

**VERA LLOYD PRESBYTERIAN HOME  
AND FAMILY SERVICES, INC.**

*Financial Statements and Supplementary  
Information for the Years Ended June 30, 2011  
and 2010, with Independent Auditors' Report*

# VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.

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## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors of Vera Lloyd Presbyterian Home and Family Services, Inc.:

We have audited the accompanying statements of financial position of Vera Lloyd Presbyterian Home and Family Services, Inc. as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Vera Lloyd Presbyterian Home and Family Services, Inc.'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 audits 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 Vera Lloyd Presbyterian Home and Family Services, Inc. as of June 30, 2011 and 2010, 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 September 12, 2011, on our consideration of Vera Lloyd Presbyterian Home and Family Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying combining statement of activities and schedule of governmental assistance are presented for purposes of additional analysis and are 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.

JEFFREY, PHILLIPS, MOSLEY & SCOTT, P.A.

September 12, 2011

An Independently Owned Member  
McGLADREY ALLIANCE



# VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.

## STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2011 AND 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 739,018	\$ 704,896
Certificates of deposit	489,637	950,000
Accounts receivable	112,498	79,085
Investments, at fair value	6,674,907	5,311,534
Property and equipment, net	4,091,727	4,227,853
Other assets	<u>73,515</u>	<u>69,714</u>
<b>TOTAL ASSETS</b>	<b><u>\$12,181,302</u></b>	<b><u>\$11,343,082</u></b>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 42,677	\$ 16,542
Accrued liabilities	<u>145,237</u>	<u>124,689</u>
<b>TOTAL LIABILITIES</b>	<b><u>187,914</u></b>	<b><u>141,231</u></b>
 <b>NET ASSETS:</b>		
Unrestricted	9,516,029	8,730,954
Temporarily restricted	112,903	106,441
Permanently restricted	<u>2,364,456</u>	<u>2,364,456</u>
<b>TOTAL NET ASSETS</b>	<b><u>11,993,388</u></b>	<b><u>11,201,851</u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$12,181,302</u></b>	 <b><u>\$11,343,082</u></b>

See Notes to Financial Statements.

# VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011				2010			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUES:</b>								
Contributions	\$ 324,692	\$ 53,500	\$ -	\$ 378,192	\$ 411,359	\$ 15,000	\$ 10,000	\$ 436,359
Federal and state contracts	1,434,791	-	-	1,434,791	1,459,518	-	-	1,459,518
Interest and dividends	123,116	54,186	-	177,302	109,777	58,012	-	167,789
Net realized and unrealized appreciation of investments	692,649	304,851	-	997,500	177,698	93,905	-	271,603
Net appreciation of gift annuities	39,222	-	-	39,222	23,822	-	-	23,822
Other revenues	213,934	-	-	213,934	123,094	-	-	123,094
Net assets released from restriction	406,075	(406,075)	-	-	151,917	(151,917)	-	-
Total support and revenues	<u>3,234,479</u>	<u>6,462</u>	<u>-</u>	<u>3,240,941</u>	<u>2,457,185</u>	<u>15,000</u>	<u>10,000</u>	<u>2,482,185</u>
<b>EXPENSES:</b>								
Program services	1,618,744	-	-	1,618,744	1,489,458	-	-	1,489,458
Management and general	578,957	-	-	578,957	516,303	-	-	516,303
Fundraising	251,703	-	-	251,703	296,136	-	-	296,136
Total expenses	<u>2,449,404</u>	<u>-</u>	<u>-</u>	<u>2,449,404</u>	<u>2,301,897</u>	<u>-</u>	<u>-</u>	<u>2,301,897</u>
<b>INCREASE IN NET ASSETS</b>	785,075	6,462	-	791,537	155,288	15,000	10,000	180,288
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>8,730,954</u>	<u>106,441</u>	<u>2,364,456</u>	<u>11,201,851</u>	<u>8,575,666</u>	<u>91,441</u>	<u>2,354,456</u>	<u>11,021,563</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$9,516,029</u>	<u>\$112,903</u>	<u>\$2,364,456</u>	<u>\$11,993,388</u>	<u>\$8,730,954</u>	<u>\$ 106,441</u>	<u>\$2,364,456</u>	<u>\$11,201,851</u>

See Notes to Financial Statements.

## VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.

### STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>				<u>2010</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 691,463	\$397,774	\$132,429	\$1,221,666	\$ 605,214	\$341,196	\$163,934	\$1,110,344
Payroll taxes and benefits	160,421	92,284	30,724	283,429	144,938	81,668	39,239	265,845
Travel/training/board/membership	28,336	8,643	6,065	43,044	19,703	3,884	6,591	30,178
Audit	—	19,604	—	19,604	—	19,583	—	19,583
Development	—	—	29,651	29,651	—	—	35,312	35,312
Insurance	52,033	4,305	4,899	61,237	60,917	4,839	4,579	70,335
Depreciation	226,673	6,719	3,194	236,586	222,488	6,595	3,135	232,218
Office supplies/equipment/postage	34,721	8,631	7,477	50,829	30,207	11,835	7,960	50,002
Utilities/telephone/pager	95,706	3,656	2,757	102,119	97,562	4,246	3,290	105,098
Maintenance	49,117	2,555	4,823	56,495	27,419	3,706	3,030	34,155
Auto	23,739	1,358	2,290	27,387	27,888	1,117	1,842	30,847
Food expense	77,606	—	—	77,606	76,081	—	—	76,081
Program costs	78,772	—	—	78,772	78,126	—	—	78,126
Professional and legal fees	100,157	998	3,919	105,074	98,915	4,853	4,735	108,503
Rent	—	32,430	23,475	55,905	—	32,781	22,489	55,270
<b>Total</b>	<b><u>\$1,618,744</u></b>	<b><u>\$578,957</u></b>	<b><u>\$251,703</u></b>	<b><u>\$2,449,404</u></b>	<b><u>\$1,489,458</u></b>	<b><u>\$516,303</u></b>	<b><u>\$296,136</u></b>	<b><u>\$2,301,897</u></b>

See Notes to Financial Statements.

# **VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**

## **STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 791,537	\$ 180,288
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized appreciation of investments	(997,500)	(271,603)
Unrealized appreciation on gift annuities	(39,222)	(23,822)
Contributions received with donor restrictions	(53,500)	(25,000)
Loss on disposal of property and equipment	—	1,084
Depreciation	236,586	232,218
Change in:		
Accounts receivable	(33,413)	98,215
Other current assets	(3,801)	112,856
Accounts payable	26,135	(32,961)
Accrued liabilities	20,548	15,212
Total adjustments	<u>844,167</u>	<u>106,199</u>
Net cash provided by operating activities	<u>52,630</u>	<u>286,487</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(100,460)	(204,877)
Purchase of investments	(2,414,127)	(3,053,783)
Proceeds from sale of investments	<u>2,547,839</u>	<u>2,928,970</u>
Net cash provided by (used in) investing activities	<u>33,252</u>	<u>(329,690)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions permanently restricted by donors	—	10,000
Contributions temporarily restricted for purchase of property and equipment	<u>53,500</u>	<u>15,000</u>
Net cash provided by financing activities	<u>53,500</u>	<u>25,000</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	34,122	(18,203)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>704,896</u>	<u>723,099</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 739,018</u>	<u>\$ 704,896</u>

See Notes to Financial Statements.

# VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2011

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### 1. ORGANIZATION

Vera Lloyd Presbyterian Home and Family Services, Inc. (the "Organization") is a non-profit organization incorporated under Arkansas law. Services provided include residential care, emergency shelter services, and family counseling to young people who have suffered through extreme family turmoil. Services are provided through facilities located in Little Rock and Monticello, Arkansas. Funding sources include contributions, earnings from investments, and contracts with the Arkansas Department of Human Services ("DHS").

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents** – For purposes of financial statement presentation, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Credit Risk** – Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. At times throughout the year, the Organization may maintain its bank accounts at levels in excess of the FDIC insured limit. Management believes that its policies are adequate to minimize potential credit risk. Concentrations of credit risk with respect to accounts receivable are limited as the majority of the accounts receivable are due from state agencies.

**Investments** – Investments, consisting of government, municipal, and corporate bonds, mutual funds, and certificates of deposit, are stated at estimated fair values as established by quoted prices. Changes in fair values are included in net appreciation and are recorded in the period they occur. Realized gains or losses on investments are recognized on the transaction trade dates and are included in realized gains or losses in the statement of activities. Mutual funds include common funds held at Texas Presbyterian Foundation, New Covenant Funds, and Presbyterian Church Foundation and are invested generally in equities and fixed income securities.

**Property and Equipment** – The Organization capitalizes expenditures for property and equipment at cost for items exceeding \$500. Donated assets are stated at their estimated fair market value at the date of the gift. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets.

**Net Assets Classification** – The Organization distinguishes between unrestricted, temporarily restricted, and permanently restricted net assets and changes in net assets in the accompanying financial statements. A description of these net asset classifications is as follows:

*Unrestricted net assets* – Net assets are classified as unrestricted if they are not subject to donor-imposed stipulations. However, donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as increases in unrestricted net assets.

