

JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.
(A NON-PROFIT ORGANIZATION)
MIAMI, FLORIDA

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT THEREON,
SUPPLEMENTAL INFORMATION AND INDEPENDENT AUDITORS'
REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, OMB CIRCULAR A-133
AND CHAPTER 10.650 OF THE RULES OF THE AUDITOR GENERAL
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

WATSON RICE LLP
Certified Public Accountants
and
Advisors

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Watson Rice LLP

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
James E. Scott Community Association, Inc.
Miami, Florida

We have audited the accompanying statements of financial position of the James E. Scott Community Association, Inc. ("JESCA") (a non-profit organization) as of December 31, 2005 and 2004, and related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of JESCA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audits provide 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 JESCA as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2006 on our consideration of JESCA'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 the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The accompanying Schedule of Expenditures of Federal, State and Local Awards 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 Chapter 10.650 Rules of the Auditor General 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.

The supplementary schedules on pages 21 to 24 are not a required part of the basic financial statements but are supplementary information required by the state and local funding agencies. Such information has also 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.

Miami, Florida
July 3, 2006

Watson Rice LLP

JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.
(A Non-profit Organization)
STATEMENTS OF FINANCIAL POSITION
December 31, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ - | \$ 97,525 |
| Grants receivable | 1,301,805 | 1,228,187 |
| Deposits | 55,423 | 56,690 |
| Prepaid expenses | <u>89,113</u> | <u>68,124</u> |
| Total current assets | 1,446,341 | 1,450,526 |
| Noncurrent Assets | | |
| Land, buildings and equipment, net | <u>1,169,993</u> | <u>1,346,240</u> |
| Total noncurrent assets | <u>1,169,993</u> | <u>1,346,240</u> |
| TOTAL ASSETS | <u>\$ 2,616,334</u> | <u>\$ 2,796,766</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Current Liabilities: | | |
| Bank overdraft | \$ 24,417 | \$ 331,299 |
| Accounts payable and accrued expenses | 607,071 | 548,493 |
| Payroll deductions payable | 67,893 | 35,870 |
| Accrued salaries | 189,589 | 201,304 |
| Interest payable | 4,944 | 13,645 |
| Deferred income | 227,780 | 237,457 |
| Taxes payable | 314,854 | 314,854 |
| Current portion of notes payable | 220,124 | 106,754 |
| Current portion of mortgage loan payable | 58,081 | 89,589 |
| Current portion of obligation under capital leases | <u>-</u> | <u>234</u> |
| Total current liabilities | <u>1,714,753</u> | <u>1,879,499</u> |
| Noncurrent Liabilities | | |
| Notes payable, net of current portion | 18,844 | 30,673 |
| Mortgage loan payable, net of current portion | 644,820 | 667,429 |
| Obligations under capital leases, net of current portion | <u>-</u> | <u>14,832</u> |
| Total noncurrent liabilities | <u>663,664</u> | <u>712,934</u> |
| Total liabilities | 2,378,417 | 2,592,433 |
| NET ASSETS | | |
| Unrestricted | <u>237,917</u> | <u>204,333</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,616,334</u> | <u>\$ 2,796,766</u> |

See accompanying notes to financial statements.

JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.

(A Non-profit Organization)

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|-------------------|-------------------|
| UNRESTRICTED NET ASSETS: | | |
| SUPPORT AND REVENUES: | | |
| Grant revenue | \$ 7,938,643 | \$ 7,429,633 |
| Donations | 97,102 | 72,249 |
| Program service fees | 94,650 | 119,742 |
| Fundraising | 583,502 | 510,286 |
| In-kind donations | <u>411,682</u> | <u>423,283</u> |
| Total Support and Revenues | <u>9,125,579</u> | <u>8,555,193</u> |
| EXPENSES: | | |
| Program Services: | | |
| Case Management | 100,612 | 93,334 |
| Early Childhood Development | 747,425 | 747,369 |
| Family Management | 150,114 | 138,041 |
| FLOYD House | 734,998 | 698,088 |
| Head Start | 2,465,683 | 2,333,736 |
| Intensive Education | 250,892 | 171,747 |
| Model Cities | 131,130 | 179,650 |
| Multipurpose Programs | 1,167,008 | 1,255,271 |
| Primary Care Homeless | 424,085 | 351,590 |
| Roving Leaders | 753,365 | 737,414 |
| WIA Programs | 542,848 | 435,012 |
| DHS Mental Health | <u>266,289</u> | <u>113,799</u> |
| | 7,734,449 | 7,255,051 |
| Supporting Services: | | |
| Management and general | 1,303,113 | 1,513,671 |
| Fundraising | <u>54,433</u> | <u>53,257</u> |
| Total Expenses | <u>9,091,995</u> | <u>8,821,979</u> |
| INCREASE (DECREASE) IN | | |
| UNRESTRICTED NET ASSETS | 33,584 | (266,786) |
| UNRESTRICTED NET ASSETS | | |
| BEGINNING OF YEAR | <u>204,333</u> | <u>471,119</u> |
| END OF YEAR | <u>\$ 237,917</u> | <u>\$ 204,333</u> |

See accompanying notes to financial statements.

JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.

(A Non-profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES - Continued)

For the Year Ended December 31, 2005

| <u>Description</u> | <u>Case Management</u> | <u>Early Childhood Development</u> | <u>Family Management</u> | <u>FLOYD House</u> | <u>Head Start</u> | <u>Intensive Education</u> | <u>Model Cities</u> | <u>Multi- Purpose</u> | <u>Page Total</u> |
|---------------------------------------|----------------------------|--|------------------------------|------------------------|-----------------------|--------------------------------|-------------------------|---------------------------|-----------------------|
| Salaries | \$ 64,539 | \$ 373,580 | \$ 113,632 | \$ 452,934 | \$ 1,325,119 | \$ 168,607 | \$ 109,915 | \$ 369,761 | \$ 2,978,087 |
| Fringe benefits | 11,027 | 108,248 | 21,824 | 79,801 | 319,967 | 34,789 | 14,458 | 86,316 | 676,430 |
| Total personnel costs | 75,566 | 481,828 | 135,456 | 532,735 | 1,645,086 | 203,396 | 124,373 | 456,077 | 3,654,517 |
| Accounting and audit services | - | 280 | - | - | 169 | - | - | - | 449 |
| Auto and truck expenses | - | - | 303 | 25,784 | - | 3,750 | 273 | 47,050 | 77,160 |
| Bank charges | - | - | - | - | - | - | - | - | - |
| Contractual and professional services | - | 15,616 | 1,500 | - | 66,808 | 1,925 | - | 2,805 | 88,654 |
| Dues and subscriptions | - | - | - | 1,956 | - | - | - | - | 1,956 |
| Food expense | 201 | 184,206 | - | 22,038 | 487 | 1,667 | - | 472,287 | 680,886 |
| Ground upkeep | - | 2,506 | - | 2,613 | 7,368 | - | - | 6,760 | 19,247 |
| Interest expense | - | - | - | - | - | - | - | - | - |
| Insurance expense | 2,547 | 19,052 | 3,035 | 34,987 | 55,637 | 3,989 | 3,117 | 66,785 | 189,149 |
| Licenses and taxes | - | 247 | 250 | 945 | 2,602 | 310 | - | 2,788 | 7,142 |
| Miscellaneous expense | 127 | 323 | 561 | 2,156 | 23,443 | 371 | 763 | 3,877 | 31,621 |
| Postage | 425 | - | - | 29 | - | 24 | - | 107 | 585 |
| Repairs and maintenance | 453 | 659 | 2,386 | 4,169 | 28,603 | 1,717 | - | 8,169 | 46,156 |
| Rental expense | 1,580 | - | - | 65,352 | 506,679 | - | - | 20,704 | 594,315 |
| Security and alarm services | - | 97 | - | 938 | 44 | - | - | - | 1,079 |
| Supplies | 10,044 | 23,639 | 1,453 | 7,945 | 76,667 | 11,512 | 248 | 9,828 | 141,336 |
| Travel and other student activities | 3,270 | 132 | 330 | 5,764 | 6,290 | 19,790 | (35) | 150 | 35,691 |
| Utility expense | 3,899 | 18,810 | - | 25,440 | 35,052 | 2,301 | 2,391 | 69,405 | 157,298 |
| Workshops and seminars | 2,500 | 30 | 4,840 | 2,147 | 10,748 | 140 | - | 216 | 20,621 |
| Bad debt expense | - | - | - | - | - | - | - | - | - |
| Total expenses before depreciation | 100,612 | 747,425 | 150,114 | 734,998 | 2,465,683 | 250,892 | 131,130 | 1,167,008 | 5,747,862 |
| Depreciation expense | - | - | - | - | - | - | - | - | - |
| Total expenses | <u>\$ 100,612</u> | <u>\$ 747,425</u> | <u>\$ 150,114</u> | <u>\$ 734,998</u> | <u>\$ 2,465,683</u> | <u>\$ 250,892</u> | <u>\$ 131,130</u> | <u>\$ 1,167,008</u> | <u>\$ 5,747,862</u> |

See accompanying notes to financial statements.

JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.

(A Non-profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES - Concluded

For the Year Ended December 31, 2005

| <u>Description</u> | <u>Carried Forward</u> | <u>Primary Care Homeless</u> | <u>Roving Leaders</u> | <u>WIA Programs</u> | <u>DHS Mental Health</u> | <u>Total Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------------------|----------------------------|----------------------------------|---------------------------|-------------------------|------------------------------|---------------------------------------|---------------------------------------|--------------------|---------------------|
| Salaries | \$ 2,978,087 | \$ 228,549 | \$ 486,560 | \$ 450,030 | \$ 147,191 | \$ 4,290,417 | \$ 485,536 | \$ - | \$ 4,775,953 |
| Fringe benefits | 676,430 | 39,109 | 96,969 | 63,857 | 27,628 | 903,993 | 66,135 | - | 970,128 |
| Total personnel costs | 3,654,517 | 267,658 | 583,529 | 513,887 | 174,819 | 5,194,410 | 551,671 | - | 5,746,081 |
| Accounting and audit services | 449 | - | - | - | - | 449 | 66,797 | - | 67,246 |
| Auto and truck expenses | 77,160 | 2,656 | - | - | 6,705 | 86,521 | - | - | 86,521 |
| Bank charges | - | - | (4) | - | (30) | (34) | 30,394 | - | 30,360 |
| Contractual and professional services | 88,654 | - | 15,900 | 12,384 | 14,712 | 131,650 | 13,267 | 10,015 | 154,932 |
| Dues and subscriptions | 1,956 | - | - | - | - | 1,956 | 858 | - | 2,814 |
| Food expense | 680,886 | 7,952 | 844 | - | 14,744 | 704,426 | 1,511 | - | 705,937 |
| Ground upkeep | 19,247 | 160 | 1,535 | - | 338 | 21,280 | 14,425 | - | 35,705 |
| Interest expense | - | - | - | - | - | - | 66,841 | - | 66,841 |
| Insurance expense | 189,149 | 13,957 | 17,291 | 8,079 | 3,020 | 231,496 | 47,417 | - | 278,913 |
| Licenses and taxes | 7,142 | 474 | (57) | - | 210 | 7,769 | 17,427 | - | 25,196 |
| Miscellaneous expense | 31,621 | 678 | 119 | 1,351 | 271 | 34,040 | 16,994 | - | 51,034 |
| Postage | 585 | - | 445 | - | 26 | 1,056 | 1,968 | - | 3,024 |
| Repairs and maintenance | 46,156 | 5,402 | 1,114 | - | 1,556 | 54,228 | 36,818 | - | 91,046 |
| Rental expense | 594,315 | 77,353 | 96,559 | - | 4,260 | 772,487 | 30,141 | 29,597 | 832,225 |
| Security and alarm services | 1,079 | 365 | - | - | - | 1,444 | 2,500 | - | 3,944 |
| Supplies | 141,336 | 30,509 | 9,481 | 54 | 33,504 | 214,884 | 30,254 | 14,821 | 259,959 |
| Travel and other student activities | 35,691 | 1,929 | 1,278 | 4,437 | 4,484 | 47,819 | 570 | - | 48,389 |
| Utility expense | 157,298 | 14,992 | 25,231 | 1,956 | (2,631) | 196,846 | 88,807 | - | 285,653 |
| Workshops and seminars | 20,621 | - | 100 | 700 | 10,301 | 31,722 | 105 | - | 31,827 |
| Bad debt expense | - | - | - | - | - | - | - | - | - |
| Total expenses before depreciation | 5,747,862 | 424,085 | 753,365 | 542,848 | 266,289 | 7,734,449 | 1,018,765 | 54,433 | 8,807,647 |
| Depreciation expense | - | - | - | - | - | - | 284,348 | - | 284,348 |
| Total expenses | <u>\$ 5,747,862</u> | <u>\$ 424,085</u> | <u>\$ 753,365</u> | <u>\$ 542,848</u> | <u>\$ 266,289</u> | <u>\$ 7,734,449</u> | <u>\$ 1,303,113</u> | <u>\$ 54,433</u> | <u>\$ 9,091,995</u> |

See accompanying notes to financial statements.

JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.

(A Non-profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES - Continued

For the Year Ended December 31, 2004

| <u>Description</u> | <u>Case Management</u> | <u>Early Childhood Development</u> | <u>Family Management</u> | <u>FLOYD House</u> | <u>Head Start</u> | <u>Intensive Education</u> | <u>Model Cities</u> | <u>Multi- Purpose</u> | <u>Page Total</u> |
|---------------------------------------|----------------------------|--|------------------------------|------------------------|-----------------------|--------------------------------|-------------------------|---------------------------|-----------------------|
| Salaries | \$ 55,977 | \$ 396,972 | \$ 95,942 | \$ 404,579 | \$ 1,354,132 | \$ 112,103 | \$ 136,219 | \$ 419,021 | \$ 2,974,945 |
| Fringe benefits | 8,467 | 96,348 | 17,811 | 65,842 | 296,036 | 20,456 | 17,284 | 88,975 | 611,219 |
| Total personnel costs | 64,444 | 493,320 | 113,753 | 470,421 | 1,650,168 | 132,559 | 153,503 | 507,996 | 3,586,164 |
| Accounting and audit services | - | - | (5,129) | - | 5,000 | 1 | - | - | (128) |
| Auto and truck expenses | - | - | 1,142 | 19,941 | - | 1,463 | 5,979 | 41,232 | 69,757 |
| Bank charges | - | 10 | - | - | 48 | - | 17 | 62 | 137 |
| Contractual and professional services | 1,200 | 8,110 | 1,500 | - | 46,512 | 6,760 | - | 2,180 | 66,262 |
| Dues and subscriptions | - | - | - | 1,656 | - | - | - | - | 1,656 |
| Food expense | 58 | 186,816 | - | 40,859 | 200 | 940 | - | 499,910 | 728,783 |
| Ground upkeep | - | 3,711 | - | 2,585 | 3,534 | - | - | 5,720 | 15,550 |
| Interest expense | - | - | - | - | - | - | - | - | - |
| Insurance expense | 3,651 | 21,326 | 4,241 | 41,698 | 64,500 | 5,351 | 4,083 | 80,230 | 225,080 |
| Licenses and taxes | 216 | 702 | 200 | 1,471 | 3,018 | - | 47 | 1,318 | 6,972 |
| Miscellaneous expense | 43 | 513 | 2,642 | (339) | 11,649 | 1,801 | 42 | 1,631 | 17,982 |
| Postage | 303 | - | - | - | 28 | 82 | - | 465 | 878 |
| Repairs and maintenance | 38 | 1,533 | 134 | 5,204 | 8,375 | - | - | 2,497 | 17,781 |
| Rental expense | 3,837 | 2,501 | 14,312 | 62,091 | 446,522 | - | - | 21,177 | 550,440 |
| Security and alarm services | 30 | 278 | - | 795 | 112 | - | - | - | 1,215 |
| Supplies | 11,133 | 9,217 | 2,062 | 14,049 | 47,980 | 7,264 | 6,073 | 16,777 | 114,555 |
| Travel and other student activities | 3,983 | 443 | 458 | 6,370 | 4,855 | 10,956 | 9,640 | 252 | 36,957 |
| Utility expense | 4,398 | 18,790 | 2,586 | 28,593 | 38,995 | 1,582 | 266 | 73,824 | 169,034 |
| Workshops and seminars | - | 99 | 140 | 2,379 | 2,240 | 2,988 | - | - | 7,846 |
| Bad debt expense | - | - | - | 315 | - | - | - | - | 315 |
| Total expenses before depreciation | 93,334 | 747,369 | 138,041 | 698,088 | 2,333,736 | 171,747 | 179,650 | 1,255,271 | 5,617,236 |
| Depreciation expense | - | - | - | - | - | - | - | - | - |
| Total expenses | <u>\$ 93,334</u> | <u>\$ 747,369</u> | <u>\$ 138,041</u> | <u>\$ 698,088</u> | <u>\$ 2,333,736</u> | <u>\$ 171,747</u> | <u>\$ 179,650</u> | <u>\$ 1,255,271</u> | <u>\$ 5,617,236</u> |

See accompanying notes to financial statements.

JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.

