



# Miami-Dade County Public Schools

*giving our students the world*

**Superintendent of Schools**  
Rudolph F. Crew, Ed.D.

**Chief Auditor**  
Allen M. Vann, CPA

**Assistant Chief Auditor**  
Jose F. Montes de Oca, CPA

**Miami-Dade County School Board**  
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Dr. Marta Pérez  
Dr. Solomon C. Stinson

October 19, 2005

## Members of The School Board Audit Committee

Ladies and Gentlemen:

The independent audit report for the James E. Scott Community Association, Inc. (JESCA) for fiscal year ended December 31, 2004 is attached for your review. This audit was performed by independent auditors contracted by JESCA. This large community-based organization makes positive contributions to the community by providing many social services including alternative education programs for students unable to succeed in the public schools. For several years, the agency has operated the Roving Leaders Alternative Education Center with funds received under a contract approved by the School Board each year. The contract also requires an annual audit. During the 2004-05 school year, 196 Miami-Dade County students participated in JESCA's program.

The audit report disclosed several issues that, in our view, required additional explanation. Accordingly, we wrote a letter to the agency requesting that it provide the necessary information, and also inviting the agency's appropriate officials to attend the meeting of the Audit Committee where the audit report would be presented. Our letter to JESCA and their response are included herein.

The audit of the James E. Scott Community Association, Inc. for the year ended December 31, 2004 will be presented to the School Board Audit Committee at its October 25, 2005 meeting and to the School Board at its November 16, 2005 meeting.

Sincerely,

Allen M. Vann, CPA, Chief Auditor  
Office of Management and Compliance Audits

AMV:la  
L066  
Attachments

cc: School Board Members  
Dr. Rudolph F. Crew

JAMES E SCOTT COMMUNITY ASSOCIATION  
MANAGEMENT AND GENERAL ALLOCATION FOR ROVING  
YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
TOTAL ROVING REVENUES	1,019,399	888,605
TOTAL AGENCY REVENUES	8,555,193	8,643,011
PERCENTAGE	11.92%	10.28%
TOTAL GENERAL AND MANAGEMENT EXPESES	1,147,770	946,554
TOTAL ALLOCATED TO ROVING	136,763	97,317

James E. Scott Community Association, Inc.  
January 01, 2005 to December 31, 2005

	Core	Early Childhood Develop	Model Cities	Family Mgt.	Roving Leaders	Multipurpose	Ex-Offender	FLOYD	Primary Care	Intensive Education	DHS Mental Health	SIS	Headstart	Total Budget
<b>Revenue</b>														
Dade County Funding	200,000	124,232			885,780	301,000	75,000		348,228	61,600	200,000	65,000	1,581,691	1,847,612
Federal Funding		748,106	100,000			860,888	25,000							3,703,913
City of Miami Funding						103,000		830,000		75,000				50,000
State of Florida Funding				125,428										1,133,428
Program Generated Funding	393,032	50,000												443,032
United Way Funding		128,290			57,500	25,000		55,262	32,500				337,466	298,552
In-Kind Income	225			22,350		7,000			71,702					431,743
Other Income	48,000													55,000
Fund Raising	55,000	21,000								5,000				81,000
Donations	110,000	4,057												114,057
Annual Dinner Income	300,000													300,000
<b>Total Revenue</b>	<b>1,106,257</b>	<b>1,075,685</b>	<b>100,000</b>	<b>147,778</b>	<b>943,280</b>	<b>1,321,888</b>	<b>100,000</b>	<b>885,262</b>	<b>452,430</b>	<b>141,600</b>	<b>200,000</b>	<b>65,000</b>	<b>1,919,157</b>	<b>8,458,337</b>
<b>Expenditures</b>														
Accounting & Audit Service	51,782				100,800	9,000	4,801	72,000	2,500		4,000	1,714	6,000	388,361
Advertising		128,290	175	7,300				10,186						0
Auto & Truck Expense	174			2,850		34,374								47,584
Bank Charges	27,438													27,438
Community Relations	2,561													2,561
Contractual Service	1,095	60,000			30,000	4,000							86,400	181,495
Dues & Subscriptions	1,290													1,290
Depreciation Expense														0
Education Expense	22,272	5,687		1,000	3,000	26,000	1,500	11,000	6,983	7,000			6,500	21,687
Electrical Expense	5,125	9,911		1,200					1,250				4,500	84,866
Equipment	24,152				46,741	53,205	5,538		20,519	10,134	1,200		10,000	19,075
Fringe Benefits Health & Life	20,336	100,000	6,385	8,532	19,829	23,130	2,196		11,563	2,053	10,216	3,193	162,130	450,745
Fringe Benefits Workers Comp	34,311	35,000	2,475	2,850	36,040	32,806	5,432	39,894	16,070	7,305	3,273	1,285	40,859	164,849
Fringe Benefits Employer S/S	2,937	38,000	6,121	7,268	6,816	7,938	756		3,393	1,512	8,094	3,744	87,834	322,918
Fringe Benefits Unemployment	4,912	15,000	945	1,107	2,100	4,288	460	20,000	1,804	555	1,512	567	22,312	64,795
Fringe Benefits Retirement		301	800	950					27,000		700	586	360	17,816
Food Expense		250,000		1,000		550,000							11,000	859,000
Grounds Upkeep	10,175	4,629				8,500							23,304	64,345
Interest Expense	64,345													47,438
Inkind Expense	47,438				18,889	40,000	1,494	15,680	8,717	677	671	490	20,113	134,648
Insurance Expense	17,310	5,767	2,008	2,832										16,625
Legal Service	16,625													4,311
Licenses & Taxes	702	823		350		388		1,800	15,535				1,048	2,500
Miscellaneous Expense	9,534							2,000						29,569
Office Supplies	19,659	1,584		1,250	3,000	5,000	700	3,440	3,500	3,881	2,534	2,278	17,050	63,876
Penalties														0
Postage	2,668				500	400	200		200				1,000	4,968
Printing Supplies & Expenses	342	273		250	500		500	1,500					10,000	13,365
Professional Fees	5,203							400						65,603
Property Taxes	2,970				300									3,270
Repairs & Maintenance	21,917	7,170			29,800	11,500	500	18,020	2,963				38,200	130,069
Rental Expense		4,545	240	7,800	100,000	21,000		74,000	40,267				183,696	431,548
Salaries	448,511	400,000	80,010	95,000	471,111	428,533	71,000	521,495	210,071	95,484	105,800	48,943	1,148,156	4,124,414
Stipends														0
Security & Alarm Service	1,428	1,135			1,000			336						3,899
Special Expense		6,570		500	6,800		700		42,000	3,000			54,770	117,146
Telephone & Communications	41,895	2,613	841	1,200	5,500	26,000	2,224	11,590	2,400			250	3,000	96,422
Transportation		566					1,500	14,100	1,444	10,000				27,610
Travel Expenses	8	58												2,575
Waste, Water & Sewer	13,227	1,757		2,400	9,600	9,026	500	9,259	1,500		2,000	1,950	2,575	6,591
Workshop, Staff Development	7,056	427		2,140				2,000	250				5,600	52,869
Annual Meeting Expense	57,996													11,872
<b>Total Expenditures</b>	<b>987,392</b>	<b>1,080,106</b>	<b>100,000</b>	<b>147,778</b>	<b>892,327</b>	<b>1,296,888</b>	<b>100,000</b>	<b>829,615</b>	<b>419,929</b>	<b>141,600</b>	<b>200,000</b>	<b>65,000</b>	<b>1,925,603</b>	<b>8,186,237</b>
<b>Over/Short</b>	<b>118,865</b>	<b>-4,420</b>	<b>0</b>	<b>0</b>	<b>50,953</b>	<b>25,000</b>	<b>1</b>	<b>55,647</b>	<b>32,501</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-6,446</b>	<b>272,101</b>

