

**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 INTERNAL CONTROL AND ON COMPLIANCE  
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, 2006 AND 2005**



***Watson Rice* LLP**

Certified Public Accountants and Consultants

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## 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 James E. Scott Community Association, Inc. ("JESCA") (a non-profit organization) as of December 31, 2006 and 2005, 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, 2006 and 2005, 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 April 25, 2007 on our consideration of JESCA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal, State and Local Awards is presented for purposes of additional analysis as required by the 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  
April 25, 2007

*Walter Price LLP*

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**

(A Non-profit Organization)

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 103,456	\$ -
Grants receivable	884,062	1,301,805
Deposits	66,101	55,423
Prepaid expenses	<u>116,140</u>	<u>89,113</u>
Total current assets	1,169,759	1,446,341
<b>Noncurrent Assets</b>		
Land, buildings and equipment, net	<u>1,615,615</u>	<u>1,169,993</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,785,374</u>	<u>\$ 2,616,334</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Bank overdraft	\$ -	\$ 24,417
Accounts payable and accrued expenses	978,338	864,553
Interest payable	6,213	4,944
Deferred income	260,352	227,780
Taxes payable	314,854	314,854
Current portion of notes payable	317,742	220,124
Current portion of mortgage loan payable	<u>651,247</u>	<u>58,081</u>
Total current liabilities	<u>2,528,746</u>	<u>1,714,753</u>
<b>Noncurrent Liabilities</b>		
Notes payable, net of current portion	-	18,844
Mortgage loan payable, net of current portion	<u>-</u>	<u>644,820</u>
Total noncurrent liabilities	<u>-</u>	<u>663,664</u>
Total liabilities	2,528,746	2,378,417
<b>Net Assets</b>		
Unrestricted	<u>256,628</u>	<u>237,917</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,785,374</u>	<u>\$ 2,616,334</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>UNRESTRICTED NET ASSETS:</b>		
<b>SUPPORT AND REVENUES:</b>		
Grant revenue	\$ 7,739,200	\$ 7,938,643
Fundraising	435,772	583,502
In-kind donations	409,670	411,682
Gain on sale of fixed assets	119,003	-
Program service fees	114,948	94,650
Donations	72,779	97,102
Total Support and Revenues	<u>8,891,372</u>	<u>9,125,579</u>
<b>EXPENSES:</b>		
Program Services:		
Head Start	2,455,756	2,465,683
Multipurpose Programs	1,231,622	1,167,008
FLOYD House	795,358	734,998
Early Childhood Development	800,380	747,425
Roving Leaders	656,938	753,365
Primary Care Homeless	418,930	424,085
DHS Mental Health	333,682	266,289
Intensive Education	238,818	250,892
WIA Programs	175,534	542,848
Model Cities	149,183	131,130
Case Management	138,660	100,612
Family Management	126,479	150,114
	<u>7,521,341</u>	<u>7,734,449</u>
Supporting Services:		
Management and general	1,266,825	1,303,113
Fundraising	84,495	54,433
Total Expenses	<u>8,872,661</u>	<u>9,091,995</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>18,711</u>	<u>33,584</u>
<b>UNRESTRICTED NET ASSETS BEGINNING OF YEAR</b>	<u>237,917</u>	<u>204,333</u>
<b>END OF YEAR</b>	<u>\$ 256,628</u>	<u>\$ 237,917</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, 2006

<u>Description</u>	<u>Head Start</u>	<u>Multi-Purpose</u>	<u>FLOYD House</u>	<u>Early Childhood Development</u>	<u>Roving Leaders</u>	<u>Primary Care Homeless</u>	<u>DHS Mental Health</u>	<u>Intensive Education</u>	<u>Page Total</u>
Salaries	\$ 1,301,584	\$ 415,596	\$ 507,549	\$ 333,039	\$ 374,890	\$ 223,092	\$ 203,824	\$ 162,659	\$ 3,522,233
Fringe benefits	354,006	110,939	91,501	102,327	86,033	42,453	48,361	34,413	\$ 870,033
Total personnel costs	1,655,590	526,535	599,050	435,366	460,923	265,545	252,185	197,072	4,392,266
Accounting and audit services	-	-	-	(281)	26,000	-	3,333	-	29,052
Auto and truck expenses	-	59,479	20,021	-	-	1,483	2,065	4,159	87,207
Bank charges	-	-	-	-	-	-	-	-	-
Contractual and professional services	80,800	464	270	58,778	19,420	-	17,239	1,000	177,971
Dues and subscriptions	240	-	3,295	-	-	-	-	-	3,535
Food expense	11,836	447,416	16,017	232,011	3,093	10,125	14,656	3,125	738,279
Ground upkeep	6,549	6,760	3,455	4,537	1,300	-	(338)	-	22,263
Interest expense	-	-	-	-	-	-	-	-	-
Insurance expense	34,116	52,874	23,842	10,031	4,258	4,265	2,253	2,172	133,811
Licenses and taxes	1,944	738	1,049	258	-	465	114	140	4,708
Miscellaneous expense	2,541	120	59	-	899	-	474	929	5,022
Postage	-	472	56	-	200	-	151	194	1,073
Repairs and maintenance	33,713	8,724	9,074	1,934	2,793	20,243	9,580	3,140	89,201
Rental expense	446,681	25,756	49,563	-	108,500	61,856	(700)	-	691,656
Security and alarm services	102	-	1,140	246	-	568	-	-	2,056
Supplies	119,660	13,714	17,331	29,819	12,187	14,054	19,744	6,374	232,883
Travel and other student activities	5,727	750	11,225	130	835	1,955	7,401	16,431	44,454
Utility expense	51,478	86,932	36,843	25,422	16,471	38,372	4,127	3,027	262,672
Workshops and seminars	4,779	888	3,068	2,129	60	-	1,398	1,055	13,377
Bad debt expense	-	-	-	-	-	-	-	-	-
Total expenses before depreciation	2,455,756	1,231,622	795,358	800,380	656,938	418,930	333,682	238,818	6,931,486
Depreciation expense	-	-	-	-	-	-	-	-	-
Total expenses	\$ 2,455,756	\$ 1,231,622	\$ 795,358	\$ 800,380	\$ 656,938	\$ 418,930	\$ 333,682	\$ 238,818	\$ 6,931,486