(A Non-profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES - Concluded

For the Year Ended December 31, 2004

| <u>Description</u> | <u>Carried Forward</u> | <u>Primary Care Homeless</u> | <u>Roving Leaders</u> | <u>WIA Programs</u> | <u>DHS Mental Health</u> | <u>Total Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------------------|------------------------|------------------------------|-----------------------|---------------------|--------------------------|-------------------------------|-------------------------------|--------------------|--------------|
| Salaries | \$ 2,974,945 | \$ 212,867 | \$ 459,948 | \$ 301,342 | \$ 78,889 | \$ 4,027,991 | \$ 447,227 | \$ - | \$ 4,475,218 |
| Fringe benefits | 611,219 | 35,582 | 87,464 | 45,570 | 13,332 | 793,167 | 59,864 | - | 853,031 |
| Total personnel costs | 3,586,164 | 248,449 | 547,412 | 346,912 | 92,221 | 4,821,158 | 507,091 | - | 5,328,249 |
| Accounting and audit services | (128) | - | - | - | - | (128) | 65,439 | - | 65,311 |
| Auto and truck expenses | 69,757 | 1,059 | - | - | - | 70,816 | 7 | - | 70,823 |
| Bank charges | 137 | - | 4 | - | - | 141 | 144,905 | - | 145,046 |
| Contractual and professional services | 66,262 | 1,000 | 45,202 | 61,740 | 4,100 | 178,304 | 19,367 | 15,315 | 212,986 |
| Dues and subscriptions | 1,656 | - | - | - | - | 1,656 | 820 | - | 2,476 |
| Food expense | 728,783 | 3,924 | 1,098 | - | 1,592 | 735,397 | 4,906 | - | 740,303 |
| Ground upkeep | 15,550 | - | 1,100 | - | - | 16,650 | 7,020 | - | 23,670 |
| Interest expense | - | - | - | - | - | - | 127,841 | - | 127,841 |
| Insurance expense | 225,080 | 25,262 | 19,118 | 15,208 | 4,565 | 289,233 | 52,708 | - | 341,941 |
| Licenses and taxes | 6,972 | 844 | 2,632 | - | - | 10,448 | 11,857 | - | 22,305 |
| Miscellaneous expense | 17,982 | 146 | 842 | (465) | 796 | 19,301 | 16,437 | 3,185 | 38,923 |
| Postage | 878 | 39 | 946 | - | 100 | 1,963 | 6,296 | - | 8,259 |
| Repairs and maintenance | 17,781 | 917 | 2,205 | - | - | 20,903 | 15,910 | - | 36,813 |
| Rental expense | 550,440 | 44,528 | 86,539 | - | - | 681,507 | 14,482 | 28,062 | 724,051 |
| Security and alarm services | 1,215 | - | - | - | - | 1,215 | 867 | - | 2,082 |
| Supplies | 114,555 | 6,610 | 16,693 | 6,189 | 8,146 | 152,193 | 45,445 | 6,695 | 204,333 |
| Travel and other student activities | 36,957 | 1,100 | - | 1,378 | 68 | 39,503 | 3,204 | - | 42,707 |
| Utility expense | 169,034 | 17,512 | 12,194 | 4,050 | 447 | 203,237 | 102,052 | - | 305,289 |
| Workshops and seminars | 7,846 | 200 | 1,429 | - | 1,764 | 11,239 | 1,116 | - | 12,355 |
| Bad debt expense | 315 | - | - | - | - | 315 | - | - | 315 |
| Total expenses before depreciation | 5,617,236 | 351,590 | 737,414 | 435,012 | 113,799 | 7,255,051 | 1,147,770 | 53,257 | 8,456,078 |
| Depreciation expense | - | - | - | - | - | - | 365,901 | - | 365,901 |
| Total expenses | \$ 5,617,236 | \$ 351,590 | \$ 737,414 | \$ 435,012 | \$ 113,799 | \$ 7,255,051 | \$ 1,513,671 | \$ 53,257 | \$ 8,821,979 |

See accompanying notes to financial statements

JAMES E. SCOTT COMMUNITY ASSOCIATIONS, INC.
(A Non- Profit Organization)
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ 33,584 | \$ (266,786) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 284,348 | 365,901 |
| (Increase) decrease in: | | |
| Grants receivable | (73,618) | (358,392) |
| Deposits | 1,267 | (32,494) |
| Inventories | - | 16,928 |
| Prepaid expenses | (20,989) | 9,740 |
| Increase (decrease) in: | | |
| Bank overdraft | (306,882) | 331,299 |
| Accounts payable and accrued expenses | 58,575 | (190,243) |
| Payroll deductions payable | 32,023 | 797 |
| Accrued salaries | (11,715) | 42,565 |
| Interest payable | (8,701) | - |
| Deferred income | (9,677) | 48,707 |
| Net cash (used in) operating activities | <u>(21,785)</u> | <u>(31,978)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of land, building and equipment | <u>(108,101)</u> | <u>(49,461)</u> |
| Net cash (used in) investing activities | <u>(108,101)</u> | <u>(49,461)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowing | 338,000 | - |
| Decrease in notes payable | (236,459) | (189,617) |
| Increase (decrease) in mortgage payable | (54,114) | 319,112 |
| Decrease in capital leases | <u>(15,066)</u> | <u>(47,507)</u> |
| Net cash provided by financing activities | <u>32,361</u> | <u>81,988</u> |
| NET INCREASE (DECREASE) IN CASH | (97,525) | 549 |
| CASH AT BEGINNING OF YEAR | <u>97,525</u> | <u>96,976</u> |
| CASH AT END OF YEAR | <u>\$ -</u> | <u>\$ 97,525</u> |
| <u>Supplemental disclosures</u> | | |
| Interest paid | <u>\$ 66,841</u> | <u>\$ 127,841</u> |
| Income taxes paid | <u>\$ -</u> | <u>\$ -</u> |
| <u>Noncash transactions from operating and financing activities:</u> | | |
| Non-cash contributions | <u>\$ 411,683</u> | <u>\$ 423,283</u> |

See accompanying notes to financial statements.

James E. Scott Community Association, Inc.
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

NOTE 1. STATEMENT OF PURPOSE

James E. Scott Community Association, Inc. ("JESCA") (a non-profit organization), was founded in 1925 and was incorporated in 1961. The agency has responded to the changing needs of its dynamic multi-ethnic community by providing programs and services, which help people to make positive contributions to their families and community.

JESCA is one of the oldest and largest social service agencies in the Southeastern United States. Under its umbrella of services, it provides help to approximately 3,000 needy individuals and families daily. The agency provides its outreach through programs throughout the Miami-Dade County area.

JESCA is funded principally through contributions and grants from federal, state and local government agencies, the United Way of Miami-Dade County and other private entities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

These financial statements are presented in accordance with the Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-For-Profit Organizations and SFAS No. 116, "Accounting for Contributions Received and Contributions Made". SFAS No. 116 requires JESCA to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires the recognition of revenue, contributions and contributed services, which fulfill specified criteria at fair value.

SFAS No. 117 requires the organization to report information regarding its financial position and activities according to three classes of net assets as follows:

- **Unrestricted Net Assets** - represents resources which are not covered by donor-imposed restrictions; which have met all applicable restrictions and/or resources generated through sources other than receipts from donors.
- **Temporarily Restricted Net Assets** - represents resources recognized as restricted support until all associated restrictions have been met.
- **Permanently Restricted Net Assets** - represents resources that contain a stipulation that permanently restricts the use of such funds but may allow earnings from the funds to be used in a certain manner.

James E. Scott Community Association, Inc.
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

At the close of business on December 31, 2005 and 2004, all of JESCA's net assets are classified as unrestricted.

B. Contributions

JESCA also prepares its financial statements in accordance with SFAS No. 116, "*Accounting for Contributions Received and Contributions Made*". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon the expiration of either time or use restrictions.

As of December 31, 2005 and 2004, all of JESCA's contributions are unrestricted.

C. Revenue and Support

JESCA recognizes contract revenue (up to the contract ceiling) from its contracts, either on a pro-rata basis over a 12-month period over the life of the contracts, based on delivered units of service (as defined in contract), or to the extent of expenses incurred. Revenue recognition depends on the contract.

D. Cash

For purposes of the statement of financial position and statement of cash flows, cash is defined as all monies in petty cash, checking and savings accounts.

E. Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost or, if donated, at the estimated fair market value at time of donation. Capitalization of assets is made only when the amount exceeds \$300. Depreciation is computed on a straight-line basis over the estimated useful lives of the buildings and equipment or over the lease term for leasehold improvements. Useful lives range from 3 to 30 years. Maintenance and repairs are charged to expense as incurred.

F. Income Tax Status

JESCA qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and is not a "private foundation" under Section 509(a) of the I.R.C., as amended; it is also exempt from Florida income,

James E. Scott Community Association, Inc.
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

tangible and intangible personal property taxes; accordingly, these financial statements contain no provision for federal income taxes or any of the aforementioned taxes.