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

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**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, 2004 AND 2003**

2005 OCT 13 PM 1:10  
JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.  
MIAMI, FLORIDA

**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 of  
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, 2004 and 2003, 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 audit.

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, 2004 and 2003, 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 June 10, 2005 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  
June 10, 2005

*William A. Lee*

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-Profit Organization)**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2004 and 2003**

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
Current Assets		
Cash	\$ 97,525	\$ 96,976
Accounts receivable	1,228,187	869,795
Deposits	56,690	24,196
Inventories	-	16,928
Prepaid expenses	<u>68,124</u>	<u>77,864</u>
Total current assets	1,450,526	1,085,759
Noncurrent Assets		
Land, buildings and equipment, net	<u>1,346,240</u>	<u>1,662,680</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,796,766</u></b>	<b><u>\$ 2,748,439</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES		
Current Liabilities		
Bank overdraft	\$ 331,299	\$ -
Accounts payable and accrued expenses	548,496	728,180
Payroll deductions payable	35,870	45,632
Accrued salaries	201,304	158,739
Interest payable	13,645	13,645
Deferred income	237,457	188,750
Taxes payable	314,854	314,854
Current portion of notes payable	106,754	272,851
Current portion of mortgage loan payable	89,586	15,906
Current portion of obligation under capital leases	<u>234</u>	<u>47,741</u>
Total current liabilities	<u>1,879,499</u>	<u>1,786,298</u>
Noncurrent Liabilities		
Notes payable, net of current portion	30,673	54,193
Mortgage loan payable, net of current portion	667,429	421,997
Obligations under capital leases, net of current portion	<u>14,832</u>	<u>14,832</u>
Total noncurrent liabilities	<u>712,934</u>	<u>491,022</u>
Total liabilities	2,592,433	2,277,320
NET ASSETS		
Unrestricted	<u>204,333</u>	<u>471,119</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,796,766</u></b>	<b><u>\$ 2,748,439</u></b>

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



**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-profit Organization)**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>UNRESTRICTED NET ASSETS:</b>		
<b>SUPPORT AND REVENUES:</b>		
Grant revenue	\$ 7,429,633	\$ 7,799,922
Donations	72,249	117,646
Program service fees	119,742	153,072
Fundraising	510,286	303,889
In-kind donations	<u>423,283</u>	<u>268,482</u>
<b>Total Support and Revenues</b>	<u>8,555,193</u>	<u>8,643,011</u>
 <b>EXPENSES:</b>		
Program Services:		
Case Management	93,334	83,459
Early Childhood Development	747,369	899,910
Family Management	138,041	149,954
FLOYD House	698,088	701,822
Head Start	2,333,736	2,179,122
Intensive Education	171,747	258,681
Model Cities	179,650	117,341
Multipurpose Programs	1,255,271	1,425,888
Primary Care Homeless	351,590	314,064
Roving Leaders	737,414	690,265
WIA Programs	435,012	305,905
DHS Mental Health	<u>113,799</u>	<u>196,079</u>
	7,255,051	7,322,490
Supporting Services:		
Management and general	1,513,671	1,318,613
Fundraising	<u>53,257</u>	<u>47,794</u>
<b>Total Expenses</b>	<u>8,821,979</u>	<u>8,688,897</u>
 <b>DECREASE IN UNRESTRICTED NET ASSETS</b>	 (266,786)	 (45,886)
 <b>UNRESTRICTED NET ASSETS</b>		
<b>BEGINNING OF YEAR</b>	<u>471,119</u>	<u>517,005</u>
 <b>END OF YEAR</b>	 <u>\$ 204,333</u>	 <u>\$ 471,119</u>

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

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
(A Non-Profit Organization)  
**STATEMENT OF FUNCTIONAL EXPENSES - Continued**  
For the Year Ended December 31, 2004

Description	Case Management		Early Childhood Development	Family Management		FLOYD House	Head Start	Intensive Education	Model Cities	Multi-Purpose	Page	
	Management			Management							Total	Total
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	
<b>Total personnel services</b>	<b>64,444</b>		<b>493,320</b>	<b>113,753</b>		<b>470,421</b>	<b>1,650,168</b>	<b>132,559</b>	<b>153,503</b>	<b>507,996</b>	<b>3,586,164</b>	
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		532	200		724	2,035	-	47	1,092	4,846	
Miscellaneous expense	43		513	1,042		(24)	2,017	1,801	42	1,631	7,065	
Office supplies and expense	9,805		2,255	3,549		6,955	8,940	5,626	3,573	2,846	43,549	
Other taxes	200		170	-		747	983	-	-	226	2,326	
Postage	303		-	-		-	28	82	-	465	878	
Printing supplies and expense	-		-	-		-	-	-	-	-	-	
Repairs and maintenance	-		1,533	134		5,231	29,280	146	-	2,497	38,821	
Rental expense	3,837		2,501	15,912		62,091	455,940	-	-	21,177	561,458	
Security and alarm services	30		278	-		795	112	-	-	-	1,215	
Supplies	1,366		6,962	15		7,067	18,349	1,492	2,500	13,931	51,682	
Travel and other student activities	3783		542	458		8,272	4,855	10,956	9,640	-	38,506	
Utility expense	4,398		18,790	1,056		29,070	38,995	1,582	266	74,076	168,233	
Workshops and seminars	-		-	168		-	2,240	2,988	-	-	5,396	
Bad debt expense	-		-	-		-	-	-	-	-	-	
<b>Total expenses before depreciation</b>	<b>93,334</b>		<b>747,369</b>	<b>138,041</b>		<b>698,088</b>	<b>2,333,736</b>	<b>171,747</b>	<b>179,650</b>	<b>1,255,271</b>	<b>5,617,236</b>	
Depreciation expense	-		-	-		-	-	-	-	-	-	
<b>Total expenses</b>	<b>\$ 93,334</b>		<b>\$ 747,369</b>	<b>\$ 138,041</b>		<b>\$ 698,088</b>	<b>\$ 2,333,736</b>	<b>\$ 171,747</b>	<b>\$ 179,650</b>	<b>\$ 1,255,271</b>	<b>\$ 5,617,236</b>	