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, 2006

<u>Description</u>	<u>Carried Forward</u>	<u>WIA Programs</u>	<u>Model Cities</u>	<u>Case Management</u>	<u>Family Management</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,522,233	\$ 146,892	\$ 115,242	\$ 74,209	\$ 96,577	\$ 3,955,153	\$ 460,710	\$ -	\$ 4,415,863
Fringe benefits	870,033	20,769	17,044	12,291	21,613	941,750	67,546	-	1,009,296
Total personnel costs	4,392,266	167,661	132,286	86,500	118,190	4,896,903	528,256	-	5,425,159
Accounting and audit services	29,052	825	-	-	-	29,877	64,709	-	94,586
Auto and truck expenses	87,207	-	2,654	-	664	90,525	-	-	90,525
Bank charges	-	-	-	-	-	-	27,800	-	27,800
Contractual and professional services	177,971	1,520	-	-	1,000	180,491	37,910	38,488	256,889
Dues and subscriptions	3,535	-	-	-	-	3,535	674	-	4,209
Food expense	738,279	-	-	1,549	-	739,828	3,380	-	743,208
Ground upkeep	22,263	-	-	-	-	22,263	8,655	-	30,918
Interest expense	-	-	-	-	-	-	88,433	-	88,433
Insurance expense	133,811	(310)	1,172	1,578	1,734	137,984	43,335	-	181,319
Licenses and taxes	4,708	-	92	-	250	5,050	15,663	-	20,713
Miscellaneous expense	5,022	-	-	128	-	5,150	7,065	-	12,215
Postage	1,073	-	-	444	-	1,517	3,773	-	5,290
Repairs and maintenance	89,201	-	2,169	6,526	92	97,988	29,994	-	127,982
Rental expense	691,656	-	-	1,997	-	693,653	37,869	34,986	766,508
Security and alarm services	2,056	-	-	-	-	2,056	1,960	-	4,016
Supplies	232,883	2,733	6,503	29,444	1,680	273,242	26,478	11,021	310,741
Travel and other student activities	44,454	999	1,702	4,074	-	51,229	106	-	51,335
Utility expense	262,672	1,206	2,575	7,342	2,870	276,665	104,593	-	381,258
Workshops and seminars	13,377	900	30	(922)	-	13,385	-	-	13,385
Bad debt expense	-	-	-	-	-	-	-	-	-
Total expenses before depreciation	6,931,486	175,534	149,183	138,660	126,480	7,521,341	1,030,653	84,495	8,636,489
Depreciation expense	-	-	-	-	-	-	236,172	-	236,172
Total expenses	<u>\$ 6,931,486</u>	<u>\$ 175,534</u>	<u>\$ 149,183</u>	<u>\$ 138,660</u>	<u>\$ 126,480</u>	<u>\$ 7,521,341</u>	<u>\$ 1,266,825</u>	<u>\$ 84,495</u>	<u>\$ 8,872,661</u>



**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>Head Start</u>	<u>Multi-Purpose</u>	<u>FLOYD House</u>	<u>Early Childhood Development</u>	<u>Roving Leaders</u>	<u>Primary Care Homeless</u>	<u>DHS Mental Health</u>	<u>Intensive Education</u>	<u>Page Total</u>
Salaries	\$ 1,325,119	\$ 369,761	\$ 452,934	\$ 373,580	\$ 486,560	\$ 228,549	\$ 147,191	\$ 168,607	\$ 3,552,301
Fringe benefits	319,967	86,316	79,801	108,248	96,969	39,109	27,628	34,789	\$ 792,827
Total personnel costs	1,645,086	456,077	532,735	481,828	583,529	267,658	174,819	203,396	4,345,128
Accounting and audit services	169	-	-	280	-	-	-	-	449
Auto and truck expenses	-	47,050	25,784	-	-	2,656	6,705	3,750	85,945
Bank charges	-	-	-	-	(4)	-	(30)	-	(34)
Contractual and professional services	66,808	2,805	-	15,616	15,900	-	14,712	1,925	117,766
Dues and subscriptions	-	-	1,956	-	-	-	-	-	1,956
Food expense	487	472,287	22,038	184,206	844	7,952	14,744	1,667	704,225
Ground upkeep	7,368	6,760	2,613	2,506	1,535	160	338	-	21,280
Interest expense	-	-	-	-	-	-	-	-	-
Insurance expense	55,637	66,785	34,987	19,052	17,291	13,957	3,020	3,989	214,718
Licenses and taxes	2,602	2,788	945	247	(57)	474	210	310	7,519
Miscellaneous expense	23,443	3,877	2,156	323	119	678	271	371	31,238
Postage	-	107	29	-	445	-	26	24	631
Repairs and maintenance	28,603	8,169	4,169	659	1,114	5,402	1,556	1,717	51,389
Rental expense	506,679	20,704	65,352	-	96,559	77,353	4,260	-	770,907
Security and alarm services	44	-	938	97	-	365	-	-	1,444
Supplies	76,667	9,828	7,945	23,639	9,481	30,509	33,504	11,512	203,085
Travel and other student activities	6,290	150	5,764	132	1,278	1,929	4,484	19,790	39,817
Utility expense	35,052	69,405	25,440	18,810	25,231	14,992	(2,631)	2,301	188,600
Workshops and seminars	10,748	216	2,147	30	100	-	10,301	140	23,682
Bad debt expense	-	-	-	-	-	-	-	-	-
Total expenses before depreciation	2,465,683	1,167,008	734,998	747,425	753,365	424,085	266,289	250,892	6,809,745
Depreciation expense	-	-	-	-	-	-	-	-	-
Total expenses	\$ 2,465,683	\$ 1,167,008	\$ 734,998	\$ 747,425	\$ 753,365	\$ 424,085	\$ 266,289	\$ 250,892	\$ 6,809,745

