

**Financial Statements and
Other Financial Information**

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

December 31, 2009

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Financial Statements and Other Financial Information

December 31, 2009

(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, 2009 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. 2008 financial statements and, in our report dated February 19, 2009, 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, 2008 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, 2008 from which the summarized information was derived.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2010 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, 2009 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.

Schacter, Tschagg, Whitcomb, Mitchell & Shuilen, LLP

February 19, 2010

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Financial Position

December 31, 2009

(With summarized totals for December 31, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008
Assets:					
Cash	\$ 2,210,872	3,000	11,977	2,225,849	2,681,894
Contributions and other receivables	1,417,868	1,604,645	190,332	3,212,845	3,697,230
Other assets	141,781	-	-	141,781	81,455
Interfund receivables (payables)	1,817,240	307,163	(2,124,403)	-	-
Land, buildings and equipment (note 2)	12,862,478	-	-	12,862,478	13,456,184
Investments (note 3)	9,051,897	2,109,912	16,021,997	27,183,806	22,442,166
Total assets	\$ 27,502,136	4,024,720	14,099,903	45,626,759	42,358,929
Liabilities:					
Accounts payable	\$ 207,723	-	-	207,723	169,560
Accrued expenses	306,570	-	50,000	356,570	346,267
Annuity payment liability (note 5)	-	-	1,971,771	1,971,771	2,240,660
Total liabilities	514,293	-	2,021,771	2,536,064	2,756,487
Net Assets:					
Unrestricted	26,987,843	-	-	26,987,843	24,056,597
Temporarily restricted (note 6)	-	4,024,720	-	4,024,720	3,933,003
Permanently restricted (note 6)	-	-	12,078,132	12,078,132	11,612,842
Total net assets	26,987,843	4,024,720	12,078,132	43,090,695	39,602,442
Total liabilities and net assets	\$ 27,502,136	4,024,720	14,099,903	45,626,759	42,358,929

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Activities

Year Ended December 31, 2009

(With summarized totals for the year ended December 31, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008
Revenues and Support:					
Contributions	\$ 6,433,631	323,503	160,778	6,917,912	11,444,244
Support payments	3,249,322	-	-	3,249,322	3,052,778
Child care center	576,416	-	-	576,416	441,574
Rental income	41,195	-	-	41,195	41,288
Interest and dividends	716,571	42,993	-	759,564	1,165,408
Net realized and unrealized gains (losses) on investments	2,858,568	173,872	-	3,032,440	(7,919,961)
Split-interest agreements	-	-	55,657	55,657	(272,653)
Miscellaneous income	20,003	-	-	20,003	18,853
Net assets released from restriction:					
Satisfaction of purpose restrictions	93,640	(93,640)	-	-	-
Transfers	106,156	(355,011)	248,855	-	-
Total revenues and support	14,095,502	91,717	465,290	14,652,509	7,971,531
Expenses:					
Program, residential home care and scholarship	7,889,726	-	-	7,889,726	8,239,750
Child care center	717,044	-	-	717,044	604,727
Management and general	1,132,931	-	-	1,132,931	1,155,203
Financial development/public relations	1,424,555	-	-	1,424,555	1,465,624
Total expenses	11,164,256	-	-	11,164,256	11,465,304
Change in net assets	2,931,246	91,717	465,290	3,488,253	(3,493,773)
Net assets at beginning of year	24,056,597	3,933,003	11,612,842	39,602,442	43,096,215
Net assets at end of year	\$ 26,987,843	4,024,720	12,078,132	43,090,695	39,602,442

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Functional Expenses

Year Ended December 31, 2009
(With summarized totals for the year ended December 31, 2008)

	Program Services			Supporting Services			Total 2009	Total 2008
	Residential Home Care/Scholarship	Child Care Center	Total	Management and General	Development/Public Relations	Total		
Salaries	\$ 3,965,127	467,531	4,432,658	638,811	567,094	1,205,905	5,638,563	5,550,591
Employee benefits	756,905	130,401	887,306	119,184	182,356	301,540	1,188,846	1,230,951
Payroll taxes	287,966	32,881	320,847	45,162	34,975	80,137	400,984	397,141
Total salaries and related expenses	5,009,998	630,813	5,640,811	803,157	784,425	1,587,582	7,228,393	7,178,683
Utilities	604,720	13,438	618,158	33,595	20,157	53,752	671,910	651,707
Materials, supplies and postage	240,960	15,975	256,935	23,614	299,550	323,164	580,099	834,449
Repairs and maintenance	446,477	640	447,117	32,627	28,797	61,424	508,541	575,627
Travel and related expenses	38,175	32	38,207	30,492	49,703	80,195	118,402	156,180
Insurance	153,412	3,409	156,821	8,523	5,113	13,636	170,457	176,508
Food	182,261	32,417	214,678	2,138	548	2,686	217,364	225,265
Professional fees	63,643	-	63,643	27,751	190,344	218,095	281,738	249,806
Investment expense	-	-	-	62,541	-	62,541	62,541	61,651
Education and training programs	58,803	-	58,803	65	1,018	1,083	59,886	68,660
Scholarship payments	95,755	-	95,755	-	-	-	95,755	57,548
Conferences and memberships	15,452	826	16,278	26,196	10,415	36,611	52,889	71,772
Special events	99,717	-	99,717	10,495	-	10,495	110,212	78,951
Real estate assessments	-	-	-	11,395	-	11,395	11,395	13,916
Community support	2,283	-	2,283	-	4,981	4,981	7,264	22,676
Recruitment	837	-	837	11,607	263	11,870	12,707	36,689
Total expenses before depreciation	7,012,493	697,550	7,710,043	1,084,196	1,395,314	2,479,510	10,189,553	10,460,088
Depreciation	877,233	19,494	896,727	48,735	29,241	77,976	974,703	1,005,216
Total expenses	\$ 7,889,726	717,044	8,606,770	1,132,931	1,424,555	2,557,486	11,164,256	11,465,304