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

**JAMES E. COMMUNITY ASSOCIATION, INC.**  
**(A Non-Profit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES - Concluded**  
**For the Year Ended December 31, 2004**

Description	Carried Forward	Primary Care Homeless	Roving Leaders	WIA Programs	DHS Mental Health	Total Program Services	Management and General	Fundraising	Total
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	87,484	45,570	13,332	793,167	59,864	-	853,031
<b>Total personnel services</b>	<b>3,586,164</b>	<b>248,449</b>	<b>547,412</b>	<b>346,912</b>	<b>92,221</b>	<b>4,821,158</b>	<b>507,091</b>	<b>-</b>	<b>5,328,249</b>
Accounting and audit services	(128)	-	-	-	-	(128)	65,439	-	65,311
Auto and truck expenses	69,757	759	-	-	-	70,516	7	-	70,523
Bank charges	137	-	4	-	-	141	175,361	-	175,502
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	-	-	-	-	-	-	97,385	-	97,385
Insurance expense	225,080	25,262	19,118	15,208	4,565	289,233	52,708	-	341,941
Licenses and taxes	4,846	628	-	-	-	5,474	1,483	-	6,957
Miscellaneous expense	7,065	146	7,474	241	6,728	21,654	16,437	3,185	41,276
Office supplies and expense	43,549	6,311	14,032	5,456	2,214	71,562	44,735	-	116,297
Other taxes	2,326	216	-	-	-	2,542	10,374	-	12,916
Postage	878	39	946	-	100	1,963	6,296	-	8,259
Printing supplies and expense	-	-	-	-	-	-	-	6,695	6,695
Repairs and maintenance	38,821	1,217	-	-	-	40,038	15,910	-	55,948
Rental expense	561,458	44,528	86,539	-	-	692,525	14,482	28,062	735,069
Security and alarm services	1,215	-	-	-	447	1,662	867	-	2,529
Supplies	51,682	299	866	27	-	52,874	710	-	53,584
Travel and other student activities	38,506	1,100	-	1,378	1,832	42,816	3,204	-	46,020
Utility expense	168,233	17,512	12,194	4,050	-	201,989	102,052	-	304,041
Workshops and seminars	5,396	200	1,429	-	-	7,025	1,116	-	8,141
Bad debts expense	-	-	-	-	-	-	-	-	-
<b>Total expenses before depreciation</b>	<b>5,617,236</b>	<b>351,590</b>	<b>737,414</b>	<b>435,012</b>	<b>113,799</b>	<b>7,255,051</b>	<b>1,147,770</b>	<b>53,257</b>	<b>8,456,078</b>
Depreciation expense	-	-	-	-	-	-	365,901	-	365,901
<b>Total expenses</b>	<b>\$ 5,617,236</b>	<b>\$ 351,590</b>	<b>\$ 737,414</b>	<b>\$ 435,012</b>	<b>\$ 113,799</b>	<b>\$ 7,255,051</b>	<b>\$ 1,513,671</b>	<b>\$ 53,257</b>	<b>\$ 8,821,979</b>

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

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-Profit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES - Continued**  
**For the Year Ended December 31, 2003**

Description	Case Management	Early Childhood Development	Family Management	FLOYD House	Head Start	Intensive Education	Model Cities	Multi-Purpose	Page Total
Salaries	\$ 61,234	\$ 465,929	\$ 95,279	\$ 424,396	\$ 1,396,835	\$ 200,354	\$ 87,461	\$ 438,674	\$ 3,170,162
Fringe benefits	10,149	112,139	16,475	73,879	285,368	25,234	13,892	91,788	628,924
<b>Total personnel services</b>	<b>71,383</b>	<b>578,068</b>	<b>111,754</b>	<b>498,275</b>	<b>1,682,203</b>	<b>225,588</b>	<b>101,353</b>	<b>530,462</b>	<b>3,799,086</b>
Accounting and audit services	2,250	1,175	-	-	5,000	-	575	7,338	16,338
Auto and truck expenses	-	-	-	14,628	-	406	278	44,474	59,786
Bank charges	-	-	-	-	-	-	-	-	-
Contractual and professional services	-	18,639	250	330	44,040	-	1,000	330	64,589
Dues and subscriptions	-	-	-	1,856	-	-	-	-	1,856
Food expense	-	231,485	155	17,891	519	-	-	639,589	889,639
Ground upkeep	-	3,766	-	2,820	3,781	-	-	6,240	16,607
Interest expense	-	-	-	-	-	-	-	-	-
Insurance expense	3,754	23,753	5,484	34,280	73,725	8,686	5,072	83,210	237,964
Licenses and taxes	-	1,131	200	1,817	3,053	-	-	2,233	8,434
Loss on disposal of property	-	-	-	-	-	-	-	-	-
Miscellaneous expense	937	1,199	202	2,607	967	-	-	488	6,400
Office supplies and expense	-	1,982	930	8,139	9,859	6,834	558	7,115	35,417
Other taxes	-	208	-	476	2,937	-	-	-	3,621
Postage	200	-	-	-	145	-	-	335	680
Printing supplies and expense	550	-	-	-	-	-	-	-	550
Repairs and maintenance	-	2,695	-	5,639	31,485	-	-	3,432	43,251
Rental expense	-	3,550	30,023	70,847	251,573	5,000	3,000	20,982	384,975
Security and alarm services	-	128	-	676	58	-	-	-	862
Supplies	553	12,381	44	6,358	19,998	2,986	1,268	8,322	51,910
Travel and other student activities	600	2,406	-	7,708	14,322	8,910	1,237	14,871	50,054
Utility expense	3,232	17,344	912	27,475	31,363	271	3,000	55,767	139,364
Workshops and seminars	-	-	-	-	4,094	-	-	700	4,794
<b>Total Expenses before depreciation</b>	<b>83,459</b>	<b>899,910</b>	<b>149,954</b>	<b>701,822</b>	<b>2,179,122</b>	<b>258,681</b>	<b>117,341</b>	<b>1,425,888</b>	<b>5,816,177</b>
Depreciation expense	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 83,459</b>	<b>\$ 899,910</b>	<b>\$ 149,954</b>	<b>\$ 701,822</b>	<b>\$ 2,179,122</b>	<b>\$ 258,681</b>	<b>\$ 117,341</b>	<b>\$ 1,425,888</b>	<b>\$ 5,816,177</b>