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>WIA Programs</u>	<u>Model Cities</u>	<u>Case Management</u>	<u>Family Management</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,552,301	\$ 450,030	\$ 109,915	\$ 64,539	\$ 113,632	\$ 4,290,417	\$ 485,536	\$ -	\$ 4,775,953
Fringe benefits	792,827	63,857	14,458	11,027	21,824	\$ 903,993	66,135	-	970,128
Total personnel costs	4,345,128	513,887	124,373	75,566	135,456	5,194,410	551,671	-	5,746,081
Accounting and audit services	449	-	-	-	-	449	66,797	-	67,246
Auto and truck expenses	85,945	-	273	-	303	86,521	-	-	86,521
Bank charges	(34)	-	-	-	-	(34)	30,394	-	30,360
Contractual and professional services	117,766	12,384	-	-	1,500	131,650	13,267	10,015	154,932
Dues and subscriptions	1,956	-	-	-	-	1,956	858	-	2,814
Food expense	704,225	-	-	201	-	704,426	1,511	-	705,937
Ground upkeep	21,280	-	-	-	-	21,280	14,425	-	35,705
Interest expense	-	-	-	-	-	-	66,841	-	66,841
Insurance expense	214,718	8,079	3,117	2,547	3,035	231,496	47,417	-	278,913
Licenses and taxes	7,519	-	-	-	250	7,769	17,427	-	25,196
Miscellaneous expense	31,238	1,351	763	127	561	34,040	16,994	-	51,034
Postage	631	-	-	425	-	1,056	1,968	-	3,024
Repairs and maintenance	51,389	-	-	453	2,386	54,228	36,818	-	91,046
Rental expense	770,907	-	-	1,580	-	772,487	30,141	29,597	832,225
Security and alarm services	1,444	-	-	-	-	1,444	2,500	-	3,944
Supplies	203,085	54	248	10,044	1,453	214,884	30,254	14,821	259,959
Travel and other student activities	39,817	4,437	(35)	3,270	330	47,819	570	-	48,389
Utility expense	188,600	1,956	2,391	3,899	-	196,846	88,807	-	285,653
Workshops and seminars	23,682	700	-	2,500	4,840	31,722	105	-	31,827
Bad debt expense	-	-	-	-	-	-	-	-	-
Total expenses before depreciation	6,809,745	542,848	131,130	100,612	150,114	7,734,449	1,018,765	54,433	8,807,647
Depreciation expense	-	-	-	-	-	-	284,348	-	284,348
Total expenses	<u>\$ 6,809,745</u>	<u>\$ 542,848</u>	<u>\$ 131,130</u>	<u>\$ 100,612</u>	<u>\$ 150,114</u>	<u>\$ 7,734,449</u>	<u>\$ 1,303,113</u>	<u>\$ 54,433</u>	<u>\$ 9,091,995</u>

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**

(A Non- Profit Organization)

**STATEMENTS OF CASH FLOWS**

For the Year Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 18,711	\$ 33,584
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	236,172	284,348
Gain on sale of fixed assets	(119,003)	-
(Increase) decrease in:		
Grants receivable	417,743	(73,618)
Deposits	(10,678)	1,267
Prepaid expenses	(27,027)	(20,989)
Increase (decrease) in:		
Bank overdraft	(24,417)	(306,882)
Accounts payable and accrued expenses	113,785	78,883
Interest payable	1,269	(8,701)
Deferred income	32,572	(9,677)
Net cash provided by (used in) operating activities	<u>639,127</u>	<u>(21,785)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of land, building and equipment	<u>(764,116)</u>	<u>(108,101)</u>
Net cash (used in) investing activities	<u>(764,116)</u>	<u>(108,101)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowing	100,000	338,000
Proceeds from sale of fixed assets	201,325	-
Payments of notes payable	(21,227)	(236,459)
Payments of mortgage payable	(51,653)	(54,114)
Decrease in capital leases	-	(15,066)
Net cash provided by financing activities	<u>228,445</u>	<u>32,361</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	103,456	(97,525)
<b>CASH AT BEGINNING OF YEAR</b>	<u>-</u>	<u>97,525</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 103,456</u>	<u>\$ -</u>
<b><u>Supplemental disclosures</u></b>		
Interest paid	<u>\$ 74,991</u>	<u>\$ 66,841</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
<b><u>Noncash transactions from operating and financing activities:</u></b>		
Non-cash contributions	<u>\$ 409,760</u>	<u>\$ 411,683</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.