G. Functional Expenses

JESCA allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using various systematic and rational statistical methodologies developed by management.

H. Program Service Fees

JESCA's fiscal department charges program service fees for administrative and accounting services provided to programs. During the years ended December 31, 2005 and 2004, program service fees charged by the fiscal department to programs amounted to \$293,243 and \$332,235, respectively, which were recognized as accounting and audit service fees expense by programs. These amounts were eliminated in the preparation of the financial statements.

I. Donated Services, Facilities and Goods

JESCA receives donated services, goods, and facilities as part of its program services. Only those donated services that require specialized skills are reflected in the financial statements. These donations are recorded and reflected in the accompanying financial statements for the years ended December 31, 2005 and 2004 at their estimated fair values at the time of receipt as follows:

| | 2005 | 2004 |
|--|-------------------|-------------------|
| Services of doctors, social workers, and other professionals | \$ - | \$ 14,679 |
| In-kind contribution of rent from Miami-Dade County | 411,683 | 407,806 |
| Goods donated to JESCA | 798 | 798 |
| | <u>\$ 411,683</u> | <u>\$ 423,283</u> |

J. Use of Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

James E. Scott Community Association, Inc.
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

K. Purpose and Activities of Significant Funding

The following are descriptions of the Program Services provided by JESCA during the years ended December 31, 2005 and 2004:

1. Case Management Services "Young Girls to Youth Ladies Club" - This program is designed to aid in the techniques of prevention, intervention, behavior modification and self esteem enhancement of middle school girls who have been labeled at-risk and delinquent; and who are residing with their families in low-to moderate income areas within the community.
2. Early Childhood Development ("ECD")/HEAD START - The general objective of this program is to provide comprehensive services to children whose parents work outside the home or who are training for future employment. The ECD program offers Early Childhood Education including Head Start, Pre-kindergarten, Early Intervention, private and subsidized childcare.
3. Family Management Positive Experience Program - This is a selective prevention program involving the use of strategies that preclude, forestall, or impede the development of substance abuse and mental health problems and include increasing public awareness through information, education, and alternative-focused activities.
4. Family Life Orientation Youth Development Programs (F.L.O.Y.D House) - This is a community-based program for juveniles (Intensive Probation) designed to provide a structured supervisory environment with emphasis on individual and family counseling, reduction of juvenile crime, and public safety.
5. Intensive Education and Employment Program - This program provides educational, employment and tutorial services to eligible participants in the community utilizing modern technology (computers) and certified teachers.
6. Model Cities Youth Street Workers - This program assigns a counselor to a specific location in the community to provide crime prevention services to delinquent and pre-delinquent youths whose behavior places or may place them at risk of becoming involved in or returning to criminal activities.
7. Multipurpose Centers for the Elderly - This program operates nine (9) congregate meal sites. The program provides a variety of planned activities and services for the elderly in a structured setting.

James E. Scott Community Association, Inc.
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

8. Transition and Stabilization/Primary Care Homeless - This program provides support services to men in need of shelter. The thirty (30)-bed facility focuses on treatment and rehabilitation.
9. Roving Leaders Program - The Roving Leader Alternative Education Center is designed to provide alternative basic educational skills and a strong network of support services to those students within the Miami-Dade County Public Schools, who exhibit behavioral, non-attendance, and academic problems in traditional educational settings.
10. Workforce Investment Act (W.I.A) - This program provides counseling, training, and employment opportunities for people 18 years or older. The program also provides a variety of services aimed at ensuring successful completion of high school and employment/vocational endeavors.
11. DHS Uplift Program/Mental Health - This program provides on site counseling using therapeutic intervention to help improve peoples' lives with individual and family therapy, which includes case management and other supportive services.

L. Related Party Transactions

During 2005, JESCA had transactions with the following related parties:

| Nature of Affiliation with JESCA | Nature of Related Party Transactions | Amount Paid in 2005 |
|-------------------------------------|---|------------------------|
| Board Member | Photography service | \$ 737 |
| Board Member | Insurance Policy | 40,987 |

M. Reclassifications

Certain accounts in the 2005 financial statements were reclassified to conform to the 2004 financial statements presentation.

NOTE 3. GRANTS RECEIVABLE

Accounts receivable arises from JESCA's programs for which revenue is received on a cost or unit of service reimbursement basis. Collections of these receivables are deemed reasonable and probable and, therefore, no allowances for uncollectible receivables have been accrued. At December 31, 2005 and 2004, accounts receivable amounted to \$1,321,199 and \$1,228,187, respectively.

James E. Scott Community Association, Inc.
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEFERRED REVENUE

Deferred revenues arise when payments are received from grantor agencies before the related costs are incurred. In subsequent periods, as the related costs are incurred, the liability for deferred revenue is removed and revenue is recognized.

Deferred revenue consists principally of grant revenue received in advance. At December 31, 2005 and 2004, deferred revenue amounted to \$227,780 and \$237,457, respectively.

NOTE 5. TAXES PAYABLE

In December 1998, JESCA accrued approximately \$314,854 for accumulated interest and penalties for pre-1991 non-payment of payroll taxes.

On September 28, 1995, JESCA filed documents with the IRS, through an Officer in Compromise, requesting abatement of the unpaid interest and penalties because of JESCA's inability to pay the outstanding balance.

JESCA is hopeful that the IRS will formally abate the remaining liabilities as they include only penalties and interest. During the years ended December 31, 2005 and 2004, JESCA made all required payroll tax deposits and filed all required reports timely.

NOTE 6. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at December 31, 2005 and 2004:

| | 2005 | 2004 |
|--------------------------------------|--------------|--------------|
| Land | \$ 221,298 | \$ 221,298 |
| Buildings | 617,058 | 617,058 |
| Buildings and leasehold improvements | 409,982 | 409,982 |
| Furniture and fixtures | 973,435 | 961,492 |
| Vehicles | 738,983 | 716,482 |
| Computer equipment | 657,461 | 588,521 |
| | 3,618,217 | 3,514,833 |
| Less: accumulated depreciation | 2,580,060 | 2,295,712 |
| | 1,038,157 | 1,219,121 |
| Construction in progress | 131,836 | 127,119 |
| Land, buildings and equipment-net | \$ 1,169,993 | \$ 1,346,240 |

Depreciation expense was \$284,348 and \$365,901 for the years ended December 31, 2005 and 2004, respectively, and includes depreciation on capital leases. Titles on vehicles acquired with grant funds are retained by grantors for five (5) years. JESCA will obtain title to the vehicle after five (5) years.

James E. Scott Community Association, Inc.
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The account consists of the following at December 31, 2005 and 2004:

| | 2005 | 2004 |
|------------------|-------------------|-------------------|
| Accounts payable | \$ 464,505 | \$ 428,083 |
| Accrued expenses | 142,566 | 120,410 |
| Total | \$ 607,071 | \$ 548,493 |

Accounts payable represent current obligations incurred in the normal course of JESCA's operations.

Accruals made at the end of the year primarily pertain to contracted services received for each of the programs.

NOTE 8. LONG TERM DEBT

a. Notes Payable

Notes payable consist of the following:

| Description | 2005 | 2004 |
|---|----------|----------|
| Contingencies payable to an individual resulting from two court cases brought against the association by De Lange Landen Financial Services, Inc. for amounts of \$48,083 and \$161,186. As of December 31, 2005 and 2004 only one of the judgments was outstanding which requires payment of \$980 per month until September 30, 2005. | \$ 1,073 | \$ 9,353 |
| Notes payable to a financial institution for the purchase of two (2) transportation vehicles with a net book value of \$39,186 in October 2002 at an interest of 7.50% per annum. Monthly installments of \$849 are due until November 2007. | 18,111 | 26,610 |
| Note payable to a financial institution relative to the settlement agreement on rental fees due for the use of a leased property. Monthly installment payments of \$3,000 are due until September 2005. | - | 19,680 |
| 4.5% unsecured note payable to a local chamber | | |

James E. Scott Community Association, Inc.
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

of commerce due in 36 equal monthly installments of \$595, including interest, through October 1, 2007. On February 13, 2006 a renegotiated term was agreed with the chamber of commerce. The new term requires JESCA to make monthly payment of \$2,000 starting July 15, 2006.

20,000

20,000

Operating line of credit with a local bank, with interest at Bank's Prime Rate and is collateralized by accounts receivable and inventory. The line of credit limit is \$200,000.

| | | |
|----------------------|-----------|-----------|
| | 199,784 | 61,784 |
| | 238,968 | 137,427 |
| Less current portion | (220,124) | (106,754) |
| Long-term portion | \$ 18,844 | \$ 30,673 |

The line of credit with a local bank expired on November 30, 2005 and was extended by the bank to May 31, 2006 through a waiver dated March 24, 2006. JESCA was unable to pay the \$199,784 outstanding balance on May 31, 2006.