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

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-Profit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES - Concluded**  
**For the Year Ended December 31, 2003**

Description	Carried Forward	Primary Care Homeless	Roving Leaders	WIA Programs	DHS Mental Health	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,170,162 \$	181,721 \$	453,219 \$	226,660 \$	103,114 \$	4,134,876 \$	445,238	- \$	4,580,114
Fringe benefits	628,924	32,848	86,867	33,358	19,987	801,984	53,578	-	855,562
<b>Total personnel services</b>	<b>3,799,086</b>	<b>214,569</b>	<b>540,086</b>	<b>260,018</b>	<b>123,101</b>	<b>4,936,860</b>	<b>498,816</b>	<b>-</b>	<b>5,435,676</b>
Accounting and audit services	16,338	537	478	6,854	4,000	28,207	13,088	-	41,295
Auto and truck expenses	59,786	701	20	-	-	60,507	-	-	60,507
Bank charges	-	-	-	-	-	-	16,677	-	16,677
Contractual and professional services	64,589	3,478	4,067	18,450	60,000	150,584	27,783	14,954	193,321
Dues and subscriptions	1,856	-	-	-	-	1,856	1,870	-	3,726
Food expense	889,639	8,213	-	-	-	897,852	981	-	898,833
Ground upkeep	16,607	935	600	-	-	18,142	9,375	-	27,517
Interest expense	-	-	-	-	-	-	61,572	-	61,572
Insurance expense	237,964	29,746	24,295	15,697	5,051	312,753	40,460	-	353,213
Licenses and taxes	8,434	110	-	-	-	8,544	1,478	-	10,022
Miscellaneous expense	6,400	289	17,923	531	184	25,327	22,016	1,568	48,912
Office supplies and expense	35,417	2,690	7,885	2,908	2,977	51,877	39,686	-	91,563
Other taxes	3,621	-	-	-	-	3,621	11,951	-	15,572
Postage	680	-	605	-	-	1,285	4,135	-	5,420
Printing supplies and expense	550	-	327	-	-	877	-	6,034	6,911
Repairs and maintenance	43,251	2,174	-	-	-	45,425	14,327	-	59,752
Rental expense	384,975	33,341	72,433	-	-	490,749	36,466	25,238	552,453
Security and alarm services	862	-	-	-	-	862	1,147	-	2,009
Supplies	51,910	3,815	9,593	615	-	65,933	405	-	66,338
Travel and other student activities	50,054	500	80	407	766	51,807	332	-	52,139
Utility expense	139,364	12,966	11,873	425	-	164,628	89,411	-	254,039
Workshops and seminars	4,794	-	-	-	-	4,794	324	-	5,118
Bad debts expense	-	-	-	-	-	-	54,254	-	54,254
<b>Total Expenses before depreciation</b>	<b>5,816,177</b>	<b>314,064</b>	<b>690,265</b>	<b>305,905</b>	<b>196,079</b>	<b>7,322,490</b>	<b>946,554</b>	<b>47,794</b>	<b>8,316,838</b>
Depreciation expense	-	-	-	-	-	-	372,059	-	372,059
<b>Total Expenses</b>	<b>\$ 5,816,177 \$</b>	<b>\$ 314,064 \$</b>	<b>\$ 690,265 \$</b>	<b>\$ 305,905 \$</b>	<b>\$ 196,079 \$</b>	<b>\$ 7,322,490 \$</b>	<b>\$ 1,318,613 \$</b>	<b>\$ 47,794 \$</b>	<b>\$ 8,688,897</b>

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

**JAMES E. SCOTT COMMUNITY ASSOCIATIONS, INC.,**  
**(A Non- Profit Organization)**  
**STATEMENTS OF CASH FLOWS**  
**For the Year Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (240,727)	\$ (45,886)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	365,901	372,059
Loss on disposal of property		-
(Increase) decrease in:		
Accounts receivable	(358,392)	292,518
Deposits	(32,494)	(8,046)
Inventories	16,928	16,928
Prepaid expenses	9,740	(50,159)
Increase (decrease) in:		
Bank overdraft	331,299	-
Accounts payable and accrued expenses	(216,302)	(164,860)
Payroll deductions payable	797	472
Accrued salaries	42,565	27,783
Interest payable	-	(6,804)
Deferred income	48,707	17,582
Net cash provided by operating activities	<u>(31,978)</u>	<u>451,587</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to land, building and equipment	<u>(49,461)</u>	<u>(272,978)</u>
Net cash used in investing activities	<u>(49,461)</u>	<u>(272,978)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in notes payable	(189,617)	(69,228)
Increase (decrease) in mortgage payable	319,112	(10,788)
Decrease in capital leases	<u>(47,507)</u>	<u>(6,163)</u>
Net cash provided by (used in) financing activities	<u>81,988</u>	<u>(86,179)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	549	92,430
<b>CASH AT BEGINNING OF YEAR</b>	<u>96,976</u>	<u>4,546</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 97,525</u>	<u>\$ 96,976</u>
<b><u>Supplemental disclosures</u></b>		
Interest paid	<u>\$ 14,158</u>	<u>\$ 68,376</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
<b><u>Noncash transactions from operating and financing activities:</u></b>		
Non-cash contributions	<u>\$ 15,477</u>	<u>\$ 19,423</u>
Contributed facilities	<u>\$ 407,806</u>	<u>\$ 249,059</u>

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

James E. Scott Community Association, Inc.  
(A Non-Profit Organization)  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2004

**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.

At the close of business on December 31, 2004 and 2003, all of JESCA's net assets are classified as unrestricted.

**James E. Scott Community Association, Inc.**  
**(A Non-Profit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**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, 2004 and 2003, all of JESCA's contributions are unrestricted.

**C. 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.

**D. 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.

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

**F. 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.

**G. 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, 2004 and 2003, program service fees charged by the fiscal department to programs amounted to \$332,235 and \$368,434, respectively, which were recognized as



**James E. Scott Community Association, Inc.**  
**(A Non-Profit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

accounting and audit service fees expense by programs. These amounts were eliminated in the preparation of the financial statements.

