

**Financial Statements and
Other Financial Information**

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

December 31, 2008

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Financial Statements and Other Financial Information

December 31, 2008

(With Independent Auditors' Report Thereon)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

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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, 2008 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. 2007 financial statements and, in our report dated February 19, 2008, 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, 2008, 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, 2007 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, 2007 from which the summarized information was derived.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 4, 2009 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, 2008 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 of the Florida Statutes of the Florida Single Audit Act, 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.

Schaefer, Tschoop, Whitcomb, Mitchell & Sheridan, LLP

February 4, 2009

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Financial Position

December 31, 2008

(With summarized totals for December 31, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008	2007
Assets:					
Cash	\$ 2,667,544	-	14,350	2,681,894	1,697,542
Contributions and other receivables	1,744,802	1,686,496	265,932	3,697,230	2,582,606
Other assets	79,350	-	2,105	81,455	39,708
Interfund receivables (payables)	(216,644)	210,046	6,598	-	-
Land, buildings and equipment (note 2)	13,456,184	-	-	13,456,184	11,945,331
Investments (note 3)	6,791,188	2,036,461	13,614,517	22,442,166	30,493,939
Total assets	<u>\$ 24,522,424</u>	<u>3,933,003</u>	<u>13,903,502</u>	<u>42,358,929</u>	<u>46,759,126</u>
Liabilities:					
Accounts payable	\$ 169,560	-	-	169,560	977,225
Accrued expenses	296,267	-	50,000	346,267	511,534
Annuity payment liability (note 5)	-	-	2,240,660	2,240,660	2,174,152
Total liabilities	<u>465,827</u>	<u>-</u>	<u>2,290,660</u>	<u>2,756,487</u>	<u>3,662,911</u>
Net Assets:					
Unrestricted	24,056,597	-	-	24,056,597	28,906,379
Temporarily restricted (note 6)	-	3,933,003	-	3,933,003	3,042,703
Permanently restricted (note 6)	-	-	11,612,842	11,612,842	11,147,133
Total net assets	<u>24,056,597</u>	<u>3,933,003</u>	<u>11,612,842</u>	<u>39,602,442</u>	<u>43,096,215</u>
Total liabilities and net assets	<u>\$ 24,522,424</u>	<u>3,933,003</u>	<u>13,903,502</u>	<u>42,358,929</u>	<u>46,759,126</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Activities

Year Ended December 31, 2008

(With summarized totals for the year ended December 31, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008	2007
Revenues and Support:					
Contributions	\$ 8,464,601	2,241,281	738,362	11,444,244	10,075,366
Support payments	3,052,778	-	-	3,052,778	2,736,384
Child care center	441,574	-	-	441,574	417,561
Rental income	41,288	-	-	41,288	32,560
Interest and dividends	1,087,958	77,450	-	1,165,408	1,450,461
Net realized and unrealized gains (losses) on investments	(7,431,663)	(488,298)	-	(7,919,961)	207,783
Split-interest agreements	-	-	(272,653)	(272,653)	(193,065)
Miscellaneous income	18,853	-	-	18,853	27,961
Net assets released from restrictions:					
Transfer of capital improvements and earnings	940,133	(940,133)	-	-	-
Total revenues and support	6,615,522	890,300	465,709	7,971,531	14,755,011
Expenses:					
Program, residential home care and scholarship	8,239,750	-	-	8,239,750	7,611,324
Child care center	604,727	-	-	604,727	550,387
Management and general	1,155,203	-	-	1,155,203	903,691
Financial development/public relations	1,465,624	-	-	1,465,624	1,087,484
Total expenses	11,465,304	-	-	11,465,304	10,152,886
Change in net assets	(4,849,782)	890,300	465,709	(3,493,773)	4,602,125
Net assets at beginning of year, as restated (note 7)	28,906,379	3,042,703	11,147,133	43,096,215	38,494,090
Net assets at end of year	\$ 24,056,597	3,933,003	11,612,842	39,602,442	43,096,215

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Functional Expenses

Year Ended December 31, 2008

(With summarized totals for the year ended December 31, 2007)