*Temporarily restricted net assets* – Temporarily restricted net assets include net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be satisfied and removed by actions of the Organization.

*Permanently restricted net assets* – Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. Investment income on permanently restricted net assets is reflected as an addition to either unrestricted net assets or temporarily restricted net assets depending upon the restrictions imposed by the donor, if any.

**Spending Policy** – The Organization’s spending is governed by the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which was approved by the Uniform Law Commission to serve as a guideline to states to use in enacting legislation. The state of Arkansas has enacted UPMIFA, which requires non-profit organizations with donor-restricted endowed funds to follow certain standards when making investment and spending policy decisions.

**Net Assets Released From Restrictions** – Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donor.

**Pledges** – Unconditional pledges to give cash and other assets are reported at fair value at the date the pledge is received, which is then treated as cost. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable. Gift annuities receivable are recorded at the actuarially determined present value as determined by the administrator of the gift instrument.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of these discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**Concentration of Revenues** – The Organization’s revenues from federal and state contracts for the years ended June 30, 2011 and 2010, are received entirely from DHS, either directly or as funding passed through from the United States Department of Health and Human Services.

**Functional Expenses** – Functional expenses have been allocated between program services, management and general, and fundraising expenses. Personnel related expenses are allocated based on an analysis of personnel time utilized for the related activities. Other expenses are allocated based on other meaningful measures for the particular type of expenditure.

**Federal Income Taxes** – The Organization is a publicly supported organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization follows standards under the *Income Taxes* topic of the Financial Accounting Standards Codification (the “Codification”) related to uncertainties in income taxes. The Organization adopted these standards for the year ended June 30, 2010. Management evaluated the Organization’s tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Organization files an income tax return in the United States federal jurisdiction and is no longer subject to United States federal, state, and local income tax examinations by tax authorities for years before 2008.

**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 the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

**Reclassifications** – Certain amounts in the 2010 financial statements have been reclassified in order to conform to the 2011 presentation.

**Fair Value Measurements** – The Organization has adopted standards under the *Fair Value Measurements and Disclosures* topic of the Codification, which provide a framework for measuring fair value under generally accepted accounting principles. These standards apply to all financial instruments that are being measured and recognized at fair value on a recurring basis.

As defined in these standards, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards also establish a framework for measuring fair value and expand disclosures about fair value instruments.

**Subsequent Events** – The Organization has evaluated events that occurred after June 30, 2011, but prior to September 12, 2011, the date the financial statements were issued. The Organization did not identify any events or transactions during this period of time that require recognition or disclosure in the financial statements for the period ended June 30, 2011.

### 3. ACCOUNTS RECEIVABLE

Receivables for federal and state awards are recorded, along with the corresponding revenues, when services are performed either through the provision of units of service or through the claim for reimbursement of expenditures. These awards are subject to review by state and federal funding agencies, which could result in a request for reimbursement by these agencies for services disallowed under the terms and conditions of the agreements. In the opinion of management, such disallowances if any, would not be significant.

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

**Fair Value Measurements** – In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes United States Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended June 30, 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

**Investment Securities** – The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. For the year ended June 30, 2011, securities held by the Organization are classified as Level 1 and Level 2 securities. No securities held by the Organization as of June 30, 2011, were classified as Level 3 securities.

**Gift Annuity Receivables** – The fair value of gift annuity receivables is measurable and recorded at the actuarially determined present value as determined by the administrator of the gift instrument. These asset valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets. For the year ended June 30, 2011, gift annuity receivables held by the Organization are classified as Level 3 assets.

**Fair Value on a Recurring Basis**

The balances of assets measured at fair value on a recurring basis are as follows:

	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
June 30, 2011				
Investment Securities				
Mutual Funds				
Large cap funds	\$ –	\$1,285,815	\$ –	\$1,285,815
Balanced funds	1,148,258	828,534	–	1,976,792
Income funds	335,803	666,246	–	1,002,049
Growth funds	1,398,682	139,029	–	1,537,711
United States				
Government and				
Municipal Obligations	–	57,381	–	57,381
Corporate Bonds	–	648,298	–	648,298
Gift Annuity Receivable	–	–	<u>166,861</u>	<u>166,861</u>
Total assets	<u>\$2,882,743</u>	<u>\$3,625,303</u>	<u>\$166,861</u>	<u>\$6,674,907</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2010				
Investment Securities				
Mutual Funds				
Large cap funds	\$ —	\$1,022,773	\$ —	\$ 1,022,773
Balanced funds	368,604	748,403	—	1,117,007
Income funds	338,322	683,884	—	1,022,206
Growth funds	1,299,607	489,077	—	1,788,684
United States				
Government and Municipal Obligations	—	56,476	—	56,476
Corporate Bonds	—	176,749	—	176,749
Gift Annuity Receivable	—	—	127,639	127,639
Total assets	<u>\$2,006,533</u>	<u>\$3,177,362</u>	<u>\$ 127,639</u>	<u>\$ 5,311,534</u>