H. Donated Services, Facilities and Goods

JESCA receives donated services from individuals, 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, 2004 and 2003 at their estimated fair values at the time of receipt as follows:

	2004	2003
Services of doctors, social workers, and other professionals	\$ 14,679	\$ -
In-kind contribution of rent from Miami-Dade County	407,806	249,059
Goods donated to JESCA	798	19,423
	<u>\$ 423,283</u>	<u>\$ 268,482</u>

I. 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.

J. Purpose and Activities of Significant Funding

The following are descriptions of the Program Services provided by JESCA during the years ended December 31, 2004 and 2003:

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

**James E. Scott Community Association, Inc.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

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.
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.

**James E. Scott Community Association, Inc.**  
**(A Non-Profit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**K. Related Party Transactions**

During 2004, JESCA had transactions with the following related parties:

<b>Nature of Affiliation with JESCA</b>	<b>Nature of Related Party Transactions</b>	<b>Amount Paid in 2004</b>
Relative of the President/CEO	Lawn Service	\$ 2,800
Board Member	Legal Service	8,464
Board Member	Insurance Policy	37,839
Board Member	Photography Service	255

**L. Reclassifications**

Certain accounts in the 2004 financial statements were reclassified to conform to the 2003 financial statements presentation.

**NOTE 3. ACCOUNTS 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, 2004 and 2003, accounts receivable amounted to \$1,228,187 and \$869,795, respectively.

**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, 2004 and 2003, deferred revenue amounted to \$237,457 and \$188,750, respectively.

**NOTE 5. TAXES PAYABLE**

As of December 1, 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.

**James E. Scott Community Association, Inc.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

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, 2004 and 2003, 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, 2004 and 2003:

	2004	2003
Land	\$ 221,298	\$ 221,298
Buildings	617,058	572,670
Buildings and leasehold improvements	409,982	447,385
Furniture and fixtures	961,492	953,372
Vehicles	716,482	716,481
Computer equipment	588,521	565,778
	3,514,833	3,476,984
Less: accumulated depreciation	2,295,712	1,929,811
	1,219,121	1,547,173
Construction in progress	127,119	115,507
Land, buildings and equipment-net	\$ 1,346,240	\$ 1,662,680

Depreciation expense was \$365,901 and \$372,059 for the years ended December 31, 2004 and 2003, 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.

**NOTE 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

The account consists of the following at December 31, 2004 and 2003:

	2004	2003
Accounts payable	\$ 402,027	\$ 456,055
Accrued expenses	120,410	272,125
Total	\$ 522,437	\$ 728,180

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.

James E. Scott Community Association, Inc.  
(A Non-Profit Organization)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

**NOTE 8. LONG TERM DEBT**

**a. Notes Payable**

Notes payable consist of the following:

Description	2004	2003
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, 2004 and 2003 only one of the judgments was outstanding which requires payment of \$980 per month until September 30, 2005.	\$ 9,353	\$ 19,663
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.	26,610	34,477
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	47,904
4.5% unsecured note payable to a local chamber of commerce due in 36 equal monthly installments of \$595, including interest, through October 1, 2007.	20,000	-
Operating line of credit with a local bank, with interest at 6.25% and is collateralized by accounts receivable and inventory. The line of credit limit is \$200,000 and \$250,000 in 2004 and 2003, respectively. The line of credit expires on November 30, 2005.	61,784	225,000
	137,427	327,044
Less current portion	(106,754)	(272,851)
Long-term portion	\$ 30,673	\$ 54,193

**James E. Scott Community Association, Inc.**  
**(A Non-Profit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**b. Mortgage Payable**

On November 30, 2004, 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, 2004. 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, 2004 is \$757,015.

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

Year	Principal	Interest
2005	\$ 199,328	\$ 19,361
2006	107,567	16,128
2007	585,583	12,011
2008	1,964	48
	<u>\$ 894,442</u>	<u>\$ 47,548</u>

Interest expense incurred on the long-term debt and charged to operations for the year ended December 31, 2004 and 2003 was \$97,385 and \$46,777, 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 \$16,845 and \$16,089 for the years ended December 31, 2004 and 2003, respectively.

**James E. Scott Community Association, Inc.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

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, 2004 and 2003 were \$74,597 and \$284,671, respectively.

d. Capital Leases

JESCA's telephone systems and copiers under agreements are classified as capital leases. Assets under capital leases are capitalized using interest rates appropriate at the inception of the lease. The following is a schedule of minimum lease payments under the capital leases together with the present value of the minimum lease payments as of December 31, 2004:

	<b>2005</b>
Future minimum lease payments	\$ 16,548
Less: amount representing interest	1,482
Present value of future minimum lease payments	\$ 15,066

The net book value of these assets under capital leases as of December 31, 2004 is as follows:

Cost	\$ 189,384
Accumulated depreciation	177,024
Net book value	\$ 12,360

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

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)  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2004

**NOTE 10.       SUBSEQUENT EVENTS**

Financial performance

Subsequent to December 31, 2004 and prior to the issuance of this report:

- (1) 82% of the receivables outstanding as of December 31, 2004 were collected through the second quarter of 2005; and
- (2) 81% of the outstanding accounts payable as of December 31, 2004 were paid through the second quarter of 2005.
- (3) 100% of the scheduled debt payments as of December 31, 2004 were paid through the second quarter of 2005.

Management of JESCA is of the opinion the above subsequent events coupled with no adverse changes in the agency's funding, and continued cost reductions throughout the agency will improve its financial status beyond December 31, 2004.



**James E. Scott Community Association, Inc.**  
**(A Non-Profit Organization)**  
**SUPPLEMENTAL SCHEDULES**  
**December 31, 2004**

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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, 2004**

