

**TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Treasure Coast Health Council, Inc.
Palm Beach Gardens, Florida

We have audited the accompanying statement of financial position of Treasure Coast Health Council, Inc., d/b/a Health Council of Southeast Florida (the "Organization") as of June 30, 2012, and the related statements of activities and net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Treasure Coast Health Council, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2012 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Organization taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Marcum LLP

Fort Lauderdale, FL
October 18, 2012

TREASURE COAST HEALTH COUNCIL, INC.
d/b/a HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

Assets

Cash and cash equivalents	\$ 15,075
Grants receivable	697,385
Prepaid expenses	18,060
Property and equipment, net of accumulated depreciation of \$121,408	<u>1,172</u>

Total Assets \$ 731,692

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 344,223
Deferred revenue	62,014
Line of credit	<u>205,000</u>

Total Liabilities \$ 611,237

Net Assets, Unrestricted 120,455

Total Liabilities and Net Assets \$ 731,692

The accompanying notes are an integral part of these financial statements.

TREASURE COAST HEALTH COUNCIL, INC.
d/b/a HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

STATEMENT OF ACTIVITIES AND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

Public Support and Revenue

Federal grants	\$ 4,011,477
State grants	90,909
Other	<u>166,401</u>

Total Public Support and Revenue \$ 4,268,787

Expenses

Health and program services	3,675,498
General and administrative	<u>484,117</u>

Total Expenses 4,159,615

Increase in Net Assets 109,172

Net Assets - Beginning of Year 11,283

Net Assets - End of Year \$ 120,455

The accompanying notes are an integral part of these financial statements.

TREASURE COAST HEALTH COUNCIL, INC.
d/b/a HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

Increase in Net Assets	\$ 109,172
Adjustments to reconcile increase in net assets to cash and cash equivalents used in operating activities:	
Depreciation	\$ 293
Changes in assets and liabilities:	
Decrease (increase) in:	
Grants receivable	(193,918)
Prepaid expenses	(416)
Increase (decrease) in:	
Accounts payable and accrued expenses	8,381
Deferred revenue	<u>(627,306)</u>
Total Adjustments	<u>(812,966)</u>
Net Cash and Cash Equivalents Used In Operating Activities	(703,794)
Cash Flows From Investing Activities	
Acquisition of property and equipment	(1,465)
Cash Flows From Financing Activities	
Net proceeds on line of credit	<u>205,000</u>
Net Decrease in Cash and Cash Equivalents	(500,259)
Cash and Cash Equivalents – Beginning	<u>515,334</u>
Cash and Cash Equivalents – Ending	<u><u>\$ 15,075</u></u>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the period for:	
Interest	<u><u>\$ 3,961</u></u>

The accompanying notes are an integral part of these financial statements.

TREASURE COAST HEALTH COUNCIL, INC.
d/b/a HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	Total	Health and Program	General and Administrative
Salaries and Related Expenses			
Salaries and taxes	\$ 512,711	\$ 270,639	\$ 242,072
Employee benefits	125,045	83,406	41,639
Total Salaries and Related Expenses	637,756	354,045	283,711
Other Expenses			
Case management and outreach	1,521,842	1,521,842	--
Dental care	451,915	451,915	--
Medical care	426,911	426,911	--
Client housing/rent	265,438	265,438	--
Health insurance	154,633	154,633	--
Pharmaceuticals	114,450	114,450	--
Contractual	112,346	56,939	55,407
Rent	84,787	30,896	53,891
Client utilities	69,642	69,642	--
Substance abuse treatment	54,883	54,883	--
Other costs	23,315	19,750	3,565
Resource identification	31,726	31,726	--
Food bank	25,950	25,950	--
Meeting	21,460	17,102	4,358
Transportation	15,732	15,732	--
Equipment rental	15,654	3,916	11,738
Office supplies	15,227	9,593	5,634
Professional fees	13,900	5,570	8,330
Telephone and communications	11,633	4,131	7,502
Members fund	10,653	10,653	--
Mental health treatment	10,610	10,610	--
Insurance	9,429	827	8,602
Travel and conferences	8,998	2,026	6,972
Software	8,502	2,664	5,838
Taxes, licenses and interest	7,796	366	7,430
Office maintenance	7,628	2,898	4,730
Utilities	5,978	2,251	3,727
Printing and reproduction	4,691	2,143	2,548
Postage and shipping	4,577	471	4,106
Quality assurance	3,750	3,750	--
Training and development	3,444	841	2,603
Dues and subscriptions	2,954	316	2,638
Advertising	1,112	618	494
Depreciation	293	--	293
Total Expenses	\$ 4,159,615	\$ 3,675,498	\$ 484,117

The accompanying notes are an integral part of these financial statements.

TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – ORGANIZATION

Treasure Coast Health Council, Inc. (the "Organization" or "HCSF") is a private not-for-profit Florida corporation that is responsible for health planning services for the five county areas of Indian River, St. Lucie, Okeechobee, Martin and Palm Beach. Operating under the Health Facilities and Health Services Planning Act, Chapter 408.033 of the Florida Statutes, the Organization promotes the planning and development of a local comprehensive health care delivery system, which provides high quality health services at a reasonable cost to all residents within the service area.

The Organization provides planning, coordinating, designing or formulating of health care activities. This planning provides information to be used as a basis for community planning, completion of grant applications and prioritizing of needs for local funding initiatives. In addition, the Organization serves as a fiscal agent for the provision of HIV support services under state and local grants.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Under Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") Topic 958-210, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization has no assets that are temporarily or permanently restricted.

CASH EQUIVALENTS

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As of June 30 2012, cash is held in highly liquid investments, principally cash, which are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits.

TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GRANT REVENUE AND RECEIVABLE

Grants receivable consists of federal and state awards from various agencies. These grants are on a cost reimbursement basis or fee for service, including recoverable overhead. Grant revenues are deemed earned and reported as unrestricted support when expenses are incurred in compliance with specific grant agreements. Management reviews the collectability of grants receivable and assesses the need for an allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2012. Expenses are recorded when incurred; unpaid expenses are recorded as accounts payable and accrued expenses.

PROPERTY AND EQUIPMENT

Property and equipment purchased by the Organization are stated at cost. Major additions which materially increase the value of the property are capitalized and depreciated over the estimated useful life of the asset. Maintenance and repairs are charged to expense as incurred. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Asset	Years
Furniture and Equipment	3-5 years
Software	3-5 years

DEFERRED REVENUE

The Organization reports deferred revenue on its financial statements when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Organization has earned the revenue, the liability for deferred revenue is reduced and revenue is recognized.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities of the Organization has been summarized in the accompanying Statement of Activities on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX STATUS

The Organization is incorporated in the State of Florida as a nonprofit organization and has qualified as a tax exempt organization under Internal Revenue Code (IRC) Section 501(c)(3), and as such, is only subject to Federal income tax on unrelated business income. There was no income tax resulting from unrelated business income during the year ended June 30, 2012.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest would be reported as interest expense and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2009.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, support and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – RISKS AND UNCERTAINTIES

SUPPORT FROM OUTSIDE AGENCIES

The Organization receives most of its support from government and other grants. A significant reduction in the level of this support, if it were to occur, could have a significant effect on the Organization's ability to continue services and activities.

TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – RISKS AND UNCERTAINTIES (CONTINUED)

LOSSES ON FUNDING

During March 2012, the Organization was made aware that their Ryan White Care Act-Part B and Housing Opportunities for Persons with AIDS funding would expire effective September 30, 2012. As a result of the loss of this funding, the Organization expects a reduction in revenue of approximately \$2,854,000 for the year ending June 30, 2013. Approximately \$270,000 of this estimated revenue reduction represents administrative costs/revenues that fund the Organization's operations and the remaining \$2,584,000 represents pass-through costs.

The Organization's management has been actively pursuing new funding contracts and increases in existing funding, as well as examining their cost structure and looking for opportunities to eliminate or defer expenditures. Through these efforts, management has secured approximately \$310,000 in new or expanded funding for the year ending June 30, 2013. Additionally, through reduction in staffing, and elimination and renegotiation of existing expenses, management believes they can reduce operating expenses by approximately \$100,000 for the year ending June 30, 2013.

