

**Financial Statements**

**MIRACLE OF LOVE, INC.**

**June 30, 2012 and 2011**

**MIRACLE OF LOVE, INC.**

**Financial Statements**

**June 30, 2012 and 2011**

**(With Independent Auditors' Report Thereon)**

MIRACLE OF LOVE, INC.

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## **Independent Auditors' Report**

The Board of Directors  
Miracle of Love, Inc.

We have audited the accompanying statements of financial position of Miracle of Love, Inc. as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 Miracle of Love, Inc. as of June 30, 2012 and 2011 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 20, 2012 on our consideration of Miracle of Love, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audits.

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

*Schater, Tschagg, Whitcomb, Mitchell & Shuilen, LLP*

Altamonte Springs, Florida  
September 20, 2012

MIRACLE OF LOVE, INC.

**Statements of Financial Position**

June 30, 2012 and 2011

**Assets**

	<b><u>2012</u></b>	<b><u>2011</u></b>
Current assets		
Cash and cash equivalents	\$ 72,507	39,464
Investments (note 4)	50,000	50,000
Accounts receivable - Grantor Agencies	237,787	179,987
Prepaid expenses and other assets	4,695	3,695
Total current assets	<u>364,989</u>	<u>273,146</u>
Furniture and Equipment:		
Furniture and office equipment	71,526	38,573
Less: accumulated depreciation	<u>(38,949)</u>	<u>(33,486)</u>
	<u>32,577</u>	<u>5,087</u>
Total assets	<u><u>\$ 397,566</u></u>	<u><u>278,233</u></u>

**Liabilities and Net Assets**

Current liabilities:		
Line of credit (note 5)	\$ 48,282	28,780
Accounts payable and accrued expenses	44,973	51,362
Total current liabilities	<u>93,255</u>	<u>80,142</u>
Commitment (note 7)		
Unrestricted net assets	<u>304,311</u>	<u>198,091</u>
Total liabilities and net assets	<u><u>\$ 397,566</u></u>	<u><u>278,233</u></u>

See accompanying notes to financial statements

MIRACLE OF LOVE, INC.

Statements of Activities

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Support and revenue:		
Support:		
Public support	\$ 5,136	4,687
In-kind contributions (note 6)	31,288	-
Special events - net of direct benefit to donor costs of \$18,882 and \$24,022, respectively	106,972	84,588
Grants:		
<b>Department of Health and Human Services:</b>		
Center for Disease Control:		
Project Start	158,500	145,322
CRCS/CTR	169,088	174,122
Ryan White HIV/AIDS Treatment Modernization Act		
Orange County Health and Family Services:		
Ryan White Title I Program:		
Case Management	207,104	239,758
African American Testing Initiative/Extended Testing Initiative	67,021	77,250
<b>Department of Housing and Urban Development:</b>		
City of Orlando:		
Housing Opportunities for Persons with AIDS		
Case Management	185,490	177,963
Deposit Assistance	30,152	12,655
Short and long-term rental assistance	260,090	112,386
Homelessness Prevention and Rapid Rehousing Program		
Short and long-term rental assistance	-	92,193
<b>State of Florida Health Department</b>		
SNS Project Fast	147,690	138,414
Mpowerment Project	157,109	153,913
Total Support	<u>1,525,640</u>	<u>1,413,251</u>
Revenue:		
Investment income	20	42
Rental income	13,502	14,860
Project AIDS Care - PAC	281,000	222,800
MISTERS Program	3,372	25,581
Other	18,667	5,560
Total Revenue	<u>316,561</u>	<u>268,843</u>
Total Revenue and Other Support	<u>1,842,201</u>	<u>1,682,094</u>
Expenses:		
Program Services	1,398,016	1,255,139
Support Services:		
Management and General	326,828	308,607
Fund Raising	11,137	10,587
Total Expenses	<u>1,735,981</u>	<u>1,574,333</u>
Change in net assets	106,220	107,761
Net assets, beginning of year	198,091	90,330
Net assets, end of year	<u>\$ 304,311</u>	<u>198,091</u>

See accompanying notes to financial statements

MIRACLE OF LOVE, INC.