	<u>Intervention</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUE</b>			
<b>Other Government Funding</b>			
Other state funding	\$ -	\$ -	-
Medicaid	-	-	-
Local Government	-	-	-
Federal grant and contracts	125,430	125,430	-
In-kind (local government only)	-	-	-
<b>Total Other Government Funding</b>	<u>125,430</u>	<u>125,430</u>	<u>-</u>
<b>All Other Funding and Revenues</b>			
Medicare, first and third party fees	-	-	-
Contributions and donations	-	1,200	(1,200)
Other	-	-	-
In-kind	20,905	29,135	(8,230)
<b>Total Other Funding and Revenues</b>	<u>20,905</u>	<u>30,335</u>	<u>(9,430)</u>
<b>Total Funding and Revenues</b>	<u>\$ 146,335</u>	<u>\$ 155,765</u>	<u>\$ (9,430)</u>
<b>EXPENSES</b>			
<b>Personnel Services</b>			
Salaries	\$ 95,000	\$ 95,644	(644)
Fringe benefits	20,706	19,433	1,273
Total Personnel Services	<u>115,706</u>	<u>115,077</u>	<u>629</u>
<b>Other direct expense</b>			
Building occupancy	7,800	10,823	(3,023)
Vehicle and gasoline	3,000	-	3,000
Printing and office supplies	4,800	945	3,855
Food services	-	-	-
Workshops and seminars - in-kind	-	78	(78)
Insurance	3,182	1,759	1,423
Utilities	-	912	-
Licenses and Taxes	-	200	-
Other	-	464	(464)
Total other direct expense	<u>18,782</u>	<u>15,181</u>	<u>4,713</u>
Total personnel and other direct expense	<u>134,488</u>	<u>130,258</u>	<u>5,342</u>
<b>Indirect expense</b>			
Administration	11,847	22,702	(10,855)
Professional services	-	1750	(1750)
<b>Total Expenses</b>	<u>146,335</u>	<u>154,710</u>	<u>(5,513)</u>
<b>EXCESS OF TOTAL FUNDING AND REVENUES</b> <b>OVER TOTAL EXPENSES</b>	<u>\$ -</u>	<u>\$ 1,055</u>	<u>(14,943)</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, 2004**

**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, 2004, 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, 2004**

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

<b>Name of the School</b>	Roving Leaders Alternative Education Center	
<b>Address</b>	1855 NW 119 St. Miami Fl 33136	
<b>Board of Directors</b>	Bernadine Bush Judy Carter William Diggs Christopher Benjamin Herman Echevarria Larry Handfield, Esq. Glenda Harris Rep. Wilbert T. Holloway Anthony Jackson Rev. Sharlene Holts	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
<b>President\CEO</b>	Commissioner Dorrin D. Rolle	
<b>Principal</b>	Robert Brown	
<b>Enrollment Configuration</b>	<b><u>Grade Level</u></b>	<b><u>Number of Students</u></b>
	9 <sup>th</sup>	87
	10 <sup>th</sup>	87
	11 <sup>th</sup>	16
	12 <sup>th</sup>	<u>26</u>
	Total	<u>216</u>

**James E. Scott Community Association, Inc.**  
**(A Non-Profit Organization)**  
**SUPPLEMENTAL SCHEDULES**  
**December 31, 2004**

Miami-Dade County Public School  
Related Party Transactions

<b>Name of the Party</b>	<b>Nature of Affiliation with JESCA</b>	<b>Nature of Related Party Transactions</b>	<b>Amount Paid in 2004</b>
Damon Rolle	Relative of the President/CEO	Lawn Service	\$ 2,800
Gregory Sams	Board Member	Legal Service	8,464
William Diggs	Board Member	Insurance Policy	37,839
James Roberts	Board Member	Photography Service	255



**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 June 10, 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 schedule of findings and questioned costs as items 04-M-IC-1 and 03-M-IC-4.

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 item 04-M-IC-1 is a material weakness. 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 June 10, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as items 02-C-M-2 and 02-C-M-3.

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  
June 10, 2005

*Watson Rice LLP*



**Watson Rice LLP**

Certified Public Accountants and Consultants

**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.

As described in 02-C-M-2 and 02-C-M-3 JESCA did not comply with requirements regarding matching that is applicable to its Head Start and Title III-B and Title III-C programs. Compliance with such requirements is necessary, in our opinion, for JESCA to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2004.



### 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. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-M-IC-4.

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 is a material weakness.

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  
June 10, 2005

*Watson Rice LLP*

Grantor/Pass-through Grantor/Program Title	CFDA/ CSFA Number	Contract Number	Period Covered		Amount of Award	Expenditures
			From	To		
<b>FEDERAL AWARDS</b>						
U.S. Department of Health and Human Services, passed through State of Florida Department of Elder Affairs, passed through Alliance for Aging, Inc.						
Title IIIB Support Services	93.044	PA-312	1/1/2004	12/31/2004	\$ 143,425	\$ 143,425
Title III C-1 Congregate Meals	93.045	PA-312	1/1/2004	12/31/2004	455,845	424,694
Title III C-2 Home Delivered Meals	93.045	PA-312	1/1/2004	12/31/2004	261,618	228,578
Sub-total						796,697
U.S. Department of Agriculture						
Title III C (USDA) Oct.03 - Sep.04	10.570				143,895	95,120
Title III C (USDA) Oct.04 - Sep.05	10.570				143,895	43,302
Sub-total						138,422
U.S. Department of Health and Human Services, passed through Miami-Dade County Community Action Agency						
Head Start Program	93.600	R-407-03	8/1/2003	7/31/2004	2,004,839	1,036,733
Head Start Program	93.600	R-482-04	8/1/2004	7/31/2005	1,959,839	845,262
Sub-total						1,881,995
U.S. Department of Agriculture, passed through State of Florida Department of Health						
Childhood Program	10.558	S-546	10/1/2003	9/30/2004	344,789	247,797
Childhood Program	10.558	S-546	10/1/2004	9/30/2205	396,000	93,549
Sub-total						341,346
U.S. Department of Housing and Urban Development, passed through Miami-Dade County Office of Community and Economic Development						
Community Development Block Grant						
Case Management	14.218	CDBG FY 2004	1/1/2004	12/31/2004	113,000	87,302
Model Cities	14.218	CDBG FY 2004	1/1/2004	12/31/2004	120,000	107,592
Model City Youth Streetworker Project	14.218	CDBG FY 2004	1/1/2004	12/31/2004	45,000	39,464
Transportation for the Elderly	14.218	CDBG FY 2004	1/1/2004	12/31/2004	55,000	53,779
Transition and Stabilization	14.218	CDBG FY 2004	1/1/2004	12/31/2004	40,000	40,000
Early Childhood Development	14.218	CDBG FY 2004	1/1/2004	12/31/2004	50,000	50,000
U.S. Department of Housing and Urban Development, passed through City of Miami						
Community Development Block Grant						
Multi-purpose Center for the Elderly (City of Miami)	14.218	799131-452949	10/2/2003	9/30/2004	25,430	21,930
Case Management Social Programs (City of Miami)	14.218	799131-453023	9/30/2004	9/30/2005	47,000	11,750
Sub-total						411,817
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-YS-SIS-PY03-06	4/1/2003	6/30/2004	732,665	127,850
Youth Services Stay in School	17.259	WIA-YS-SIS-PY04-05	7/1/2004	3/31/2005	394,665	213,929
Summer Worker	17.259	WIA-YS-SIS-PY04-05	7/1/2004	3/31/2005	10,395	3,332
FCAT Tutoring	17.259	WIA-YS-SIS-PY04-05	7/1/2004	3/31/2005	219,723	70,220
Tutoring Incentive	17.259	WIA-YS-SIS-PY04-05	7/1/2004	3/31/2005	36,000	14,100
Sub-total						429,431
<b>Sub-total federal awards (carried forward)</b>						<b>3,999,708</b>