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	<b><u>Gift Annuity Receivable</u></b>
Balance, June 30, 2009	\$ 103,817
Unrealized increase in fair value	<u>23,822</u>
Balance, June 30, 2010	127,639
Unrealized increase in fair value	<u>39,222</u>
Balance, June 30, 2011	<u>\$ 166,861</u>

## 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

<u>Description</u>	<u>Estimated Useful Life</u>	<u>2011</u>	<u>2010</u>
Buildings and improvements	10-40 years	\$ 5,457,367	\$ 5,400,937
Equipment	5-10 years	665,600	637,393
Furniture and fixtures	5-10 years	213,289	203,895
Vehicles	3-4 years	<u>199,407</u>	<u>192,978</u>
Total		6,535,663	6,435,203
Less accumulated depreciation		<u>(2,443,936)</u>	<u>(2,207,350)</u>
Property and equipment, net		<u>\$ 4,091,727</u>	<u>\$ 4,227,853</u>

## 6. LEASE COMMITMENTS

The Organization leases its Little Rock office space and certain office equipment under operating lease agreements. As of June 30, 2011, the aggregate future minimum lease payments under these lease arrangements were as follows:

2012	\$28,328
2013	1,200
2014	<u>1,200</u>
Total	<u>\$30,728</u>

Lease expense related to these arrangements totaled approximately \$56,000 and \$55,000 for the years ended June 30, 2011 and 2010, respectively.

## 7. ENDOWMENTS

The Organization accounts for endowments using the standards included in the *Not-for-Profit Entities* topic of the Codification. These standards and UPMIFA were effective for the Organization for the year ended June 30, 2010.

The Organization's endowment consists of 17 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by its board of directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund consists of the following:

	<b>Board Designated Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
June 30, 2011				
Donor-restricted endowment funds	\$ —	\$ —	\$2,364,456	\$2,364,456
Board-designated endowment funds	<u>4,524,194</u>	<u>—</u>	<u>—</u>	<u>4,524,194</u>
Total endowment	<u>\$4,524,194</u>	<u>\$ —</u>	<u>\$2,364,456</u>	<u>\$6,888,650</u>
June 30, 2010				
Donor-restricted endowment funds	\$ —	\$ —	\$2,364,456	\$2,364,456
Board-designated endowment funds	<u>4,455,007</u>	<u>—</u>	<u>—</u>	<u>4,455,007</u>
Total endowment	<u>\$4,455,007</u>	<u>\$ —</u>	<u>\$2,364,456</u>	<u>\$6,819,463</u>

Changes in endowment net assets for the year ended June 30, 2011 and 2010:

	<b><u>Board Designated Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year, July 1, 2009	<u>\$4,574,422</u>	<u>\$ —</u>	<u>\$2,354,456</u>	<u>\$6,928,878</u>
Investment Return:				
Interest and dividends	—	58,012	—	58,012
Net appreciation (unrealized and realized)	<u>23,822</u>	<u>93,905</u>	<u>—</u>	<u>117,727</u>
Total investment return	<u>23,822</u>	<u>151,917</u>	<u>—</u>	<u>175,739</u>
Contributions	—	—	10,000	10,000
Appropriation of endowment assets for expenditure	—	(151,917)	—	(151,917)
Transfers from Board- designated endowment funds, net	<u>(143,237)</u>	<u>—</u>	<u>—</u>	<u>(143,237)</u>
Endowment net assets, beginning of year, July 1, 2010	<u>4,455,007</u>	<u>—</u>	<u>2,364,456</u>	<u>6,819,463</u>
Investment Return:				
Interest and dividends	—	54,186	—	54,186
Net appreciation (unrealized and realized)	<u>—</u>	<u>304,851</u>	<u>—</u>	<u>304,851</u>
Total investment return	<u>—</u>	<u>359,037</u>	<u>—</u>	<u>359,037</u>
Contributions	50,000	—	—	50,000
Appropriation of endowment assets for expenditure	—	(359,037)	—	(359,037)
Transfers to Board- designated endowment funds, net	<u>19,187</u>	<u>—</u>	<u>—</u>	<u>19,187</u>
Endowment net assets, end of year, June 30, 2011	<u>\$4,524,194</u>	<u>\$ —</u>	<u>\$2,364,456</u>	<u>\$6,888,650</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to support the current and future operations of the Organization, while maintaining the endowed assets at the level restricted by the donor to be held in perpetuity or for a donor-specified period. Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve the principal value of the assets and to provide for appreciation in value of the assets in order to hedge against the effects of inflation.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The spending rate of earnings on endowments is determined annually by the board of directors, and was 5% of the value of the invested endowment assets for the year ended June 30, 2011. This policy was adopted to achieve the objective of maintaining purchasing power of the endowment assets held in perpetuity or for a specified time.