**Purpose and Activities of Significant Funding**

The following are descriptions of the Program Services provided by JESCA during the years ended December 31, 2006 and 2005:

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.

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

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. STATEMENT OF PURPOSE (Continued)**

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.

**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

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-profit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2006 and 2005, 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, 2006 and 2005, 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 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, 2006 and 2005, program service fees charged by the fiscal department to programs amounted to \$356,581 and \$293,243, respectively, which were recognized as accounting and audit service fees expense by programs. These amounts were eliminated in the preparation of the financial statements.

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-profit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2006 and 2005 at their estimated fair values at the time of receipt as follows:

	2006	2005
In-kind contribution of rent from Miami-Dade County	\$408,496	\$411,683
Goods donated to JESCA	1,174	798
	<u>\$409,670</u>	<u>\$ 411,683</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.

**K. Reclassifications**

Certain accounts in the 2005 financial statements were reclassified to conform to the 2006 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, 2006 and 2005, accounts receivable amounted to \$884,062 and \$1,321,199, 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.



**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-profit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. DEFERRED REVENUE (Continued)**

Deferred revenue consists principally of grant revenue received in advance. At December 31, 2006 and 2005, deferred revenue amounted to \$260,352 and \$227,780, 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.

**NOTE 6. LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment consist of the following at December 31, 2006 and 2005:

	2006	2005
Land	\$138,975	\$ 221,298
Buildings	617,058	617,058
Buildings and leasehold improvements	409,982	409,982
Furniture and fixtures	1,079,815	973,435
Vehicles	701,280	738,983
Computer equipment	680,093	657,461
	3,627,203	3,618,217
Less: accumulated depreciation	2,778,529	2,580,060
	848,674	1,038,157
Construction in progress	766,941	131,836
Land, buildings and equipment-net	\$1,615,615	\$ 1,169,993

Depreciation expense was \$236,172 and \$284,348 for the years ended December 31, 2006 and 2005, 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, 2006 and 2005:

	2006	2005
Accounts payable	\$717,684	\$ 607,071
Accrued expenses	260,654	257,482
Total	\$978,338	\$ 864,553

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES (Continued)**

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 accrued payroll costs.

**NOTE 8. LONG TERM DEBT**

**a. Notes Payable**

Notes payable consist of the following:

Description	2006	2005
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
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.	8,088	18,111
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. 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.	9,870	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.	299,784	199,84
	317,742	238,968
Less current portion	(317,742)	(220,124)
Long-term portion	\$ -	\$ 18,844

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-profit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8. LONG TERM DEBT (Continued)**

*In  
default*

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 \$299,784 outstanding balance on May 31, 2006.

The nonpayment of principal outstanding constitutes default as defined in the promissory note which the bank may have the option to enforce its 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 April 24, 2007 JESCA obtained a commitment letter from another local bank for a loan up to \$1,280,000. 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, 2006 and 2005 is \$651,247 and \$702,901, respectively.

Interest expense incurred on the long-term debt and charged to operations for the year ended December 31, 2006 and 2005 was \$74,991 and \$66,841, respectively.

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-profit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**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 \$22,390 and \$15,655 for the years ended December 31, 2006 and 2005, 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, 2006 and 2005 were \$135,347 and \$102,415, respectively.

JESCA also leases equipment for five years with 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 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 Roving Leaders Program by the Miami-Dade Public School Board (MDPSB) dated April 28, 2006 disclosed that JESCA owes MDPSB approximately \$114,000 as a result of over billing. JESCA is presently appealing the finding with MDPSB.

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-profit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)**

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.

g. Construction Commitments

JESCA has outstanding construction commitments as of December 31, 2006 of approximately \$295,000.

**NOTE 10. RELATED PARTY TRANSACTIONS**

During 2006, JESCA had transactions with the following related parties:

<b>Name of Party</b>	<b>Nature of Affiliation with JESCA</b>	<b>Nature of Related Party Transactions</b>	<b>Amount Paid in 2006</b>
William Diggs	Board Member	Insurance Policy	\$34,314
Florida Roberts	Employee	Photography Service	730

**NOTE 11. ABILITY TO CONTINUE AS A GOING CONCERN**

During the year 2006, JESCA had suffered liquidity problem and its current ratio had significantly dropped from 84% as of December 31, 2005 to 44% as of December 31, 2006. This raises substantial doubt about JESCA's ability to continue as a going concern. Management's plans in regard to these matters are as follows:

- JESCA has in place a commitment letter from a local bank which will pay off the mortgage loan coming due in October 2007 and replace the expired line of credit with a new line whose amount available will be increased by \$300,000.
- In the event the loans with this bank do not materialize, management has already made contact with other banks which have expressed an interest in developing a relationship.
- As a last resort, management would sell two buildings and consolidate into other buildings owned or leased by JESCA. These two buildings were appraised at over \$1,000,000.
- In any case, JESCA will continue to grow their fund raising efforts.