	Program Services			Supporting Services			Total 2008	Total 2007
	Residential Home Care/Scholarship	Child Care Center	Total	Management and General	Financial Development/Public Relations	Total		
Salaries	\$ 4,066,829	368,080	4,434,909	610,034	505,648	1,115,682	5,550,591	4,829,631
Employee benefits	865,300	106,209	971,509	112,327	147,115	259,442	1,230,951	1,174,843
Payroll taxes	295,532	25,636	321,168	43,490	32,483	75,973	397,141	347,309
Total salaries and related expenses	5,227,661	499,925	5,727,586	765,851	685,246	1,451,097	7,178,683	6,351,783
Utilities	586,537	13,034	599,571	32,585	19,551	52,136	651,707	603,146
Materials, supplies and postage	330,743	30,716	361,459	30,347	442,643	472,990	834,449	589,895
Repairs and maintenance	477,241	1,138	478,379	33,443	63,805	97,248	575,627	494,003
Travel and related expenses	46,342	151	46,493	42,580	67,107	109,687	156,180	102,855
Insurance	158,858	3,530	162,388	8,825	5,295	14,120	176,508	224,759
Food	187,118	35,191	222,309	1,941	1,015	2,956	225,265	191,934
Professional fees	91,257	-	91,257	49,308	109,241	158,549	249,806	208,532
Investment expense	-	-	-	61,651	-	61,651	61,651	63,310
Education and training programs	59,713	139	59,852	1,268	7,540	8,808	68,660	60,048
Scholarship payments	57,548	-	57,548	-	-	-	57,548	68,238
Conferences and memberships	26,437	799	27,236	33,752	10,784	44,536	71,772	59,558
Special events	63,761	-	63,761	15,190	-	15,190	78,951	70,652
Real estate assessments	-	-	-	13,916	-	13,916	13,916	1,725
Community support	20,522	-	20,522	-	2,154	2,154	22,676	15,346
Recruitment	1,317	-	1,317	14,285	21,087	35,372	36,689	19,139
Total expenses before depreciation	7,335,055	584,623	7,919,678	1,104,942	1,435,468	2,540,410	10,460,088	9,124,923
Depreciation	904,695	20,104	924,799	50,261	30,156	80,417	1,005,216	1,027,963
Total expenses	\$ 8,239,750	604,727	8,844,477	1,155,203	1,465,624	2,620,827	11,465,304	10,152,886

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Cash Flows

Year Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,493,773)	\$ 4,602,125
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,005,216	1,027,963
(Gains) losses on investments	8,051,773	(207,783)
(Gain) loss on disposition of property and equipment	49,023	(2,643,429)
Cash provided by (used for) changes in:		
Contributions receivable	(1,114,624)	(1,423,859)
Other assets	(41,747)	44,080
Accounts payable and accrued expenses	(972,932)	835,067
Annuity payment liability	66,508	101,265
	<u>3,549,444</u>	<u>2,335,429</u>
Cash flows from investing activities:		
Acquisition of land, buildings and equipment	<u>(2,565,092)</u>	<u>(3,206,474)</u>
	<u>(2,565,092)</u>	<u>(3,206,474)</u>
Net increase (decrease) in cash	984,352	(871,045)
Cash at beginning of year	<u>1,697,542</u>	<u>2,568,587</u>
Cash at end of year	<u>\$ 2,681,894</u>	<u>\$ 1,697,542</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

December 31, 2008

(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, 2008. 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, 2008, 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, 2008, land, buildings and equipment consist of the following:

Land	\$ 3,125,192
Land improvements	2,334,414
Buildings	14,538,451
Furniture, fixtures and equipment	8,282,157
Vehicles	1,467,398
Construction in progress	390,415
	<hr/>
	30,138,027
Less accumulated depreciation	16,681,843
	<hr/>
	\$ 13,456,184

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(3) **Investments**

At December 31, 2008, investment balances consist of the following:

	<u>Cost</u>	<u>Market</u>
Debt	\$ 5,966,735	5,760,003
Equities	14,486,197	10,440,926
Money market funds	2,686,555	2,692,852
Other	3,479,553	3,548,385
	<u>\$ 26,619,040</u>	<u>22,442,166</u>

The unrealized loss on investments at December 31, 2008 amounted to (\$4,176,874). Custodial and investment advisory/management fees amounting to approximately \$62,000 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 \$6,498,423 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, 2008 was approximately \$452,000 and \$23,000 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 \$2,000,000 at December 31, 2008.