The nonpayment of principal outstanding constitutes default as define in the promissory note which the bank may have the option to enforce it remedies as provided for under the promissory note which include among other, foreclosure of security interest or lien against JESCA's accounts without notice.

On June 29, 2006 JESCA obtain a commitment letter from another local bank for a loan up to \$300,000. Management believes that the loan will be finalized within thirty days after the commitment letter date.

b. Mortgage Payable

On November 30, 2005, JESCA obtained a loan from a commercial bank for the purpose of retiring its loan payable with another commercial bank which became due on May 17, 2005. JESCA was also able to reduce its payable under an operating line of credit by approximately \$285,000 using the proceeds of the new loan. The new loan is for \$761,400 with an interest of 7.06% per annum and is collateralized by certain land and building, including fixtures, machinery and equipment in the building and contracts relating to the use of the land and building. Total net book value of properties collateralized is approximately \$1.5 million. The loan requires consecutive monthly payments of \$8,864, including interest. In any event, all principal and accrued interest shall be due and payable on November 30, 2007. Outstanding balance as of December 31, 2005 is \$702,901.

James E. Scott Community Association, Inc.
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

The future scheduled maturities of long-term debt are as follows:

| Year | Principal | Interest |
|-------|------------|------------|
| 2006 | \$ 278,204 | \$ 51,208 |
| 2007 | 663,665 | 40,997 |
| Total | \$ 941,869 | \$ 143,411 |

Interest expense incurred on the long-term debt and charged to operations for the year ended December 31, 2005 and 2004 was \$66,841 and \$97,385, respectively.

NOTE 9. COMMITMENTS AND CONTINGENCIES

a. Compensated Absences

Vacation is earned at various rates depending upon length of service. Sick time is earned at the rate of one day per month. The personnel policy states that no employee can carry over any vacation, sick time or personal leave into the next grant contract period. All leave must be taken within the grant contract period of the funding sources. All time for compensated absences is allowed for by grant contract agreements. Since it is probable that the compensation will not be paid for those employees not taking vacation, sick time or personal leave time within the grant contract period, no liability has been recorded in the fiscal year.

b. Tax deferred annuity

JESCA has a contributory tax deferred annuity plan for participating employees whereby employees contribute a portion of their gross salary each pay period. The employer matches 1% of salary. Employees must be employed for at least one year to be vested. The plan is administered by the Equitable Life Insurance Company. JESCA contributed \$15,655 and \$16,845 for the years ended December 31, 2005 and 2004, respectively.

c. Operating Leases

JESCA leases certain buildings and equipment under operating lease agreements which are renewed annually. Rental expense for the years ended December 31, 2005 and 2004 were \$102,415 and \$74,597, respectively.

JESCA also leases equipment for five years with annual minimum annual rental payments of \$18,805 until March 2010.

d. Litigation

JESCA is involved in legal actions arising in the ordinary course of business. In the opinion of JESCA's management and legal counsel, JESCA has adequate legal defenses and/or insurance coverage with respect to each of these actions

**James E. Scott Community Association, Inc.
(A Non-Profit Organization)**

NOTES TO FINANCIAL STATEMENTS

and does not believe that they will materially affect JESCA's results of operations or financial position.

e. Disallowed Costs Assessment

A review of the Miami-Dade Public School Board (MDPS) dated April 28, 2006 noted that JESCA owes MDPS approximately \$114,000 as a result of overbilling. JESCA is presently appealing the finding with MDPS.

f. Funding Agencies

JESCA receives a significant portion of its funding from public grants. If a significant reduction in the level of funding were to occur, JESCA's ability to carry out its programs and activities will be affected. Costs reflected in the accompanying financial statements relating to government funded programs are subject to audit by the grantor. The possible disallowance by the grantor of any item charged to the program, if any, cannot be determined at this time.

James E. Scott Community Association, Inc.
(A Non-Profit Organization)
SUPPLEMENTAL SCHEDULES
December 31, 2005

| | Page |
|---|-------|
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| Miami-Dade County School Board | |
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JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.
(A Non-profit Organization)
COST CENTER FUNDING SOURCE, REVENUE AND EXPENSE SCHEDULE
Grant Contract KD135
(Functional Expense - Family Management)
For the Year Ended June 30, 2005

| | <u>Intervention</u> | | <u>Variance</u> |
|---|---------------------|-------------------|--|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable</u> <u>(Unfavorable)</u> |
| REVENUE | | | |
| Other Government Funding | | | |
| Other state funding | \$ - | \$ - | \$ - |
| Medicaid | - | - | - |
| Local Government | - | - | - |
| Federal grant and contracts | 125,430 | 125,430 | - |
| In-kind (local government only) | - | - | - |
| Total Other Government Funding | <u>125,430</u> | <u>125,430</u> | <u>-</u> |
| All Other Funding and Revenues | | | |
| Medicare, first and third party fees | - | - | - |
| Contributions and donations | - | 1,200 | 1,200 |
| Other | - | 6,730 | 6,730 |
| In-kind | <u>29,135</u> | <u>29,135</u> | <u>-</u> |
| Total Other Funding and Revenues | <u>29,135</u> | <u>37,065</u> | <u>7,930</u> |
| Total Funding and Revenues | <u>154,565</u> | <u>162,495</u> | <u>7,930</u> |
| EXPENSES | | | |
| Personnel Services | | | |
| Salaries | 95,000 | 95,367 | (367) |
| Fringe benefits | <u>20,574</u> | <u>21,135</u> | <u>(561)</u> |
| Total Personnel Services | <u>115,574</u> | <u>116,502</u> | <u>(928)</u> |
| Other direct expense | | | |
| Building occupancy | 10,823 | 11,273 | (450) |
| Vehicle and gasoline | 1,600 | 3,373 | (1,773) |
| Printing and office supplies | 850 | 3,170 | (2,320) |
| Food services | 1,074 | 197 | 877 |
| Workshops and seminars | 500 | 4,930 | (4,430) |
| Insurance | 2,832 | 1,339 | 1,493 |
| Utilities | - | - | - |
| Licenses and Taxes | 200 | - | 200 |
| Other | <u>500</u> | <u>381</u> | <u>119</u> |
| Total other direct expense | <u>18,379</u> | <u>24,663</u> | <u>(6,284)</u> |
| Total personnel and other direct expense | <u>133,953</u> | <u>141,165</u> | <u>(7,212)</u> |
| Indirect expense | | | |
| Administration | 20,112 | 21,887 | (1,775) |
| Professional services | <u>500</u> | <u>1,333</u> | <u>(833)</u> |
| Total Expenses | <u>154,565</u> | <u>164,385</u> | <u>(9,820)</u> |
| EXCESS OF TOTAL FUNDING AND REVENUES | | | |
| OVER TOTAL EXPENSES | <u>\$ -</u> | <u>\$ (1,890)</u> | <u>\$ (1,890)</u> |

James E Scott Community Association, Inc.
(A Non-Profit Organization)
NOTES TO THE COST CENTER FUNDING SOURCE,
REVENUE AND EXPENSE SCHEDULE
Grant Contract KD135
For the Year Ended June 30, 2005

NOTE 1. BASIS OF PRESENTATION

The information in this schedule is presented in accordance with the requirements of the Federal Program - Children's Substance Abuse from the U.S Department of Health and Human Services, passed through the State of Florida Department of Children and Families. Amount presented in this schedule represents the program's revenue and expenses (budget and actual) for the year ended June 30, 2005, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

James E. Scott Community Association, Inc.
 (A Non-Profit Organization)
SUPPLEMENTAL SCHEDULES
 December 31, 2005

Miami-Dade County Public School
 Information on Roving Leaders Alternative Education Center

| | | |
|---------------------------------|---|---|
| Name of the School | Roving Leaders Alternative Education Center | |
| Address | 1855 NW 119 St. Miami Fl 33136 | |
| Board of Directors | Bernadine Bush Judy Carter William Diggs Christopher Benjamin Herman Echevarria Larry Handfield, Esq. Glenda Harris Rep. Wilbert T. Holloway Anthony Jackson Rev. Sharlene Holts Vivian O. Walters, Jr. | Hyacinth Johnson Rev. Carl Johnson James E. Lamar Wilhelmina Rhetta James M. Roberts Gregory A. Sams, Esq. Donald C. Tyler, Esq. Ken Trueblood Rosetta Wells Kelly Tribble |
| President\CEO | Commissioner Dorrin D. Rolfe | |
| Principal | Robert Brown | |
| Enrollment Configuration | <u>Grade Level</u> | <u>Number of Students</u> |
| | 9 th | 37 |
| | 10 th | 55 |
| | 11 th | 36 |
| | 12th | <u>15</u> |
| | Total | <u>143</u> |

James E. Scott Community Association, Inc.
(A Non-Profit Organization)
SUPPLEMENTAL SCHEDULES
December 31, 2005