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
(A Non-Profit Organization)  
**SUPPLEMENTAL SCHEDULES**  
December 31, 2006

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Related Party Transactions	24

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
(A Non-profit Organization)  
**COST CENTER FUNDING SOURCE, REVENUE AND EXPENSES SCHEDULE**  
Grant Contract KD135  
(Functional Expense - Family Management)  
For the Year Ended June 30, 2006

	<u>Intervention</u>		<b>Variance</b>
	<u>Budget</u>	<u>Actual</u>	<b>Favorable (Unfavorable)</b>
<b>REVENUE</b>			
Federal grant and contracts	\$ 125,430	\$ 125,430	-
Total Other Government Funding	<u>125,430</u>	<u>125,430</u>	<u>-</u>
All Other Funding and Revenues			
Contributions and donations	\$ -	\$ 1,300	\$ 1,300
Other	13,870	13,870	-
In-kind	<u>19,200</u>	<u>19,200</u>	<u>-</u>
Total Other Funding and Revenues	<u>33,070</u>	<u>34,370</u>	<u>1,300</u>
Total Funding and Revenues	<u>158,500</u>	<u>159,800</u>	<u>1,300</u>
<b>EXPENSES</b>			
Personnel Services			
Salaries	96,500	96,871	(371)
Fringe benefits	<u>23,556</u>	<u>22,920</u>	<u>636</u>
Total Personnel Services	<u>120,056</u>	<u>119,791</u>	<u>265</u>
Other direct expenses			
Building occupancy	8,100	8,100	-
Vehicle and gasoline	600	1,036	(436)
Printing and office supplies	700	451	249
Insurance	2,894	2,961	(67)
Utilities	4,800	4,800	-
Licenses and taxes	200	250	(50)
Other	<u>250</u>	<u>825</u>	<u>(575)</u>
Total other direct expense	<u>17,544</u>	<u>18,423</u>	<u>(879)</u>
Total personnel and other direct expense	137,600	138,214	(614)
Indirect expense			
Administration	20,200	20,200	-
Professional services	<u>700</u>	<u>1,000</u>	<u>(300)</u>
Total Expenses	<u>158,500</u>	<u>159,414</u>	<u>(914)</u>
<b>EXCESS OF TOTAL FUNDING AND REVENUES OVER TOTAL EXPENSES</b>			
	<u>\$ -</u>	<u>\$ 386</u>	<u>\$ 386</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, 2006**

**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, 2006, 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, 2006**

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, CPA Rev. Charlene Holts Vivian O. Walters, Jr.	Hyacinth Johnson Rev. Dr. Carl Johnson James E. Lamar Wilhelmina Rhetta James M. Roberts Gregory A. Sams, Esq. Monique Strachan Donald C. Tyler, Esq. Ken Trueblood Rosetta Wells Kelly Tribble
<b>President\CEO</b>	Commissioner Dorrin D. Rolle	
<b>Principal</b>	Alvoyd Rolle	
<b>Enrollment Configuration</b>	<b><u>Grade Level</u></b>	<b><u>Number of Students</u></b>
	9 <sup>th</sup>	24
	10 <sup>th</sup>	35
	11 <sup>th</sup>	18
	12 <sup>th</sup>	<u>6</u>
	Total	<u>83</u>

**James E. Scott Community Association, Inc.**  
**(A Non-Profit Organization)**  
**SUPPLEMENTAL SCHEDULES**  
**December 31, 2006**

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 2006</b>
William Diggs	Board Member	Insurance Policy	\$34,314
Florida Roberts	Employee	Photography Service	730

**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, 2006**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>CFDA/ CSFA Number</b>	<b>Contract Number</b>	<b>Period Covered</b>		<b>Amount of Award</b>	<b>Expenditures</b>
			<b>From</b>	<b>To</b>		
<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	AA-612	1/1/2006	3/31/2006	\$ 35,856	\$ 35,856
Title III C-1 Congregate Meals	93.045	AA-612	1/1/2006	3/31/2006	113,961	113,961
Title III C-2 Home Delivered Meals	93.045	AA-612	1/1/2006	3/31/2006	65,405	65,405
Title IIIB Support Services	93.044	AA-612	4/1/2006	12/31/2006	146,538	146,538
Title III C-1 Congregate Meals	93.045	AA-612	4/1/2006	12/31/2006	372,231	372,231
Title III C-2 Home Delivered Meals	93.045	AA-612	4/1/2006	12/31/2006	198,057	198,057
Sub-total						<u>932,048</u>
U.S. Department of Agriculture						
Title III C (USDA) Oct.05 - Sep.06	10.570	US-636	10/1/2005	9/30/2006	120,869	94,149
Title III C (USDA) Oct.06 - Sep.07	10.570	US-636	10/1/2006	9/30/2007	122,676	31,383
Sub-total						<u>125,532</u>
U.S. Department of Health and Human Services, passed through Miami-Dade County Community Action Agency						
Head Start Program	93.600		8/1/2005	7/31/2006	2,185,000	1,041,243
Head Start Program	93.600		8/1/2006	7/31/2007	2,169,093	1,083,455
Sub-total						<u>2,124,698</u>
U.S. Department of Agriculture, passed though State of Florida Department of Health						
Childhood Program	10.558	S-546	10/1/2005	9/30/2006	651,215	151,500
Childhood Program	10.558	S-546	10/1/2006	9/30/2007	402,680	75,992
Sub-total						<u>227,492</u>
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	60509	1/1/2006	12/31/2006	140,000	133,866
Model Cities	14.218	60509	1/1/2006	12/31/2006	155,000	145,584
Transportation for the Elderly	14.218	60509	1/1/2006	12/31/2006	40,000	23,342
Transition and Stabilization	14.218	60509	1/1/2006	12/31/2006	37,000	31,520
Early Childhood Development	14.218	60509	1/1/2006	12/31/2006	45,000	45,000
U.S. Department of Housing and Urban Development, passed through City of Miami Community Development Block Grant						
Case Management Social Programs (City of Miami)	14.218	799131-	10/1/2005	9/30/2006	130,000	60,683
Case Management Social Programs (City of Miami)	14.218	799131-	10/1/2006	9/30/2007	41,500	12,590
Housing Opportunities for Persons with AIDS (City of Miami)	14.218	194008-	10/1/2005	9/30/2006	30,000	16,110
Sub-total						<u>468,695</u>
Sub-total federal awards (forwarded)						<u>3,878,465</u>