Management believes that these actions will increase the Organization's liquidity in the future, which will allow the Organization to continue to execute its business plan. However, there can be no assurances that management's plans will be achieved.

CONCENTRATION OF RISK

The Organization maintains cash balances at one financial institution. The Federal Deposit Insurance Corporation ("FDIC") insures depositors up to \$250,000. At June 30, 2012 and at certain times during the year, the Organization had amounts on deposit that were in excess of the federally insured limits. Cash is maintained at a high quality financial institution, which the Organization believes limits its credit risk. At June 30, 2012, approximately \$11,000 was held in excess of the FDIC limits.

NOTE 4 – PROPERTY AND EQUIPMENT

Furniture and equipment	\$ 77,580
Software	45,000
Less accumulated depreciation	<u>(121,408)</u>
Property and Equipment, Net	<u><u>\$ 1,172</u></u>

TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 – COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Organization leases office space and office equipment with lease terms extending through October 31, 2017. Total rent expense for both equipment and office space for the year ended June 30, 2012 was approximately \$100,440.

The following is a schedule of the estimated future minimum lease payments required on operating leases as of June 30, 2012:

For the Year Ending	Amount
June 30,	
2013	\$ 83,000
2014	102,000
2015	105,000
2016	99,000
2017	101,000
Thereafter	<u>34,000</u>
Total	<u>\$ 524,000</u>

The office lease is subject to common area maintenance which is \$2,063 per month at June 30, 2012. The lease is also subject to annual increases, but can increase no more than 4% for controllable expenses, as defined, over the life of the lease. FASB ASC No. 840, *Leases* generally calls for escalating payments over the term of the lease to be amortized over a straight line basis. The difference between actual rent payments and the straight line basis is recorded as a deferred rent obligation.

LITIGATION

From time to time, the Organization may be involved in legal proceedings arising in the ordinary course of business. As of June 30, 2012 the Organization is not aware of any significant litigation that could have a material adverse effect on the Organization's financial position, results of activities or cash flows.

TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6 – LINE OF CREDIT

The Organization has a line of credit agreement with a maximum borrowing amount of \$300,000, which is secured by all of the assets of the Organization and is renewable at least annually. Borrowings under this agreement bear interest at the Bank's Prime Rate plus .6%. As of June 30, 2012, \$205,000 was outstanding. The agreement is due on demand and was renewed on May 9, 2012 with a next renewal date of May 9, 2013.

NOTE 7 – PENSION PLAN

The Organization has a defined contribution pension plan covering all employees who meet the age and service requirements, as defined. A discretionary contribution is determined by the Organization each year, and is allocated pro rata based on compensation and fully vests in five years. The Organization contributed an amount equal to 5% of the eligible employee's base salary into the plan. Contributions to the plan were approximately \$19,000 for the year ended June 30, 2012.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 18, 2012, the date the financial statements were available to be issued.

**TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)**

COMPLIANCE SECTION

FOR THE YEAR ENDED JUNE 30, 2012

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

To the Board of Directors
Treasure Coast Health Council, Inc.

We have audited the financial statements of Treasure Coast Health Council, Inc., d/b/a Health Council of Southeast Florida as of and for the year ended June 30, 2012, and have issued our report thereon dated October 18, 2012. 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 of America.

Internal Control Over Financial Reporting

Management of Treasure Coast Health Council, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Treasure Coast Health Council, 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 Treasure Coast Health Council, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Treasure Coast Health Council, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Treasure Coast Health Council, 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 and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, 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.

Marcum LLP

Fort Lauderdale, FL
October 18, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Treasure Coast Health Council, Inc.

Compliance

We have audited the compliance of Treasure Coast Health Council, Inc., d/b/a Health Council of Southeast Florida (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2012. Treasure Coast Health Council, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Treasure Coast Health Council, Inc.'s management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, 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 Treasure Coast Health Council, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Treasure Coast Health Council, Inc.'s compliance with those requirements.

