3,022,505	3,029,187
	<u>\$ 28,542,304</u>	<u>30,493,939</u>

The unrealized gain on investments at December 31, 2007 amounted to \$1,951,635. Custodial and investment advisory/management fees amounting to approximately \$146,000 have been netted against gains on investments in the accompanying statement of activities within the temporarily and permanently restricted funds.

The Board of Directors has designated certain funds to be set aside as a reserve to support the Home's operations. These funds amount to \$8,599,116 and are included in unrestricted investments in the accompanying statement of financial position.

(4) **Pension Plans**

The Home has a defined contribution pension plan in effect for non-ministerial employees, which is presently being funded at ten percent of eligible employees' compensation. To be eligible, employees must have been employed for at least six months and be at least twenty-one years old. Vesting begins after one year of employment, with employees becoming fully vested upon completion of five years of service. The ministers are participating in a defined contribution plan and a deferred annuity program also administered by the General Board of Pensions of the United Methodist Church. Total pension expense for the year ended December 31, 2007 was approximately \$377,000 and \$28,000 for non-ministerial employees and ministers, respectively.

(5) **Annuity Payment Liability**

Contributions received by the Home under irrevocable split-interest agreements are recorded at their fair value when received. An annuity payment liability for charitable gift annuity contracts has been established equal to the present value of expected future payments to each annuitant as determined from contract payment schedules using current life expectancies. Contribution revenue is recognized for the difference between the fair value of the assets received and the liability incurred. Total assets associated with split-interest agreements included within the annuity fund amount to approximately \$2,800,000 at December 31, 2007.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(6) Restricted Assets

Restricted assets of the Home consist of the following funds at December 31, 2007:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Designated Fund	\$ 1,629,787	-
Education Scholarship Fund	1,412,916	-
Annuity Fund	-	641,207
General Endowment Fund	-	14,119,307
Education/Endowment Fund	-	1,981,479
	<u>\$ 3,042,703</u>	<u>16,741,993</u>

Other Financial Information

**FLORIDA UNITED METHODIST
CHILDREN'S HOME, INC.**

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Schedule of Governmental Financial Assistance

Year Ended December 31, 2007

<u>Federal Assistance</u>	<u>Identifying Number</u>	<u>Expenditures/ Revenue</u>
U.S. Department of Health and Human Services		
Passed through Florida Department of Children and Families (Residential Group Care and Foster Care Contracts)	93.658 93.558 93.667	\$ 788,459
U.S. Department of Health and Human Services		
Passed through Florida Department of Children and Families (Adoption, and Child Welfare Services Contracts)	93.659 and 93.645	33,149
U.S. Department of Agriculture		
Passed through Florida Department of Education (National School Lunch Program)	10.550/24077	<u>69,143</u>
Total Federal Assistance		<u>\$ 890,751</u>
 <u>State Assistance</u>		
Florida Department of Children and Families		
Residential Group Care Program Services	GJ-160	<u>\$ 959,184</u>
Total state assistance		<u>\$ 959,184</u>

See accompanying notes to financial statements.



TSCHOPP, WHITCOMB & ORR, P.A.

Certified Public Accountants

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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

The Board of Trustees
Florida United Methodist Children's Home, Inc.

We have audited the financial statements of Florida United Methodist Children's Home, Inc. as of and for the year ended December 31, 2007, and have issued our report thereon dated February 19, 2008. 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 Florida United Methodist Children's Home, Inc.'s, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Florida United Methodist Children's Home, Inc.'s 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, finance committee, management, others within the Home and all Federal and 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.

Tschopp, Whitcomb & Orr, P.A.

February 19, 2008



TSCHOPP, WHITCOMB & ORR, P.A.

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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Trustees
Florida United Methodist Children's Home, Inc.

Compliance

We have audited the compliance of Florida United Methodist Children's Home, Inc., with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. Florida United Methodist Children's Home, Inc.'s major federal programs are identified in the summary of the 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 is the responsibility of Florida United Methodist Children's Home, Inc.'s management. Our responsibility is to express an opinion on 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; and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Those standards and OMB Circular A-133, 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 occurred. An audit includes examining, on a test basis, evidence about Florida United Methodist Children's Home, 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 on Florida United Methodist Children's Home, Inc.'s compliance with those requirements.

In our opinion, Florida United Methodist Children's Home, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major Federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The Management of Florida United Methodist Children's Home, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Florida United Methodist Children's Home, Inc.'s internal control over compliance with requirements that could have a direct material effect on a major Federal program in order 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, finance committee, management, others within the Home and all Federal and 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.

Tschopp, Whitcomb & Orr, P.A.

February 19, 2008



TSCHOPP, WHITCOMB & ORR, P.A.

Certified Public Accountants

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February 19, 2008

The Board of Trustees
Florida United Methodist Children's Home, Inc.

In planning and performing our audit of the financial statements of Florida United Methodist Children's Home, Inc. as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United State of America, we considered Florida United Methodist Children's Home, Inc.'s internal control over reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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

This report is intended solely for the information and use of the Board of Trustees, finance committee, management, and others within the Home as authorized by the Board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

TSCHOPP, WHITCOMB & ORR, P.A.

Florida United Methodist Children's Home, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2007

A. Summary of the Audit Results

1. The Auditors' report expresses an unqualified opinion on the financial statements of Florida United Methodist Children's Home, Inc.
2. No reportable conditions were disclosed during the audit of compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards.
3. No instances of noncompliance material to the financial statements of Florida United Methodist Children's Home, Inc. were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major Federal award program for Florida United Methodist Children's Home, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major Federal award program for Florida United Methodist Children's Home, Inc.
7. The program tested as a major program was the Residential Group Care Contract.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Auditee did qualify as a low-risk auditee.

B. Findings - Financial Statements

None

End of Schedule of Findings and Questioned Costs