Miami-Dade County Public School
Related Party Transactions

| Name of the Party | Nature of Affiliation with JESCA | Nature of Related Party Transactions | Amount Paid in 2005 |
|-------------------|-------------------------------------|--|---------------------------|
| William Diggs | Board Member | Insurance Policy | \$40,987 |
| James Roberts | Board Member | Photography Service | 737 |

JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.
(A Non-Profit Organization)
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS, STATE PROJECT AND LOCAL AWARDS
For the Year Ended December 31, 2005

| Grantor/Pass-through Grantor/Program Title | CFDA/ CSFA Number | Contract Number | Period Covered | | Amount of Award | Expenditures |
|--|-------------------------|-----------------------|----------------|------------|--------------------|--------------|
| | | | From | To | | |
| FEDERAL AWARDS | | | | | | |
| U.S. Department of Health and Human Services, passed through State of Florida Department of Elder Affairs, passed through Alliance for Aging, Inc. | | | | | | |
| Title III-B Support Services | 93.044 | AA-512 | 1/1/2005 | 12/31/2005 | \$ 207,616 | \$ 133,625 |
| Title III C-1 Congregate Meals | 93.045 | AA-512 | 1/1/2005 | 12/31/2005 | 442,194 | 442,194 |
| Title III C-2 Home Delivered Meals | 93.045 | AA-512 | 1/1/2005 | 12/31/2005 | 211,078 | 202,127 |
| Sub-total | | | | | | 777,946 |
| U.S. Department of Agriculture | | | | | | |
| Title III C | 10.570 | | 10/1/2004 | 9/30/2005 | 143,895 | 80,630 |
| Title III C | 10.570 | | 10/1/2005 | 9/30/2006 | 198,560 | 20,472 |
| Sub-total | | | | | | 101,102 |
| U.S. Department of Health and Human Services, passed through Miami-Dade County Community Action Agency | | | | | | |
| Head Start Program | 93.600 | R-482-04 | 8/1/2004 | 7/31/2005 | 2,013,075 | 1,143,757 |
| Head Start Program | 93.600 | | 8/1/2005 | 7/31/2006 | 2,034,437 | 990,569 |
| Sub-total | | | | | | 2,134,326 |
| U.S. Department of Agriculture, passed through State of Florida Department of Health | | | | | | |
| Childhood Program | 10.558 | S-546 | 10/1/2004 | 9/30/2005 | 634,811 | 101,105 |
| Childhood Program | 10.558 | S-546 | 10/1/2005 | 9/30/2006 | 651,215 | 46,319 |
| Sub-total | | | | | | 147,424 |
| U.S. Department of Housing and Urban Development, passed through Miami-Dade County Office of Community and Economic Development | | | | | | |
| Community Development Block Grant | 14.218 | CDBG FY 2005 | 1/1/2005 | 12/31/2005 | | 333,595 |
| U.S. Department of Housing and Urban Development, passed through City of Miami | | | | | | |
| Community Development Block Grant | | | | | | |
| Case Management Social Programs | 14.218 | 799131-453023 | 9/30/2004 | 9/30/2005 | 147,000 | 119,338 |
| Case Management Social Programs | 14.218 | 799131-454058 | 9/30/2005 | 9/30/2006 | 90,000 | 17,423 |
| Housing Opportunities for Persons with AIDS | 14.218 | 194008-594011 | 9/30/2005 | 9/30/2006 | 30,000 | 2,626 |
| Sub-total | | | | | | 472,982 |
| U.S. Department of Labor, passed through State of Florida Department of Labor, passed through South Florida Employment and Training Consortium | | | | | | |
| WIA Youth Activities Program: | | | | | | |
| Youth Services Stay in School | 17.259 | WIA-YA-SIS-PY04-05-02 | 7/1/2004 | 3/31/2005 | 660,783 | 460,881 |
| Youth Services Stay in School | 17.259 | WDS-YA-SIS-PY05-06-02 | 8/1/2005 | 6/30/2006 | 205,511 | 65,529 |
| Sub-total | | | | | | 526,410 |
| U.S. Department of Health and Human Services, passed through State of Florida Department of Children and Families, passed through Miami-Dade County Department of Human Services Division of Child Development Services | | | | | | |
| Subsidized Child Care Services | 93.574 | CDSMF03 | 7/1/2004 | 6/30/2005 | | 256,155 |
| Subsidized Child Care Services | 93.574 | | 7/1/2005 | 6/30/2006 | | 229,445 |
| Sub-total | | | | | | 485,600 |
| U.S. Department of Health and Human Services, passed through State of Florida Department of Children and Families | | | | | | |
| Block Grant for Prevention and Treatment of Substance Abuse: | | | | | | |
| Children's Substance Abuse (Family Management) | 93.959 | KD157 | 7/1/2004 | 6/30/2005 | 125,430 | 75,203 |
| Children's Substance Abuse (Family Management) | 93.959 | KD201 | 7/1/2005 | 6/30/2006 | 125,430 | 53,286 |
| Sub-total | | | | | | 128,489 |
| Sub-total federal awards | | | | | | 4,774,279 |

JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.
(A Non-Profit Organization)
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS, STATE PROJECT AND LOCAL AWARDS
For the Year Ended December 31, 2005

| Grantor/Pass-through Grantor/Program Title | CFDA/ CSFA Number | Contract Number | Period Covered From To | | Amount of Award | Expenditures |
|--|-------------------------|--------------------|---------------------------|------------|--------------------|---------------------|
| Sub-total federal awards (brought forward) | | | | | | \$ 4,774,279 |
| U.S. Department of Education, passed through Florida Department of Education | | | | | | |
| Adult Education - State Grant Program. | | | | | | |
| Adult Education (Intensive) | 84.002 | 128-1915A-SPF01 | 7/1/2004 | 6/30/2005 | 75,000 | 42,844 |
| Adult Education (Intensive) | 84.002 | 128-1916A-6PF01 | 7/1/2005 | 6/30/2006 | 75,000 | 33,523 |
| Sub-total | | | | | | 76,367 |
| U.S. Department of Housing and Urban Development, passed through Miami-Dade County: | | | | | | |
| Supporting Housing Program for Homeless Individuals | 14.233 | FL-14B800004 | 10/1/2002 | 9/30/2005 | 939,417 | 247,759 |
| Supporting Housing Program for Homeless Individuals | 14.233 | FL-14B400052 | 10/1/2005 | 9/30/2006 | 311,923 | 88,536 |
| Sub-total | | | | | | 336,295 |
| TOTAL FEDERAL AWARDS | | | | | | \$ 5,186,941 |
| STATE PROJECT | | | | | | |
| State of Florida Department of Juvenile Justice | | | | | | |
| Day Treatment Services (FLOYD House) | 80.021 | K9016 | 7/1/2004 | 6/30/2005 | 827,820 | \$ 438,285 |
| Day Treatment Services (FLOYD House) | 80.021 | K9016 | 7/1/2005 | 6/30/2006 | 827,820 | 362,970 |
| Disproportionate Minority | | Q5026 | 1/1/2005 | 6/30/2005 | 30,000 | 26,419 |
| Disproportionate Minority | | Q5026 | 8/1/2005 | 7/31/2006 | 39,000 | 11,414 |
| Sub-total | | | | | | 839,088 |
| TOTAL STATE PROJECT | | | | | | \$ 839,088 |
| LOCAL AWARDS | | | | | | |
| Miami-Dade County Department of Human Services: | | | | | | |
| Multi-purpose Center for the Elderly-Nutrition High Risk | | R-254-04 | 10/1/2003 | 9/30/2005 | 293,426 | \$ 61,978 |
| Multi-purpose Center for the Elderly-Nutrition High Risk | | R-719.05 | 10/1/2005 | 9/30/2006 | 79,780 | 22,658 |
| Multi-purpose Center for the Elderly-Home-based Enhanced Nutrition Services | | EB-02 | 7/1/2004 | 7/31/2005 | 54,167 | 24,166 |
| Multi-purpose Center for the Elderly-Home-based Enhanced Nutrition Services | | EB-02 | 8/1/2005 | 6/30/2006 | 45,833 | 4,098 |
| Uplift | | SA0405-24 | 10/1/2004 | 9/30/2005 | 200,000 | 167,786 |
| Uplift | | SA0405-24 | 10/1/2005 | 9/30/2006 | 220,000 | 37,923 |
| Early Childhood Development | | CYFB-08 | 7/1/2004 | 7/31/2005 | 43,333 | 23,491 |
| Early Childhood Development | | CYFB-08 | 8/1/2005 | 6/30/2006 | 36,667 | 20,284 |
| Family Homelessness Prevention and Assistance Program | | HBS-04 | 7/1/2004 | 7/31/2005 | 66,625 | 22,220 |
| Family Homelessness Prevention and Assistance Program | | HBS-04 | 8/1/2005 | 6/30/2006 | 56,375 | 9,815 |
| Intensive Education & Family Literacy | | | 2/15/2004 | 1/15/2005 | 50,000 | 27,346 |
| Teen Pregnancy Prevention Program | | CYFG101 | 7/1/2004 | 7/31/2005 | 65,000 | 35,661 |
| Teen Pregnancy Prevention Program | | CYFG101 | 8/1/2005 | 6/30/2006 | 55,000 | 25,345 |
| Sub-total | | | | | | 482,771 |
| The Children's Trust | | | | | | |
| Youth Experiencing Success (YES) Program | | 42-119 | 8/16/2004 | 6/30/2005 | 148,616 | 70,256 |
| Youth Experiencing Success (YES) Program | | 506-119 | 8/16/2005 | 6/30/2006 | 189,176 | 80,174 |
| Promotion and Prevention Program | | 51-119 | 1/1/2005 | 12/31/2005 | 199,966 | 129,866 |
| Sub-total | | | | | | 380,296 |
| United Way of Miami-Dade | | | | | | |
| Early Childhood Development | | | 7/1/2004 | 6/30/2005 | 146,469 | 57,304 |
| Core Management in General | | | 7/1/2004 | 6/30/2005 | 303,458 | 460,188 |
| Sub-total | | | | | | 517,492 |
| The School Board of Miami-Dade County, Florida | | | | | | |
| Roving Leaders | | | 7/1/2004 | 6/30/2005 | 1,282,579 | 460,958 |
| Roving Leaders | | | 7/1/2005 | 6/30/2006 | 1,285,855 | 393,812 |
| Intensive Education | | 4B015 | 7/1/2004 | 6/30/2005 | 11,640 | 6,452 |
| Intensive Education | | | 7/1/2005 | 6/30/2006 | 11,640 | 9,750 |
| Sub-total | | | | | | 870,952 |
| TOTAL LOCAL AWARDS | | | | | | \$ 2,151,511 |