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Cash Flows

Year Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,488,253	(3,493,773)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	974,703	1,005,216
(Gains) losses on investments	(4,741,640)	8,051,773
Loss on disposition of property and equipment	-	49,023
Cash provided by (used for) changes in:		
Contributions receivable	484,385	(1,114,624)
Other assets	(60,326)	(41,747)
Accounts payable and accrued expenses	48,466	(972,932)
Annuity payment liability	(268,889)	66,508
Net cash (used in) provided by operating activities	<u>(75,048)</u>	<u>3,549,444</u>
Cash flows from investing activities:		
Acquisition of land, buildings and equipment	<u>(380,997)</u>	<u>(2,565,092)</u>
Net cash used in investing activities	<u>(380,997)</u>	<u>(2,565,092)</u>
Net increase (decrease) in cash	(456,045)	984,352
Cash at beginning of year	<u>2,681,894</u>	<u>1,697,542</u>
Cash at end of year	<u>\$ 2,225,849</u>	<u>2,681,894</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

December 31, 2009

(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, 2009. 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, 2009, 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 financial statements are 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 in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

(Continued)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

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

(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.

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

The Home maintains its cash and cash equivalents in deposit and money market accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Home has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

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.

(m) **Prior Year Comparative Data**

The financial statements include certain prior year summarized comparative information. This information has been presented in order to provide an understanding of changes in the Home's financial position and activities. The prior year information in the statement of activities is presented in total but not by net asset class and, as such, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In addition, certain amounts have been reclassified in order to conform with the current year's presentation.

(Continued)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

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

(n) **Subsequent Events**

In preparing these financial statements, the Home has evaluated subsequent events and transactions for potential recognition and disclosure through February 19, 2010, which is the date the financial statements were available to be issued.

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

At December 31, 2009, land, buildings and equipment consist of the following:

Land	\$ 3,125,192
Land improvements	2,442,486
Buildings	14,538,451
Furniture, fixtures and equipment	8,763,553
Vehicles	1,542,449
Construction in progress	107,450
	<hr/>
	30,519,581
Less accumulated depreciation	17,657,103
	<hr/>
	\$ 12,862,478

(3) **Fair Value Measurements**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value and expands disclosures about fair value measurements. These rules apply to all financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There is also a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

(Continued)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(3) Fair Value Measurements - Continued

FAS 157 describes three levels of inputs used to measure fair value:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3: inputs that are unobservable (for example, cash flow modeling based on assumptions)

The Organization did not change its valuation techniques during the year.

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis as of December 31, 2009, based on the level of input utilized to measure fair value:

	Fair Value Measurement Level	Cost	Market
Debt	1	\$ 6,041,034	6,265,752
Equities	1	13,345,357	13,947,545
Money market funds	1	2,097,426	2,116,766
Other	1	4,840,922	4,853,743
		<u>\$ 26,324,739</u>	<u>27,183,806</u>

The unrealized gain on investments at December 31, 2009 amounted to \$859,067. Custodial and investment advisory/management fees amounting to approximately \$112,831 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 \$7,590,855 and are included in unrestricted investments in the accompanying statement of financial position.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(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, 2009 was approximately \$482,400 and \$31,300 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 \$2,200,000 at December 31, 2009.

(6) **Restricted Assets**

Restricted assets of the Home consist of the following funds at December 31, 2009:

	Temporarily Restricted	Permanently Restricted
Designated Fund	\$ 3,218,975	-
Education Scholarship Fund	805,745	-
Annuity Fund	-	(186,939)
General Endowment Fund	-	10,424,340
Education Endowment Fund	-	1,840,731
	<u>\$ 4,024,720</u>	<u>12,078,132</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, 2009

<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	93.658	\$ 587,591
and Families (Residential Group Care and	93.558	47,865
Foster Care Contracts)	93.667	393,037
	93.556	433
U.S. Department of Health and Human Services		
Passed through Florida Department of	93.659	25,167
Children and Families (Adoption, and Child	and	
Welfare Services Contracts)	93.645	10,097
U.S. Department of Agriculture		
Passed through Florida Department of Education		
(National School Lunch Program):		
Breakfast	10.553	40,467
Lunch	10.555	31,975
American Recovery and Reinvestment Act (ARRA)	10.579	57,394
Total Federal Assistance (Cash)		1,194,026
Passed through - State Department of Agriculture		
Non-cash Assistance (Commodities)	10.555	5,347
Total Federal Assistance (All)		<u>\$ 1,199,373</u>
<u>State Assistance</u>		
Florida Department of Children and Families		
Residential Group Care Program Services	60.074	<u>\$ 963,159</u>
Total State Assistance		<u>\$ 963,159</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, 2009

(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, 2009, and have issued our report thereon dated February 19, 2010. 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, Tschoy, Whitcomb, Mitchell & Shulman, LLP

February 19, 2010
Altamonte Springs, Florida

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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, 2009. 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, 2009.

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, Tschoff, Whittemut, Mitchell & Shuilen, LLP

February 19, 2010
Altamonte Springs, Florida

Florida United Methodist Children's Home, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

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, 2009

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