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-Profit Organization)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE PROJECT AND LOCAL AWARDS**  
**For the Year Ended December 31, 2004**

Grantor/Pass-through Grantor/Program Title	CFDA/ CSFA Number	Contract Number	Period Covered From To		Amount of Award	Expenditures
<b>Sub-total federal awards (brought forward)</b>						<b>3,999,708</b>
U.S. Department of Labor, passed through Family Cental, Inc. Early Childhood Development	17.255		7/1/2003	6/30/2004		6,933
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	CDSMF103	7/1/2203	6/30/2004		144,529
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	KD135	7/1/2003	6/30/2004	125,430	62,715
Children's Substance Abuse (Family Management)	93.959	KD157	7/1/2004	6/30/2005	125,430	62,712
Sub-total						<u>125,427</u>
U.S. Department of Education, passed through Florida Department of Education Adult Education - State Grant Program: Adult Education (Intensive)	84.002	128-1914A-4PF01	8/15/2003	6/30/2004	75,000	21,816
Adult Education (Intensive)	84.002	128-1915A-5PF01	7/1/2004	6/30/2005	75,000	37,500
Sub-total						<u>59,316</u>
U.S. Department of Housing and Urban Development, passed through Miami-Dade County: Supporting Housing Program for Homeless Individuals	14.235	FL-14B800004	10/1/2002	9/30/2005	939,417	264,488
<b>Total federal awards</b>						<u><b>4,600,401</b></u>
<b>STATE PROJECT</b>						
State of Florida Department of Juvenile Justice Day Treatment Services (FLOYD House)	80.021	K8K01	7/1/2003	6/30/2004	827,820	366,198
Day Treatment Services (FLOYD House)	80.021	K9016	7/1/2004	6/30/2005	827,820	392,700
<b>Total State Project</b>						<u><b>758,898</b></u>
<b>LOCAL AWARDS</b>						
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	198,844
Multi-purpose Center for the Elderly-Home-based Enhanced Nutrition Services		EB-02	7/1/2003	6/30/2004	50,000	23,980
Multi-purpose Center for the Elderly-Home-based Enhanced Nutrition Services		EB-02	7/1/2004	6/30/2005	50,000	23,980
Mental Health			10/1/2003	6/30/2004	150,000	65,003
Early Childhood Development		CYFB-08	7/1/2004	6/30/2005	40,000	41,914
Family Homelessness Prevention and Assistance Program		HBS-04	7/1/2004	6/30/2005	61,500	37,179
Teen Pregnancy Prevention Program		CYFG101	7/1/2004	6/30/2005	60,000	21,270
Intensive Education & Family Literacy			2/1/2004	1/31/2005	50,000	32,505
The Children's Trust Youth Experiencing Success (YES) Program		42-119	8/16/2004	6/30/2005	148,616	82,998
Model Cities Youth Summer Program		42-119	5/1/2004	9/1/2004	40,560	40,560
United Home Health Care Services, Inc.		2004-09	7/1/2004	6/30/2005		1,148
United Way of Miami-Dade Early Childhood Development					146,469	130,538
Core Management in General					303,458	293,094
The School Board of Miami-Dade County, Florida Roving Leaders			7/1/2003	6/30/2004	1,104,000	523,331
Roving Leaders			7/1/2004	6/30/2005	1,282,579	443,592
Intensive Education		4B015	7/1/2004	6/30/2005	11,640	11,015
<b>Total Local Awards</b>						<u><b>1,970,951</b></u>
<b>Total Federal Awards, State Project and Local Awards</b>						<u><b>\$ 7,330,250</b></u>

**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, 2004**

**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)  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2004

**SECTION 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)?

    x     Yes

         None reported

Noncompliance material to financial statements  
noted?

    x     Yes

         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

Qualified

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

Identification of major programs:

Federal Program:

CFDA/CSFA No.

Special Programs for the Aging Cluster

93.044/93.045

Head Start

93.600

Community Development Block Grant

14.218

State Project:

Day Treatment Services

80.021

The threshold for distinguishing Type A and Type B programs/project was \$500,000 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, 2004

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**04-M-IC-1**

**CONDITION**

Our review of the payroll process flow disclosed that (a) the accountant in-charge of payroll processing is able to add and delete employees from the payroll master file; and (b) the transmittal to the credit union for electronic payroll arrangement does not require the review, signature and approval of the CFO.

**REASON FOR IMPROVEMENT**

The aforementioned deficiencies may result in unauthorized employees being added to the payroll master file and included in the credit transmittal without being detected in a timely manner.

**RECOMMENDATION**

We recommend the function of adding and deleting employees to the master file and other file maintenance functions, including change of pay rates, be given to the CFO only. We further recommend that the transmittal to the credit union be reviewed and signed as approved by the CFO. Finally, we recommend that JESCA inform the credit union management that transmittals for electronic payroll arrangements should not be honored unless signed by the CFO.

**MANAGEMENT'S RESPONSE**

Management agrees with this suggestion and changes will be implemented.

**SECTION III – FEDERAL AWARDS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS**

**Funding Source**

U.S. Department of Health and Human Services, passed through Alliance for Aging, Inc.

**CFDA Number**

93.044/93.045

**02-C-M-2**

**CONDITION**

JESCA used \$70,000 of federal grant monies as a match for the Special Programs for the Aging Cluster programs it received through the Alliance for Aging, Inc. OMB Circular A-133, *Audit of States, Local Governments, and Non-profit Organizations*, provides that federal funds are not acceptable as matching for another federal program.

**CRITERIA**

JESCA'S contract with the Alliance for Aging requires a 10% matching.

**REASON FOR IMPROVEMENT**

JESCA is not in compliance with the matching requirement of the Special Programs for the Aging Cluster it received from the Alliance for Aging, Inc.

James E. Scott Community Association, Inc.  
(A Non-Profit Organization)  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2004

**RECOMMENDATION**

We recommend that JESCA ensures all programs requiring a match, the match is provided from an allowable source.

**MANAGEMENT'S RESPONSE**

Management will insure all matches are met and are acceptable by the funding source.

(See Section IV for prior year's compliance findings and reportable conditions still noted in current year's audit.)

**SECTION IV – SUMMARY OF PRIOR YEAR'S FINDINGS**

**Funding Source**

U.S. Department of Health and Human Services, passed through Miami-Dade County  
Dept. of Community Action Agency

**CFDA Number**

93.600

**02-C-M-3**

**CONDITION**

In our prior year's audit, for the grant period from August 1, 2002 to July 31, 2003, the matching revenue was \$168,267 short of the required amount.