## **8. EMPLOYEE BENEFIT PLANS**

The Organization self-administers two employee benefit plans which qualify for tax deferral under the Internal Revenue Code.

The tax sheltered annuity plan is under IRS Code Section 403(b). Employees enter into a salary reduction agreement, up to IRS limits, for which the proceeds are used to invest in mutual funds. Employees do not pay income tax on these amounts until the benefits are received under the plan. Additionally, contributions by the Organization on behalf of the employees for the years ended June 30, 2011 and 2010, totaled approximately \$16,000 and \$18,000, respectively.

The cafeteria plan is under IRS Code Section 125. Employees enter into a salary reduction agreement, up to IRS limits, for which the proceeds are used as payment toward health insurance. Employees do not pay income tax or Social Security/Medicare taxes on these amounts.

## **9. UNITS OF SERVICE**

Funding by DHS is provided through units of service. Units represent number of days of service or meals provided under the programs funded by DHS. The units are applied to a rate per day or amount per meal served to determine the reimbursement under the programs. The Organization recognizes the revenue from these contracts when the services are provided.

The following days of service were provided by the Organization:

<u>Month</u>	<u>Year</u>	(1) <u>Residential Home Days</u>	(1) <u>Emergency Shelter Days</u>	(2) <u>Respite Service Days</u>	(3) <u>Therapeutic Group Home Days</u>
July	2010	485	208	13	443
August	2010	452	113	22	421
September	2010	450	164	2	312
October	2010	465	191	11	292
November	2010	447	157	15	312
December	2010	468	147	19	456
January	2011	465	93	2	450
February	2011	417	109	–	413
March	2011	465	209	–	463
April	2011	450	188	–	368
May	2011	465	253	–	371
June	2011	<u>450</u>	<u>153</u>	<u>–</u>	<u>422</u>
<b>TOTAL</b>		<u>5,479</u>	<u>1,985</u>	<u>84</u>	<u>4,723</u>

The following meal servings were provided by the Organization:

<u>Month</u>	<u>Year</u>	(4) <u>Lunch Meals</u>	(4) <u>Breakfast Meals</u>
July	2010	1,058	1,080
August	2010	629	976
September	2010	255	917
October	2010	286	987
November	2010	339	885
December	2010	601	1,059
January	2011	489	1,020
February	2011	387	937
March	2011	504	1,127
April	2011	298	983
May	2011	374	1,056
June	2011	<u>739</u>	<u>1,001</u>
<b>TOTAL</b>		<u>5,959</u>	<u>12,028</u>

- (1) Residential home service and emergency shelter are provided through the Social Services Block Grant, Foster Care – Title IV E, and Foster Care – state programs.
- (2) Respite service is provided through the Promoting Safe & Stable Families program.
- (3) Therapeutic group home service is provided through the Arkansas State Division of Youth Services program.
- (4) Lunch and breakfast meals are provided through the National School Lunch program.

#### **10. RELATED PARTY TRANSACTIONS**

The Organization is the beneficiary of the income derived from assets held in the Presbyterian Children's Home Endowment Trust (the "Trust"). The Trust was established in 1949 as a permanent endowment fund for the use and benefit of the Synod of Arkansas of the Presbyterian Church to be applied to the maintenance, operation, and support of the Organization. The Trust remains in effect until the Organization ceases operations, at which time the Trust shall terminate and the remaining assets shall be distributed to the Synod of Arkansas of the Presbyterian Church.

Income derived from Trust assets and paid to the Organization is recorded by the Organization in the period in which it is received and consists primarily of proceeds from harvesting timber on real estate owned by the Trust. The Trust has delegated the authority for managing the timber to the Organization. The total amount received related to timber sales for the year ended June 30, 2011, was approximately \$114,000. No revenue was recognized related to timber sales during the year ended June 30, 2010.

The Organization's facilities in Monticello, Arkansas are located on land owned by the Trust.