James E Scott Community Association, Inc.
(A Non-Profit Organization)
**NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS, STATE PROJECT AND LOCAL AWARDS**
December 31, 2005

NOTE 1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards, State Project and Local Awards included herein represents the grant activity of James E. Scott Community Association, Inc. and includes federal programs passed-through the State of Florida and Miami-Dade County, state project and local grants.

NOTE 2. BASIS OF PRESENTATION

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* and Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Certain grants listed include reimbursed and non-reimbursed federal, state and local expenses.

James E. Scott Community Association, Inc.
(A Non-Profit Organization)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2005

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS-
MAJOR FEDERAL PROGRAMS**

U.S. Department of Health and Human Services
Special Programs for the Aging-Title III, Part B-
Grants for Supportive Services and Senior Centers
Special Programs for the Aging-Title III, Part C-
Nutrition Services
CFDA No. 93.044/93.045

02-C-M-2 *Condition:* JESCA did not meet the ten percent (10) matching requirement of the grant program. The matching requirement was represented as being met using another federal grant source.

Current Status: No similar finding was noted during the current year's audit.

03-M-IC-4 *Condition:* The number of units of congregate and home-delivered meals reflected in the Client Information Registration and Tracking System (CIRTS), which was used to bill the grantor, were not supported by documents that provide adequate audit trail.

Current Status: The number of units for home-delivered meals reflected in CIRTS for the months of March, June and September 2005 were supported by monthly detailed Schedule of Request for Home-delivered Meals which JESCA provided to the contracted food caterer as the basis of actual food delivery. Using the detailed Schedule of Request for Home-delivered meals as basis for updating CIRTS may result in meals not actually delivered but billed to grantor.

Management's Response: The route sheets/delivery sheets do not require a signature from the client. This is the procedure that has been established for more than 30 years. If a client experienced any delivery problems or non delivery, clients and/or family members are instructed to contact JESCA's office immediately. JESCA notifies the caterer to redeliver meals to the client, and then a signature is required.

02-IM-IC-5 *Condition:* The number of units of meals reflected in the CIRTS does not agree with the supporting control log and the supporting caterer's invoice by a total of four (4) units for 2 months out of three months tested.

Current Status: No similar finding was noted during the current year's audit.

James E. Scott Community Association, Inc.
(A Non-Profit Organization)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2005

U.S. Department of Health and Human Services
Head Start CDFA No. 93.600

02-C-M-3 *Condition:* JESCA did not meet the matching requirement of the grant agreement by \$29,953.

Current Status: No similar finding was noted during the current year's audit.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS-
FINANCIAL STATEMENTS

04-M-IC-1 *Condition:* The review of payroll process flows disclosed that (a) the accountant in-charge of payroll processing is able to add and delete employees form the payroll master file; and (b) the transmittal to the credit union for electronic payroll arrangement did require the review, signature and approval of the CFO.

Current Status: The payroll service company provides a report with each payroll with any changes made to employee records. The CFO now agrees this report to the supporting documentation and signs off on the report. The transmittal letter to the credit union is agreed to the report from the payroll service company by the CFO and both the transmittal letter and payroll report are signed off by the CFO.



Watson Rice LLP

Certified Public Accountants and Consultants

**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 of
James E. Scott Community Association, Inc.
Miami, Florida

We have audited the financial statements of James E. Scott Community Association, Inc. ("JESCA") (a nonprofit organization) as of and for the year ended December 31, 2004, and have issued our report thereon dated July 3, 2005. 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 JESCA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect JESCA's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Summary Schedule of Prior Year's Findings and Schedule of Findings and Questioned Costs as items 03-M-IC-4 and 05-IC-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that items 03-M-IC-4 and 05-IC-2 are material weaknesses. We also noted other matters involving the internal control over financial reporting which we have reported to the management of JESCA, in a separate letter dated July 3, 2005.

Compliance and Other Matters

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

This report is intended solely for the information and use of board of directors, the finance committee, and management of JESCA; the Auditor General of the State of Florida; 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.

Miami, Florida
July 3, 2005

Walter Rice dhp

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL
CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL
PROGRAM AND STATE PROJECT**

To the Board of Directors of
James E. Scott Community Association, Inc.
Miami, Florida

Compliance

We have audited the compliance of James E. Scott Community Association, Inc. ("JESCA") (a non-profit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and its major state project for the year ended December 31, 2004. JESCA's major federal programs and major state project are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and its major state project is the responsibility of JESCA's management. Our responsibility is to express an opinion on JESCA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about JESCA'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 JESCA's compliance with those requirements.

In our opinion, JESCA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and its major state project for the year ended December 31, 2005.

Internal Control Over Compliance

The management of JESCA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and major state financial assistance projects. In planning and performing our audit, we considered JESCA's internal control over compliance with requirements that could have a direct and material effect on a major federal program and a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect JESCA's ability to administer a major federal program and a major state project in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Summary of Prior Year's Findings and Schedule of Findings and Questioned Costs as items 03-M-IC-4 and 05-IC-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program and major state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that item 03-M-IC-4 and 05-IC-2 are material weaknesses.

This report is intended solely for the information and use of the board of directors and management of JESCA, the Auditor General of the State of Florida, 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.

Miami, Florida
July 3, 2005

Walter Rice LRP

James E. Scott Community Association, Inc.
(A Non-Profit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2005

I – SUMMARY OF AUDITORS' RESULTS: WATSON RICE LLP

Financial Statements

Type of auditors' report issued

Unqualified

Internal control over financial reporting:

Material weakness (es) identified?

x Yes No

Reportable condition(s) identified not
considered to be material
weakness(es)?

 Yes x None reported

Noncompliance material to financial
statements noted?

 Yes x None reported

Results of OMB Circular A-133 Audit and
Chapter 10.650, Rules of the Auditor
General

Type of report issued on compliance with
major programs:

Federal programs

Unqualified

State project

Unqualified

Internal control over major programs:

Material weakness (es) identified?

x Yes No

Reportable condition(s) identified not
considered material weaknesses?

 Yes x None Reported

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

x Yes None Reported

Identification of major programs:

Federal Program:

CFDA/CSFA No.

Special Programs for the Aging
Cluster

93.044/93.045

Head Start

93.600

State Project:

Day Treatment Services

80.021

The threshold for distinguishing Type A and Type B programs/project was \$300,000 for major federal program and state project.

Auditee qualified as a low-risk auditee
pursuant to OMB Circular A-133.

 Yes x No

James E. Scott Community Association, Inc.
(A Non-Profit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2005

**II – FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT AS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY
ACCEPTED GOVERNMENT AUDITING STANDARDS**

05-01 *Condition:* For the year 2005 JESCA was billing the Miami-Dade Public School Board (MDPS) for the Roving Leaders program using peak enrollment basis rather than peak attendance as provided for in the contract. As a result the MDPS assessed JESCA approximately \$114,000 for overbilling during the review conducted by MDPS that was concluded in May 2006.