**CURRENT YEAR'S STATUS**

A similar finding was noted for the current year's audit. Using the calendar year ended December 31, 2004, the matching revenues were \$29,953 short of the required matching of \$447,863.

**MANAGEMENT'S RESPONSE**

The unmet match is primarily due to not properly documenting and recording the revenue and expense. During fiscal year end July 31, 2004, in-kind rent was analyzed and increased after per footage rental rates were provided by Miami-Dade County. During the current year ending July 31, 2005, we have improved the capture of volunteer time and mileage.

**03-M-IC-4**

**MULTI PURPOSE IIIC**

**Funding Source**

U.S. Department of Health and Human Services, Title III-C1 Congregate Meals and Title  
III-C2 Homebound Meals, Passed through the Alliance for Aging Inc.

**CFDA Number**

93.045

93.044

**CONDITION**

In our prior year's audit we noted that the control log and supporting documents of units reflected in the Client Information Registration and Tracking System (CIRTS) used as the support for reimbursement packages were not organized in a manner which facilitates independent review and tracing of units. In order for us to complete our test

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of the accuracy of units reported for the months selected, we had to request client representatives to summarize and collate information from different meal sites. We recommended that management design a formal consolidation worksheet of control logs as a tool to provide an audit trail and include supporting documents, to summarized meals served at various locations.

**CURRENT YEAR'S STATUS**

We noted a similar finding in the current year's audit. The report generated from the CIRTIS was not supported by a formal consolidated worksheet or other equivalent schedule to facilitate the audit process.

**MANAGEMENT'S RESPONSE**

Changes were made during 2004 in this process which management believes does organize this information in a manner which can be tracked and all information for tested months was accurately reported.

**02-IM-IC-5      MULTIPURPOSE III-C**

**Funding Source**

U.S. Department of Health and Human Services, Title III C1 Congregate Meals and Title III C-2 Homebound Meals, Passed through the Alliance for Aging Inc.

**CFDA Number**

93.045

**CONDITION**

In our prior year's audit, the number of meals provided under the program reflected on the control log does not agree with the number of meals reflected in the Client Information Report System (CIRTIS). Differences of three (3) out of 1400 units for the month of July 2002 and one (1) out of 845 units for the month of October 2002 were noted.

**CURRENT STATUS**

A similar finding was noted in the current year's audit.



James E. Scott Community Association, Inc.  
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**RESOLVED FINDINGS**

**03-IM-IC-6      SUBSIDIZED CHILD CARE**

**Funding Source**

**CFDA Number**

U.S. Department of Health and Human Services passed through the State of Florida Department of Children and Families, Children Substance Abuse. Passed through Miami-Dade County Department of Human Services Division of Child Development Services, Subsidized Child Care Services.

93.574

**CONDITION**

During our prior year's audit, we noted the grantor paid \$1,742 less than the number of days in the attendance roster submitted for reimbursement. This condition was due to (a) the grantor noted discrepancies in the number of days the parent/guardian signature was on the parent sign in/out log and attendance roster and (b) the grantor did not pay for those days reported with expired eligibility authorization. This was a result of the program's lack of established policies and procedures for the review and reconciliation of attendance rosters and parent sign in/out log sheets before submission of reimbursement requests to the grantor. We recommended that program management ensure the completeness of supporting documents for reimbursement packages before submitting them to the grantor.

**CURRENT YEAR'S STATUS**

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

**03-IM-IC-7      EARLY CHILDHOOD DEVELOPMENT**

**Funding Source**

**CFDA Number**

U.S. Department of Housing and Urban Development, Community Development Block Grant, passed through Miami-Dade Office of Community and Economic Development: Case Management/Ex-offenders, Model City Youth Street Worker Project, Transportation For the Elderly Project, Lifetime Cultural Enrichment, Primary Care Homeless, Early Childhood Development, Social Programs Agreement

14.218

**CONDITION**

During our prior year's audit, we noted an instance where the grantor disallowed \$27,665 of expenses incurred in 2002 due to lack of prior approval by the grantor. It was recommended that staff obtain written understanding from grantors on specific compliance requirements not explicitly included in the grant contracts.

**CURRENT YEAR'S STATUS**

The recommendation was implemented and disallowed costs were significantly reduced.



**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, 2004, and have issued our report thereon dated June 10, 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 June 10, 2005, 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  
June 10, 2005

*Watson Rice LLP*

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

**RECOMMENDATION**

We recommend that JESCA implement policies and procedures regarding accounting of fixed assets replaced and/or removed from operations.

**MANAGEMENT'S RESPONSE**

Management agrees with the finding and such procedures will be implemented.

**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.

**RECOMMENDATION**

We recommend that accounting for completeness of recording the Annual Dinner ticket sales should be done. This should be assigned to a person other than the person who has physical control of the tickets.

**MANAGEMENT'S RESPONSE**

Management believes controls are in place to insure proper accounting of annual dinner revenues. We will review this area for any possible improvements.

**04-ML-3**

**CONDITION**

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.

**RECOMMENDATION**

We recommend that JESCA adopt and implement policies and procedures to ensure that billings/request for reimbursements are submitted to the various grantors not later than every 10<sup>th</sup> of each month.

James E Scott Community Association, Inc.  
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December 31, 2004  
**SUMMARY OF CURRENT YEAR'S FINDINGS**

**MANAGEMENT'S RESPONSE**

Turnover caused a delay in processing and submitting some reimbursement packages. Currently, all packages are submitted on a timely basis. The bank fees were primarily caused by funds not being transferred into the two check writing accounts on a timely basis. Currently, no such fees are being incurred.

**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.

**RECOMMENDATION**

We recommend that JESCA prepare an analysis to ensure that no restricted funds were used to pay the interest charges. Such analysis should be prepared for as long as JESCA's long-term debt is outstanding to ensure its continued compliance with OMB Circular A-122.

**MANAGEMENT'S RESPONSE**

Management does not believe any interest is being paid with restricted funds, however, a toll will be developed to make sure all interest is paid with unrestricted funds.

James E Scott Community Association, Inc.  
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December 31, 2004  
**SUMMARY OF PRIOR YEAR'S FINDINGS**

**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 YEAR'S STATUS**

For the year ended December 31, 2004, depreciation expense of buildings owned by JESCA and being used by the programs was not allocated to the various programs.

**MANAGEMENT'S RESPONSE**

Management agrees with the finding and such procedures will be implemented.

**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**

Management's goal is to produce monthly financial statements starting no later than January 2006.