**SUPPLEMENTARY INFORMATION**

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2011

	OPERATING FUND	GENERAL FUND	JAMMIN' JUBILEE FUND	QUILT FUND	TIMBER FUND	BARTON M&O FUND
<b>REVENUE</b>						
Contributions	\$ 273,492	\$ -	\$ 1,000	\$ -	\$ -	\$ -
Federal and state contracts	1,434,791	-	-	-	-	-
Net appreciation of investments	233,995	763,505	-	-	-	-
Net appreciation of gift annuities	-	-	-	-	-	-
Interest and dividends	177,302	-	-	-	-	-
Other revenues	213,934	-	-	-	-	-
<b>TOTAL REVENUE</b>	<b>2,333,514</b>	<b>763,505</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENSES</b>						
Salaries/vacation/bonus pay	1,159,702	61,964	-	-	-	-
Payroll taxes/ benefits	247,774	3,643	-	-	-	-
Travel/training/board/memberships	43,044	-	-	-	-	-
Audit	19,604	-	-	-	-	-
Development	29,651	-	-	-	-	-
Insurance	61,237	-	-	-	-	-
Depreciation	236,586	-	-	-	-	-
Office supplies/equipment/postage	50,829	-	-	-	-	-
Utilities/telephone	102,119	-	-	-	-	-
Maintenance	35,076	-	-	-	21,419	-
Auto	26,601	786	-	-	-	-
Food	77,606	-	-	-	-	-
Program costs	78,264	-	-	-	-	-
Professional and legal fees	100,799	-	-	-	1,200	-
Rent	55,905	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>2,324,797</b>	<b>66,393</b>	<b>-</b>	<b>-</b>	<b>22,619</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>8,717</b>	<b>697,112</b>	<b>1,000</b>	<b>-</b>	<b>(22,619)</b>	<b>-</b>
<b>NET ASSETS, BEGINNING</b>	<b>-</b>	<b>4,136,810</b>	<b>-</b>	<b>518</b>	<b>61,477</b>	<b>8,315</b>
Operating transfers	(8,717)	8,717	-	-	-	-
General\Endowment fund transfers	-	(32,012)	-	-	-	-
Capital additions	-	93,343	-	-	(24,554)	(1,239)
<b>NET ASSETS, ENDING</b>	<b>\$ -</b>	<b>\$ 4,903,970</b>	<b>\$ 1,000</b>	<b>\$ 518</b>	<b>\$ 14,304</b>	<b>\$ 7,076</b>

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2011

	WALTON M&O FUND	WILLIAMSON M&O FUND	SPECIAL PROJTS /GYM FUND	SCHOOL COMPUTER FUND	CAPITAL CAMPAIGN FUND
<b>REVENUE</b>					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 53,500
Federal and state contracts	-	-	-	-	-
Net appreciation of investments	-	-	-	-	-
Net appreciation of gift annuities	-	-	-	-	-
Interest and dividends	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>TOTAL REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,500</b>
<b>EXPENSES</b>					
Salaries/vacation/bonus pay	-	-	-	-	-
Payroll taxes/ benefits	-	-	-	-	-
Travel/training/board/memberships	-	-	-	-	-
Audit	-	-	-	-	-
Development	-	-	-	-	-
Insurance	-	-	-	-	-
Depreciation	-	-	-	-	-
Office supplies/equipment/postage	-	-	-	-	-
Utilities/telephone	-	-	-	-	-
Maintenance	-	-	-	-	-
Auto	-	-	-	-	-
Food	-	-	-	-	-
Program costs	-	-	-	508	-
Professional and legal fees	-	-	-	-	-
Rent	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>508</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(508)</b>	<b>53,500</b>
<b>NET ASSETS, BEGINNING</b>	<b>12,182</b>	<b>8,430</b>	<b>16,066</b>	<b>7,150</b>	<b>15,000</b>
Operating transfers	-	-	-	-	-
General\Endowment fund transfers	-	-	-	-	-
Capital additions	(1,533)	-	-	(1,820)	(42,451)
<b>NET ASSETS, ENDING</b>	<b>\$ 10,649</b>	<b>\$ 8,430</b>	<b>\$ 16,066</b>	<b>\$ 4,822</b>	<b>\$ 26,049</b>