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, 2008:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Designated Fund	\$ 2,984,589	-
Education Scholarship Fund	948,414	-
Annuity Fund	-	218,263
General Endowment Fund	-	10,074,060
Education Endowment Fund	-	1,320,519
	<u>\$ 3,933,003</u>	<u>11,612,842</u>

(7) **Restatement**

Generally accepted accounting principles require that all endowment fund investment income and recognized gains and losses be reported in the statement of activities as unrestricted. The Home has historically reported these as permanently restricted. The following adjustment, which did not affect total net assets or change in net assets, was made to reflect this reclassification.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, December 31, 2007, as originally reported	\$ 23,311,519	3,042,703	16,741,993	43,096,215
Net assets, December 31, 2007 as restated	\$ 28,906,379	3,042,703	11,147,133	43,096,215

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, 2008

<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	\$ 604,347
	93.558	33,585
	93.667	382,834
	93.556	1,269
U.S. Department of Health and Human Services		
Passed through Florida Department of Children and Families (Adoption, and Child Welfare Services Contracts)	93.659	13,573
	and 93.645	7,703
U.S. Department of Agriculture		
Passed through Florida Department of Education (National School Lunch Program)	10.555	<u>75,437</u>
Total Federal Assistance		<u>\$ 1,118,748</u>
<u>State Assistance</u>		
Florida Department of Children and Families		
Residential Group Care Program Services	60.074	<u>\$ 853,146</u>
Total State Assistance		<u>\$ 853,146</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to the Schedule of Expenditures of Federal, State and Local Awards

Year ended December 31, 2008

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Governmental Financial Assistance presents the activity of all federal, state and local financial assistance and federal, state and local cost reimbursement contracts of Florida United Methodist Children's Home, Inc. Florida United Methodist Children's Home, Inc. receives federal and state awards indirectly through pass-through entities.

Federal program, state and local project expenditures included in the accompanying schedule are 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*, Section 215.97 of the Florida Statutes of the Florida Single Audit Act and Chapter 691-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, Schedule of Expenditures of State Financial Assistance.

(2) Major Programs

Major programs are identified in the Summary of Audit Results section of the Schedule of Findings and Questioned Costs.

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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

To 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, 2008, and have issued our report thereon dated February 4, 2009. 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 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 Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Home's internal control over financial reporting.

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 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 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 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 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Schaefer, Tschopp, Whitcomb, Mitchell & Sheridan, LLP

Maitland, Florida
February 4, 2009

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**Independent Auditors' Report on Compliance with Requirements Applicable to
Each Federal Major Program and Major State Project and on Internal Control Over
Compliance in Accordance with OMB Circular A-133 and the Florida Single Audit Act**

To 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* and in the State of Florida *State Projects Compliance Supplement* that are applicable to its major federal program and major state project for the year ended December 31, 2008. Florida United Methodist Children's Home, Inc.'s major federal program and major state project 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 its major federal program and major state project 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Section 215.97 of the Florida Statutes of the Florida Single Audit Act. Those standards, OMB Circular A-133 and the Florida Single Audit Act 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 program and major state project for the year ended December 31, 2008.

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, 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 Florida United Methodist Children's Home, Inc.'s internal control over compliance.

A control deficiency in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Schaefer, Tschopp, Whitcomb, Mitchell & Sheridan, LLP

Maitland, Florida
February 4, 2009

Florida United Methodist Children's Home, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2008

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 significant deficiencies were disclosed during the audit of the financial statements and is reported in the 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.
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 significant deficiencies or material weaknesses in internal control over the major federal award program and the major state project were disclosed during the audit in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Federal Major Program and Major State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Single Audit Act.
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. Financial Statement Findings

1. No matters reported.

(Continued)

Florida United Methodist Children's Home, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2008

C. Major Federal Award Findings and Questioned Costs

1. No matters reported.

D. Major State Project Findings and Questioned Costs

1. No matters reported.

E. Summary Schedule of Prior Audit Finding

1. No Summary Schedule of Prior Audit Findings (see AG Rule 10.656(3)(d)(5)) is required because there are no prior audit findings related to federal programs or state projects.

End of Schedule of Findings and Questioned Costs