**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, 2006**  
**(Continued)**

Grantor/Pass-through Grantor/Program Title	CFDA/ CSFA Number	Contract Number	Period Covered		Amount of Award	Expenditures
			From	To		
<b>Sub-total federal awards (brought forward)</b>						<b>\$ 3,878,465</b>
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	YS-ISY-PY05-02-00	8/1/2005	6/30/2006	260,626	133,896
Sub-total						<u>133,896</u>
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		7/1/2005	6/30/2006		45,535
	93.574		7/1/2006	6/30/2007		96,408
Sub-total						<u>141,943</u>
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	KD201	7/1/2005	6/30/2006	125,430	71,287
					125,430	
	93.959	KD235	7/1/2006	6/30/2007	125,430	70,863
Sub-total						<u>142,150</u>
U.S. Department of Education, passed through Florida Department of Education Adult Education - State Grant Program: Adult Education (Intensive)						
	84.002	128-1916A-6PF01	7/1/2005	6/30/2006	75,000	41,802
	84.002	128-1917A-7PF01	7/1/2006	6/30/2007	75,000	32,032
Sub-total						<u>73,834</u>
U.S. Department of Housing and Urban Development, passed through Miami-Dade County: Supporting Housing Program for Homeless Individuals						
	14.235	FL-14B400052	10/1/2005	9/30/2006	311,923	223,387
	14.235	FL-14B500056	10/1/2006	9/30/2007	313,123	62,158
Sub-total						<u>285,545</u>
<b>TOTAL FEDERAL AWARDS</b>						<b>\$ 4,513,890</b>
<b>STATE PROJECT</b>						
<b>State of Florida Department of Juvenile Justice</b>						
	80.021	K8K01	7/1/2005	6/30/2006	827,820	\$ 372,788
	80.021	K8K01	7/1/2006	6/30/2007	827,820	356,468
		Q5026	8/1/2005	7/31/2006	39,000	18,772
<b>TOTAL STATE PROJECT</b>						<b>\$ 748,028</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, 2006**  
**(Continued)**

Grantor/Pass-through Grantor/Program Title	CFDA/ CSFA Numbe	Contract Number	Period Covered		Amount of Award	Expenditures
			From	To		
<b>LOCAL AWARDS</b>						
Miami-Dade County Department of Human Services:						
Multi-purpose Center for the Elderly-Nutrition High Risk		HRNP-04	10/1/2005	9/30/2006	79,780	\$ 43,140
Multi-purpose Center for the Elderly-Nutrition High Risk		HRNP-04	10/1/2006	9/30/2007	86,941	14,380
Multi-purpose Center for the Elderly-Home-based Enhanced Nutrition Services		EB-02	8/1/2005	6/30/2006	45,833	16,816
Multi-purpose Center for the Elderly-Home-based Enhanced Nutrition Services		EB-02	7/1/2006	6/30/2007	50,000	19,134
Uplift		SA0506-18	10/1/2005	9/30/2006	220,000	157,010
Uplift		SA0607-50	10/1/2006	9/30/2007	220,000	52,417
Early Childhood Development		CYFB-08	8/1/2005	6/30/2006	36,667	15,333
Early Childhood Development		CYFB-08	7/1/2006	6/30/2007	40,000	11,223
Family Homelessness Prevention and Assistance Program		HSB-04	8/1/2005	6/30/2006	56,375	34,474
Family Homelessness Prevention and Assistance Program		HSB-04	7/1/2006	6/30/2007	61,500	24,899
Teen Pregnancy Prevention Program		CYFG101	8/1/2005	6/30/2006	55,000	29,965
Teen Pregnancy Prevention Program		CYFG101	7/1/2006	6/30/2007	60,000	21,363
		Sub-total				<u>440,154</u>
The Children's Trust						
Youth Experiencing Success (YES) Program		506-119	6/1/2005	5/31/2006	189,176	68,775
Youth Experiencing Success (YES) Program		610-119	6/1/2006	5/31/2007	198,635	90,928
Promotion and Prevention Program		51-119	1/1/2006	7/31/2006	99,983	91,653
Promotion and Prevention Program		622-119	8/1/2006	7/31/2007	179,455	69,745
		Sub-total				<u>321,101</u>
The School Board of Miami-Dade County, Florida						
Roving Leaders			7/1/2005	7/31/2006	1,282,579	410,039
Roving Leaders			8/1/2006	12/31/2006	494,440	300,106
Intensive Education		4B015	7/1/2005	6/30/2006	11,640	1,910
Intensive Education			7/1/2006	6/30/2007	11,640	5,867
		Sub-total				<u>717,922</u>
<b>TOTAL LOCAL AWARDS</b>					<b>\$</b>	<b><u>1,479,177</u></b>

**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, 2006**

**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, 2006**

**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

**03-M-IC-4 Condition:** The number of units of congregate and home-delivered meals reflected in the monthly request for payments (RFP) tested was different than the number of units reflected in the Client Information Registration and Tracking System (CIRTS). Reconciliation is not prepared to reconcile the units reflected in both reports.