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2011

	WOOTEN ANDERSON SCHOLARSHIP	UNEMPLOYMENT RESERVE FUND	WILLIAMSON HALL WILLIAMSON FAMILY ENDOWMENT	CHARBECK FUND	JERRY NEWBOLD MEMORIAL FUND
<b>REVENUE</b>					
Contributions	\$ -	\$ -	\$ 50,000	\$ -	\$ -
Federal and state contracts	-	-	-	-	-
Net appreciation of investments	-	-	-	-	-
Net appreciation of gift annuities	-	-	-	-	-
Interest and dividends	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>TOTAL REVENUE</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>-</b>
<b>EXPENSES</b>					
Salaries/vacation/bonus pay	-	-	-	-	-
Payroll taxes/ benefits	-	32,012	-	-	-
Travel/training/board/memberships	-	-	-	-	-
Audit	-	-	-	-	-
Development	-	-	-	-	-
Insurance	-	-	-	-	-
Depreciation	-	-	-	-	-
Office supplies/equipment/postage	-	-	-	-	-
Utilities/telephone	-	-	-	-	-
Maintenance	-	-	-	-	-
Auto	-	-	-	-	-
Food	-	-	-	-	-
Program costs	-	-	-	-	-
Professional and legal fees	-	-	-	-	-
Rent	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>-</b>	<b>32,012</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>-</b>	<b>(32,012)</b>	<b>50,000</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS, BEGINNING</b>	<b>70,753</b>	<b>25,000</b>	<b>-</b>	<b>302,500</b>	<b>7,596</b>
Operating transfers	-	-	-	-	-
General\Endowment fund transfers	-	32,012	-	-	-
Capital additions	-	-	-	-	-
<b>NET ASSETS, ENDING</b>	<b>\$ 70,753</b>	<b>\$ 25,000</b>	<b>\$ 50,000</b>	<b>\$ 302,500</b>	<b>\$ 7,596</b>

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**

	GENERAL ENDOWMENT BOARD DESIGNATED FUND	GENERAL ENDOWMENT DONOR DESIGNATED FUND	PETTUS HOME ENDOWMENT FUND	BARTON HOME ENDOWMENT FUND	WILLIAMSON ENDOWMENT FUND
<b>REVENUE</b>					
Contributions	\$ 200	\$ -	\$ -	\$ -	\$ -
Federal and state contracts	-	-	-	-	-
Net appreciation of investments	-	-	-	-	-
Net appreciation of gift annuities	39,222	-	-	-	-
Interest and dividends	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>TOTAL REVENUE</b>	<b>39,422</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENSES</b>					
Salaries/vacation/bonus pay	-	-	-	-	-
Payroll taxes/ benefits	-	-	-	-	-
Travel/training/board/memberships	-	-	-	-	-
Audit	-	-	-	-	-
Development	-	-	-	-	-
Insurance	-	-	-	-	-
Depreciation	-	-	-	-	-
Office supplies/equipment/postage	-	-	-	-	-
Utilities/telephone	-	-	-	-	-
Maintenance	-	-	-	-	-
Auto	-	-	-	-	-
Food	-	-	-	-	-
Program costs	-	-	-	-	-
Professional and legal fees	3,075	-	-	-	-
Rent	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>3,075</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>36,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS, BEGINNING</b>	<b>3,681,756</b>	<b>712,664</b>	<b>48,278</b>	<b>137,300</b>	<b>115,777</b>
Operating transfers	-	-	-	-	-
General\Endowment fund transfers	-	-	-	-	-
Capital additions	(10,362)	-	-	-	-
<b>NET ASSETS, ENDING</b>	<b>\$ 3,707,741</b>	<b>\$ 712,664</b>	<b>\$ 48,278</b>	<b>\$ 137,300</b>	<b>\$ 115,777</b>

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**

	WALTON FOUNDATION FUND	WALTON ENDOWMENT FUND	WOOTEN ANDERSON END FUND	LEWIS HOME ENDOWMENT FUND	MARSH HORSFALL FUND	LAURENCE SCHMIDT CENTER FUND
<b>REVENUE</b>						
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal and state contracts	-	-	-	-	-	-
Net appreciation of investments	-	-	-	-	-	-
Net appreciation of gift annuities	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-
<b>TOTAL REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENSES</b>						
Salaries/vacation/bonus pay	-	-	-	-	-	-
Payroll taxes/ benefits	-	-	-	-	-	-
Travel/training/board/memberships	-	-	-	-	-	-
Audit	-	-	-	-	-	-
Development	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Office supplies/equipment/postage	-	-	-	-	-	-
Utilities/telephone	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-
Auto	-	-	-	-	-	-
Food	-	-	-	-	-	-
Program costs	-	-	-	-	-	-
Professional and legal fees	-	-	-	-	-	-
Rent	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS, BEGINNING</b>	<b>500,000</b>	<b>551,650</b>	<b>114,859</b>	<b>20,688</b>	<b>25,000</b>	<b>2,000</b>
Operating transfers	-	-	-	-	-	-
General/Endowment fund transfers	-	-	-	-	-	-
Capital additions	-	-	-	(4,587)	-	-
<b>NET ASSETS, ENDING</b>	<b>\$ 500,000</b>	<b>\$ 551,650</b>	<b>\$ 114,859</b>	<b>\$ 16,101</b>	<b>\$ 25,000</b>	<b>\$ 2,000</b>