In our opinion, Treasure Coast Health Council, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Treasure Coast Health Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Treasure Coast Health Council, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, 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 Treasure Coast Health Council, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Marum LLP

Fort Lauderdale, FL
October 18, 2012

TREASURE COAST HEALTH COUNCIL, INC.
(A Non-Profit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA No.	Contract/ Grant No.	Expenditures
US Dept. of Health & Human Services			
Pass-through State of Florida Dept of Health			
Ryan White Care Act-Part B PBC Title II (11/12)	93.917	CODCD	\$ 547,418
Ryan White Care Act-Part B PBC Title II (12/13)	93.917	CODCD	161,216
Ryan White Care Act-Part B TC & EC Title II (11/12)	93.917	COBDW & COBDWEC	1,677,095
Ryan White Care Act-Part B TC & EC Title II (12/13)	93.917	COBDW & COBDWEC	487,577
ALG/CONTR to CHDS - Aids Patient Care Network	93.917	PB293	<u>41,925</u>
			2,915,231
Pass-through Palm Beach County Board of County Commissioners			
Ryan White Care Act-Title I CCS (11/12)	93.914	R2011-1331, 1330, 0477, 0478, 0481	113,348
Ryan White Care Act-Title I CCS (12/13)	93.914	R2012-0965/R2012-0809/R2012-0487	30,236
Ryan White Care Act-Title I Med, Spec, Lab (11/12)	93.914	R2012-0048 & R2011-1329, 0476	283,935
Ryan White Care Act-Title I Med, Spec (12/13)	93.914	R2012-0965/R2012-0809/R2012-0487	<u>128,540</u>
			<u>556,059</u>
Total US Dept. of Health & Human Services			3,471,290
US Department of Housing and Urban Development			
Pass-through State of Florida Dept of Health			
Housing Opportunities for Persons with AIDS	14.241	CODDF	<u>540,187</u>
Total US Dept. of Housing and Urban Development			540,187
Total Expenditures of Federal Awards			<u>\$ 4,011,477</u>

The accompanying notes are an integral part of this schedule.

TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Treasure Coast Health Council, Inc., d/b/a Health Council of Southeast Florida under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Treasure Coast Health Council, Inc., it is not intended to and does not present the financial position, changes in net assets and cash flows of Treasure Coast Health Council, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the Treasure Coast Health Council, Inc. provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
HIV Care Formula Grant	93.917	\$ 1,724,940
Housing Opportunities for Persons with AIDS	14.241	<u>158,647</u>
		<u>\$ 1,883,587</u>

TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 – SUBSEQUENT EVENT

On October 4, 2012, Treasure Coast Health Council, Inc., d/b/a Health Council of Southeast Florida (the Organization) was notified by its subrecipient under the Housing Opportunities for Persons with AIDS CDFA #14.241 (federal awards program from the U.S. Department of Housing and Urban Development) that the subrecipient had discovered a situation wherein the subrecipient may be liable for actions taken by one of their employees with regards to federal awards passed through to them from Treasure Coast Health Council, Inc., d/b/a Health Council of Southeast Florida. In the agreement the Organization has with its subrecipients it states that the subrecipient is responsible for the actions of its employees. The matter is currently being investigated as a criminal matter. Treasure Coast Health Council, Inc., d/b/a Health Council of Southeast Florida's management does not believe the Organization will be responsible for any financial consideration in the matter. Any actual liability regarding the matter has not been determined by the subrecipient or by the Organization at this time.

**TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

SECTION I – SUMMARY OF INDEPENDENT AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: *Unqualified Opinion*
 Internal control over financial reporting:
 Material weakness (es) identified? Yes No
 Significant deficiency(ies) identified that are not considered
 to be material weaknesses(es)? Yes None reported
 Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified that are not considered
 to be material weaknesses(es)? Yes No

Type of auditors’ report issued on compliance with major
 programs: *Unqualified Opinion*
 Any audit findings disclosed that are required to be
 reported in accordance with OMB Circular A-133,
 Section 510(a)? Yes No

Identification of major programs:
Name of Federal Program or Cluster CFDA No.
 HIV Care Formula Grants 93.917

Dollar threshold used to distinguish between Type A and
 Type B programs: \$300,000

Auditee qualified as low risk auditee? Yes No

**TREASURE COAST HEALTH COUNCIL, INC.
D/B/A HEALTH COUNCIL OF SOUTHEAST FLORIDA
(A Non-Profit Corporation)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINDINGS

None