**Current Status:** Two out of the three months selected for review showed that total units per RFP are different from the total units reported per CIRTS as shown below:

<b>Month</b>	<b>Total Units for Congregated Meals Per CIRTS</b>	<b>Total Units for Congregated Meals Per RFP</b>	<b>Difference CIRTS is Over (Under)</b>
March 2006	10,179	15,583	(5,404)
October 2006	9,802	10,345	(543)

Documents provided to us were not organized to make a reconciliation review possible.

**Management's Response:** JESCA does not totally agree with this comment. We feel there is an audit trail and any month there is a difference between CIRTS and units billed, reconciliation is provided with the billing. The Alliance for Aging allows agency programs to make adjustments on monthly reports previously submitted. The adjustments are made as a result of internal audits or reconciliations of services received and rendered. Agency administration can go back to previous months and make the necessary adjustments in the CIRTS system.

The large difference in March 2006 is due to units which are reported in the February 2006 CIRTS. These units were originally planned to be billed to another funding source, but due to the Alliance contract ending in March 2006 with units available, these units were billed to the Alliance in March 2006 and not billed to the other funding source.

**James E. Scott Community Association, Inc.**  
**(A Non-Profit Organization)**  
**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**December 31, 2006**

**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 a periodic internal evaluation of compliance against contract.

*Current Status:* A similar finding was noted during the current year's audit.

*Management's response:* Improvements were made in the reporting and tracking of required matches. Management will continue to make improvements in this area.

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS-  
FINANCIAL STATEMENTS**

**None.**





**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") as of and for the year ended December 31, 2006, and have issued our report thereon dated April 25, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JESCA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of JESCA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect JESCA's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as 03-M-IC-4 and 05-IC-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by JESCA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe both of the findings identified above as significant deficiencies in internal control over financial reporting are also considered to be material weaknesses, as defined above.

### **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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit and finance committee, the board of directors, others within the entity, and federal and state awarding agencies and, if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Miami, Florida  
April 25, 2007

*Walter Rice LLP*



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND RULES OF THE AUDITOR GENERAL**

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") 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 State Project for the year ended December 31, 2006. JESCA's major Federal programs and 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 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 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 State Project for the year ended December 31, 2006. The results of our auditing procedures disclosed no instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General.

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 Federal programs and State 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 or a State Project in order to determine our auditing procedures for the purpose of expressing our opinion on

compliance, but not for the purpose of expressing an opinion on the programs and State 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 or a State Project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of JESCA's internal control. Accordingly, we do not express an opinion on the effectiveness of JESCA's internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal Programs and State Projects.

Our consideration of internal control over requirements of laws, regulations, contracts and grants applicable to Federal Programs and State Projects was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over compliance with requirements that could have a direct and material effect on a major Federal program or a State Project that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal Programs and State Projects that could have a direct and material effect on a major Federal program or a State Project that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis noncompliance with applicable requirements of laws, regulations, contracts and grants applicable to Federal Programs and State Projects. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or to administer a major Federal program or a State Project such that there is more than a remote likelihood that noncompliance with applicable requirements of a major Federal program or a State Project, that is more than inconsequential will not be prevented or detected. We consider the deficiencies described as 03-M-IC-4 and 05-IC-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal Programs and State Projects that could have a direct and material effect on a major Federal program or State Project.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with applicable requirements of laws, regulations, contracts and grants applicable to Federal Programs and State Projects of a major Federal program or State Project will not be prevented or detected.

Our consideration of the internal control over compliance with applicable requirements of laws, regulations, contracts and grants applicable to Federal Programs and State Projects was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe both of the findings identified above as significant deficiencies in internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal Programs and State Projects that could have a direct and material effect on a major Federal program or a State Project are also considered to be material weaknesses, as defined above.

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

Miami, Florida  
April 25, 2007

*Watson Rice d h P*

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS AND STATE PROJECTS**  
**YEAR ENDED DECEMBER 31, 2006**

**SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued	<i>Unqualified Opinion</i>	
Internal control over financial reporting:		
Material weakness (es) identified?	<u>  X  </u> Yes	___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	___ Yes	<u>  X  </u> (None reported)
Control Deficiency (ies) identified?	___ Yes	<u>  X  </u> (None reported)
Noncompliance material to financial statements noted?	___ Yes	<u>  X  </u> (None reported)

**Federal Awards**

Type of report issued on compliance for major Federal programs:	<i>Unqualified Opinion</i>	
Internal control over major Federal programs:		
Material weakness (es) identified?	<u>  X  </u> Yes	___ No
Significant Deficiency (ies) identified not considered material weaknesses?	___ Yes	<u>  X  </u> (None reported)
Control Deficiency (ies) identified?	___ Yes	<u>  X  </u> (None Reported)
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a) or Chapter 10.550, Rules of the Auditor General of the State of Florida?	<u>  X  </u> Yes	___ No

**Identification of major programs:**

<u>Federal Programs</u>	<u>CFDA No.</u>
Special Programs for the Aging (Cluster)	93.044/93.045
Head Start	93.600
<u>State Project:</u>	
Day Treatment Services	80.021
Dollar threshold used to distinguish between Type A and Type B programs:	Federal and State: \$300,000

Auditee qualified as a low-risk auditee pursuant to OMB Circular A-133.	_____	_____
	_____ Yes	___ <u>  X  </u> No

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-Profit Organization)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2006**

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

**None.**

**III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None.**

**IV – FINDINGS AND QUESTIONED COSTS FOR STATE PROJECTS**

**None.**



## INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of James E. Scott Community Association, Inc. ("JESCA") for the year ended December 31, 2006. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving JESCA's practices and procedures.