Criteria: The contract with the MDPS starting July 1, 2005 change from the peak enrollment basis to peak attendance. The change was not captured by JESCA, hence, the organization was billing the MDPS using the peak enrollment basis up to May 2006.

Management's Response: It is management's understanding that this matter is mutually resolved without a cost to JESCA.

III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

U.S. Department of Health and Human Services
Head Start CDFA No. 93.600
Special Programs for the Aging-Title III, Part B-
Grants for Supportive Services and Senior Centers
Special Programs for the Aging-Title III, Part C-
Nutrition Services CFDA No. 93.044/93.045

05-IC-2 *Condition:* The determination of whether JESCA complied with the matching requirement of the grant contracts is done only as part of the external audit rather than as periodic internal evaluation of compliance against contract.

Criteria: JESCA is required to report compliance with the matching compliance requirement.

Recommendation: We recommend that JESCA determine its compliance with the matching compliance requirement on monthly basis.

Management's response: Management will make sure volunteer packages are turned in on a monthly basis and all documentation related to in-kind rents will be updated annually. In addition, the match will be reviewed on a quarterly basis to make sure it is on track to meet the required match.

III – FINDINGS AND QUESTIONED COSTS FOR STATE PROJECTS

None.



Watson Rice LLP

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Board of Directors of
James E Scott Community Association, Inc.
Miami, Florida

We have audited the financial statements of the James E Scott Community Association ("JESCA") (a non-profit organization), as of and for the year ended December 31, 2005, and have issued our report thereon dated July 3, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and Chapter 10.650, Rules of the Auditor General. We have issued our Independent Auditors' Report on Compliance and Internal Control over Financial Reporting, Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program and Major State Financial Assistance Project, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated July 3, 2005, and should be considered in conjunction with this management letter.

The Rules of the State of Florida Auditor General (Section 10.650(1)(d)) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters, other than those already reported in the auditors' report on compliance and internal control or schedule of findings and questioned costs, required to be disclosed under the Rules of Auditor General (Section 10.650(1)(d)).

This management letter is intended solely for the information and use of the board of directors and management of JESCA, the Auditor General of the State of Florida, 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

Miami, Florida
July 3, 2005

Watson Rice LLP

James E Scott Community Association, Inc.
(A Non-Profit Organization)
December 31, 2004
SUMMARY OF CURRENT YEAR'S FINDINGS

05-ML-1 *Condition:* During testing of twelve (12) disbursement vouchers the following were noted:

- (1) A disbursement for \$1,050 for tutorial services was not supported by a contract or any document which shows evidence that a predetermined rate was agreed upon for the services;
- (2) A disbursement for \$698 10 for a gas bill was not supported by gasoline purchase voucher evidencing that a JESCA employee authorized the purchase.
- (3) Two did not have program director's signature as evidence of approval for program expense;
- (4) One payment for postage refill was mainly supported by the vendor's invoice. There was no supporting purchase order or its equivalent. It appears that JESCA did not know the basis of the vendor's billing.

Recommendation: We recommend that JESCA (1) requires a contract to be drawn for all purchases of services and payments; (2) gas bill should be made only with supporting gasoline purchase voucher; (3) Payments should not be made for invoices without a program director's signature; and (4) an understanding of how cost of postage refill are determined should be obtained and if possible an agreement or contract be drawn with the vendor.

Management's response: JESCA continues to make improvements in the review and approval of disbursements. More time will be taken to insure all required procedures have been met before a disbursement is made.

05-ML-2 *Condition:* Two out of fourteen (14) employee files tested did not have current evaluation.

Recommendation: We recommend that strictly enforce its policy on annual performance evaluation.

Management's Response: JESCA will ensure that all performance evaluations are completed timely.

05-ML-3 *Condition:* JESCA's Accounts Payable transaction process requires that account distribution and identification of invoice to be paid to be approved by the CFO before an invoice is processed. However, after check payments are processed it does not require the review and approval of the CFO; the package is directly routed to the President and another board member for check signatures. We believe this practice may result in check payments processed without the approval of the CFO.

James E Scott Community Association, Inc.
(A Non-Profit Organization)
December 31, 2004
SUMMARY OF CURRENT YEAR'S FINDINGS

Recommendation: We suggest check payments package should be reviewed and signed as approved by the CFO before routing to authorize checks signatories.

Management's response: After checks are cut, they will come back to the CFO to verify only obligations he had reviewed and approved were issued before they are forwarded for signature. This step will be documented by the CFO's initials on the bottom of the check stub and will begin in July 2006.

05-ML-4 **Condition:** All twelve journal entries tested recording collections did not have the approval of the CFO.

Recommendation: We recommend that all journal entries for collections or otherwise should be reviewed and approved by the CFO before posting to the general ledger. This minimizes errors and unnecessary adjusting entries.

Management's response: During 2005 due to the posting of entries being behind, the CFO posted all collection entries after reviewing them. The entries were not signed as the entry documentation showed the entries were made under his log-in.

05-ML-5 **Condition:** JESCA continues to capitalize at costs all expenses for fixed assets in excess of \$300.00

Recommendation: We recommend that JESCA adopt the capitalization threshold of \$5,000 established by the Federal Government.

Management's Response: JESCA will take this matter to the finance committee for consideration and if a change to \$5,000 is agreed upon, then to the full board for approval.

James E Scott Community Association, Inc.
(A Non-Profit Organization)
December 31, 2004
SUMMARY OF PRIOR YEAR'S FINDINGS

04-ML-1 *Condition:* We noted that during the current year there were fixed assets acquired to replace old units. However, there was no journal entry to take out the cost and related accumulated depreciation of the replaced fixed assets from the general ledger. This practice may cause overstatement of cost and accumulated depreciation.

Current Status: No similar finding was noted in the current year's audit.

04-ML-2 *Condition:* We noted that while there is a report on actual cash received in relation to the Annual Dinner ticket sales, there is no accounting for the completeness of recording these tickets. Without accounting for the completeness of recording the Annual Dinner tickets, these tickets may be sold and not recorded and proceeds may be misappropriated.

Current Status: Similar finding is noted in the current year audit.

Management's Response: This finding was not made until after the 2005 dinner was complete. The procedures were reviewed and changes were made for the 2006 dinner.

04-ML-3 JESCA's accounts receivable, which represents amount owed from the various grantors, amounted to \$1,228,187 and \$869,795 as of December 31, 2004 and 2003, respectively. These amounts represent approximately 17% and 11% of the total grant revenues for the year ended December 31, 2004 and 2003, respectively. The outstanding balance of accounts receivable as of December 31, 2004 represents approximately two (2) months of program expenses not reimbursed.

The foregoing is a reflection of JESCA's extended turn around time in billing/submitting various reimbursement packages to the grantors and contributed to JESCA's cash flows problems throughout the year. Accordingly, JESCA incurred bank charges due to insufficient funds charges of approximately \$145,000 at the end of the year 2004.

Current Status: JESCA's account receivable at December 31, 2005 of \$1,321,199 does reflect an improvement from prior year in terms of billing and collection. Bank charges for the year significantly decrease to \$30,360.

Management's response: JESCA continued to improve the timing of its reimbursement packages and is currently turning all packages in on time. Bank charges for 2006 are at a pace to be less than 2005.

04-ML-4 *Condition:* For the year ended December 31, 2004 JESCA paid a total of \$97,385 in interest charges on borrowed monies. OMB Circular A-122 provides that interest charges on borrowed capital are unallowable.

James E Scott Community Association, Inc.
(A Non-Profit Organization)
December 31, 2004
SUMMARY OF PRIOR YEAR'S FINDINGS

Current status: Interest charges for the year 2005 amounted to \$66,841.

Management's response: All interest paid with unrestricted dollars.

03-ML-5 *Condition:* It was noted that buildings owned by JESCA are being used by its programs; however, depreciation expense was allocated only to management and general and not allocated as part of program expenses. We recommend that JESCA implement a method of allocating depreciation expense on buildings used by programs. The method of allocation could be based on square footage of space occupied by management and staff of programs. In addition, the allocated depreciation expense may be reported by programs as in-kind contributions and/or match contributions to meet matching requirement of grant contracts.

Current Status: For the year ended December 31, 2005, depreciation expense of buildings owned by JESCA and being used by the programs was not allocated to the various programs.

Management's Response: This was implemented by charging the programs rent for their space usage. JESCA will review these allocations to make sure all programs affected are charged.

02-ML-6 *Condition:* In prior year's audit, it was noted that JESCA did not prepare monthly interim financial statements.

Current Status: Although quarterly financial statements are now being prepared, we encourage management to continue to implement its goal of providing monthly financial statements.

Management's Response: Monthly statements are still not being produced. They will be produced in late 2006.