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2011

	ICY GREGORY ENDOWMENT FUND	LORENE EMPSON PRIVATE PLACEMENT FUND	BETTIE S MABRAY MEMORIAL FUND	TRIMBLE HOME ENDOWMENT FUND	TOTALS
<b>REVENUE</b>					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 378,192
Federal and state contracts	-	-	-	-	1,434,791
Net appreciation of investments	-	-	-	-	997,500
Net appreciation of gift annuities	-	-	-	-	39,222
Interest and dividends	-	-	-	-	177,302
Other revenues	-	-	-	-	213,934
<b>TOTAL REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,240,941</b>
<b>EXPENSES</b>					
Salaries/vacation/bonus pay	-	-	-	-	1,221,666
Payroll taxes/ benefits	-	-	-	-	283,429
Travel/training/board/memberships	-	-	-	-	43,044
Audit	-	-	-	-	19,604
Development	-	-	-	-	29,651
Insurance	-	-	-	-	61,237
Depreciation	-	-	-	-	236,586
Office supplies/equipment/postage	-	-	-	-	50,829
Utilities/telephone	-	-	-	-	102,119
Maintenance	-	-	-	-	56,495
Auto	-	-	-	-	27,387
Food	-	-	-	-	77,606
Program costs	-	-	-	-	78,772
Professional and legal fees	-	-	-	-	105,074
Rent	-	-	-	-	55,905
<b>TOTAL EXPENSES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,449,404</b>
<b>CHANGE IN NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>791,537</b>
<b>NET ASSETS, BEGINNING</b>	<b>375,482</b>	<b>25,000</b>	<b>98,600</b>	<b>121,000</b>	<b>11,201,851</b>
Operating transfers	-	-	-	-	-
General\Endowment fund transfers	-	-	-	-	-
Capital additions	-	-	-	(6,797)	-
<b>NET ASSETS, ENDING</b>	<b>\$ 375,482</b>	<b>\$ 25,000</b>	<b>\$ 98,600</b>	<b>\$ 114,203</b>	<b>\$ 11,993,388</b>

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**

**SCHEDULE OF GOVERNMENTAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

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<b><u>Program Grantor/Pass Through Entity/ Program Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Federal/State Revenues</u></b>	<b><u>Federal/State Expenditures</u></b>
<u>Federal Assistance</u>			
United States Department of Health and Human Services/Arkansas Department of Human Services			
Foster Care – Title IV E	93.658	\$ 214,207	\$ 214,207
Foster Care – Title IV E (ARRA Funding)	93.658	7,067	7,067
Promoting Safe and Stable Families	93.556	<u>6,300</u>	<u>6,300</u>
Total		<u>227,574</u>	<u>227,574</u>
United States Department of Agriculture/Arkansas Department of Human Services/National School Lunch Program – Equipment Assistance			
Lunch Program	10.579	672	672
Lunch Program	10.555	<u>37,497</u>	<u>37,497</u>
Total		<u>38,169</u>	<u>38,169</u>
Total Federal Revenues and Expenditures		<u>\$ 265,743</u>	<u>\$ 265,743</u>
<u>State Assistance</u>			
Arkansas Department of Human Services/ State General Revenue			
Division of Youth Services		\$ 566,760	\$ 566,760
Foster Care – Title IV E		151,573	151,573
Foster Care – State		448,615	448,615
Promoting Safe and Stable Families		<u>2,100</u>	<u>2,100</u>
Total State Revenues and Expenditures		<u>\$1,169,048</u>	<u>\$1,169,048</u>



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

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**To the Board of Directors of  
Vera Lloyd Presbyterian Home and Family Services, Inc.:**

We have audited the financial statements of Vera Lloyd Presbyterian Home and Family Services, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated September 12, 2011. 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 Vera Lloyd Presbyterian Home and Family Services, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vera Lloyd Presbyterian Home and Family Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Vera Lloyd Presbyterian Home and Family Services, Inc.'s internal control over financial reporting.

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

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

*Compliance and Other Matters*

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

This report is intended solely for the information and use of the board of directors, management, and 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.

*JEFFREY, PHILLIPS, MOSLEY + SCOTT, P.A.*

September 12, 2011

**VERA LLOYD PRESBYTERIAN HOME AND FAMILY SERVICES, INC.**

**SUPPLEMENTAL DATA SHEET**

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Entity Full Name: Vera Lloyd Presbyterian Home and Family Services, Inc.

Address: 1501 N. University, Suite 345  
Little Rock, AR 72207

EIN: 71-0419191

Phone: (501) 666-8195

Chief Executive Officer and Contact Person: Ms. Lynda Whaley