This letter is intended solely for the information and use of the Board of Directors, management and others within JESCA and is not intended to be and should not be used by anyone other than these specified parties. We appreciate serving JESCA and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Miami, Florida  
April 25, 2007

*Watson Rice LLP*

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-Profit Organization)**  
**December 31, 2006**

**SUMMARY OF CURRENT YEAR'S FINDINGS**

**06-ML-01**     **Condition:** In reviewing JESCA's monthly bank reconciliation statements, we noted that the General Operating Account (GOA) had significant amounts of negative monthly ending balances resulting from JESCA's cutting of checks without available funds to cover these checks. These checks, however, are not release to the vendors but held by the Chief Financial Officer (CFO) pending the availability of funds. As of December 31, 2006, significant amount of unissued checks were reverted back to cash account. These held checks were cut as early as March 2006 and some of these checks are already stale by the time these would be ready for release or pick-up by vendors.

**Recommendation:** We recommend that the Fiscal Department cut checks only when funds are available. By doing so, the GOA will no longer have negative balances in the books and the keeping or holding of signed checks and subsequently reversing it to cash account would be avoided.

**Management Response:** JESCA is unable to follow this recommendation as many reimbursement packages require a copy of the check as part of the reimbursement package. Checks are not released until the funds are available and every attempt is made to keep held checks to a minimum.

**06-ML-02**     **Condition:** The sale of two fully-depreciated vehicles was not covered by a board resolution. The vehicles were sold at \$100 each. This transaction was made possible because of the absence of an internal policy that requires board approval prior to disposal of fixed assets.

**Recommendation:** As a matter of sound business practice, we recommend that JESCA incorporates in its policies and procedures to require board approval for disposal of fixed assets.

**Management Response:** Management asked for and received approval from the funding source of the vehicles, which we considered as appropriate. These vans were over ten years old and no longer in use. However, in the future, we will at least report such items to the Board.

**06-ML-03**     **Condition:** JESCA's financial position as of December 31, 2006 shows an unfavorable current ratio of 46% (for every \$1 of debt only \$0.46 of asset is available to payoff the debt) and obligations to creditor banks of approximately \$969,000 will mature within the next ten (10) months. This situation will greatly affect the organization's finances and will place the organization's ability to continue as a going concern in doubt.



**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-Profit Organization)**  
**December 31, 2006**

**SUMMARY OF CURRENT YEAR'S FINDINGS**

***Recommendation:*** We recommend that management come-up with a viable financial plan to alleviate the adverse financial condition of the organization.

***Management Response:*** JESCA has in place a commitment letter from a local bank which will pay off the mortgage loan coming due in October 2007 and replace the expired line of credit with a new line whose amount available will be increased by \$300,000.

In the event the loans with this bank do not materialize, management has already made contact with other banks which have expressed an interest in developing a relationship.

As a last resort, management would sell two buildings and consolidate into other buildings owned or leased by JESCA. These two buildings were appraised at over \$1,000,000.

In any case, JESCA will continue to grow its fundraising efforts.

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-Profit Organization)**  
**December 31, 2006**

**SUMMARY OF PRIOR 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.

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

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

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

**05-ML-3 Condition:** JESCA's Accounts Payable transaction process requires that account distribution and identification of invoice to be paid must 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.

Management's plan to address the condition was to ensure that after checks are cut, they will come back to the CFO to verify that only obligations he had reviewed and approved were issued before they are forwarded for signature. The review process will be documented by the CFO's initials on the bottom of the check stub. Management's plan was to implement this procedure in July 2006.

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

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-Profit Organization)**  
**December 31, 2006**

**SUMMARY OF PRIOR YEAR'S FINDINGS**

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

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

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

**Current Status:** Management opted not to implement this recommendation.

**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.

**Current Status:** This matter is still unresolved.

**Management's response:** JESCA management was originally told this amount was not going to be pursued. Subsequently, the School Board decided it was going to obtain the amounts of any overpayments from all of its outside providers and once determined, a decision would be made as to whether collection of any of these amounts would be pursued. Currently, the School Board has not finished determining these amounts. JESCA management believes if any amounts are determined to be due, they will be minimal.

**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:** We noted improvements in recording and summarizing the annual dinner ticket sales, however, improvements still needed in the area of reporting.

**Management's Response:** JESCA management believes adequate controls were placed over the annual dinner tickets. We will continue our efforts to improve these controls.

**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

**JAMES E. SCOTT COMMUNITY ASSOCIATION, INC.**  
**(A Non-Profit Organization)**  
**December 31, 2006**

**SUMMARY OF PRIOR YEAR'S FINDINGS**

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.

*Current Status:* JESCA's account receivable at December 31, 2006 of \$884,062 does reflect an improvement from prior years in terms of billing and collection.

**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.

*Current status:* Interest charges for the year 2006 amounted to \$74,991.

*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 (or use allowance) 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 (or use allowance) may be reported by programs as in-kind contributions and/or match contributions to meet matching requirement of grant contracts.

*Current Status:* Similar finding was noted in the current year's audit.