Statements of Functional Expenses

Years ended June 30, 2012 and 2011

	Supporting Services			2012 Total Expenses	Supporting Services			2011 Total Expenses
	Program Services	Management and General	Fund Raising		Program Services	Management and General	Fund Raising	
Salaries and wages	\$ 704,009	213,055	9,264	926,328	687,729	208,128	9,050	904,907
Employee benefits	78,567	23,774	1,035	103,376	55,053	16,659	725	72,437
Payroll processing fees	1,812	548	25	2,385	1,867	565	25	2,457
Payroll taxes	61,848	18,716	813	81,377	59,888	18,123	787	78,798
Office supplies	13,941	3,485	-	17,426	15,371	3,843	-	19,214
Telephone	27,662	6,917	-	34,579	26,822	6,705	-	33,527
Postage and shipping	1,387	347	-	1,734	1,202	300	-	1,502
Occupancy	69,555	17,389	-	86,944	75,343	18,836	-	94,179
Specific client assistance	327,745	-	-	327,745	208,045	-	-	208,045
Equipment rental and maintenance	26,636	6,659	-	33,295	17,913	4,478	-	22,391
Printing and publications	8,297	-	-	8,297	6,978	-	-	6,978
Travel and meals	17,473	-	-	17,473	36,616	-	-	36,616
Conferences and meetings	2,033	-	-	2,033	7,883	-	-	7,883
Insurance	19,890	4,972	-	24,862	14,662	3,665	-	18,327
Accounting, legal and consulting fees	-	24,020	-	24,020	-	21,757	-	21,757
Licenses and permits	612	-	-	612	416	-	-	416
Other expenses	23,412	5,853	-	29,265	19,646	4,912	-	24,558
Advertising and promotions	7,700	-	-	7,700	14,658	-	-	14,658
Bank charges and late fees	1,067	-	-	1,067	2,503	-	-	2,503
Total expenses before interest, depreciation and losses	1,393,646	325,735	11,137	1,730,518	1,252,595	307,971	10,587	1,571,153
Depreciation	4,370	1,093	-	5,463	2,544	636	-	3,180
Total expenses	\$ 1,398,016	326,828	11,137	1,735,981	1,255,139	308,607	10,587	1,574,333

See accompanying notes to financial statements

MIRACLE OF LOVE, INC.

**Statements of Cash Flows**

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Change in net assets	\$ 106,220	107,761
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,463	3,180
Donated property and equipment	(31,288)	-
Changes in operating assets and liabilities:		
Accounts receivable	(57,800)	(22,381)
Accounts payable and accrued expenses	(6,389)	(35,925)
Prepaid expenses and other assets	(1,000)	2,788
Cash provided by operating activities	<u>15,206</u>	<u>55,423</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,665)	(2,204)
Purchase of investments	-	(50,000)
Cash used in investing activities	<u>(1,665)</u>	<u>(52,204)</u>
Cash flows from financing activities:		
Net borrowings on line of credit	19,502	28,780
Cash provided by financing activities	<u>19,502</u>	<u>28,780</u>
Increase in cash and cash equivalents	33,043	31,999
Cash and cash equivalents at beginning of year	<u>39,464</u>	<u>7,465</u>
Cash and cash equivalents at end of year	<u>\$ 72,507</u>	<u>39,464</u>

See accompanying notes to financial statements

MIRACLE OF LOVE, INC.

**Notes to Financial Statements**

Years ended June 30, 2012 and 2011

**(1) Organization**

Miracle of Love, Inc. (the Organization) was formed in June 1997 under the laws of the State of Florida. The Organization received a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code in June 1998. The mission of Miracle of Love, Inc. is to provide comprehensive, multicultural HIV/AIDS care, education and prevention services that are effective and responsive to the Central Florida communities.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

These financial statements are prepared on an entity wide basis, focusing on the organization as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted as follows:

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets as of or for the year ended June 30, 2012.

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. There were no temporarily restricted net assets as of or for the year ended June 30, 2012.

**Unrestricted net assets** - Net assets not subject to donor-imposed stipulations. The Organization reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

**(b) Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

(Continued)

MIRACLE OF LOVE, INC.

**Notes to Financial Statements**

Years ended June 30, 2012 and 2011

**(2) Summary of Significant Accounting Policies (Continued)**

**(c) Furniture and Equipment**

Furniture and equipment are stated at cost (for those items purchased) and fair market value at date of receipt (for those items donated). Depreciation is provided on a straight-line basis over the following estimated useful lives of the assets:

Furniture and office equipment	3 to 7 years
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**(d) Income Taxes**

The Organization is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with "Income Taxes" FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2012, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization's income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2009 to 2011 are open to examination by federal authorities.

(Continued)

MIRACLE OF LOVE, INC.

**Notes to Financial Statements**

Years ended June 30, 2012 and 2011

**(2) Summary of Significant Accounting Policies (Continued)**

**(e) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(f) Functional Allocation of Expenses**

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated by the Organization's management among the programs and supporting services benefited. These costs are allocated by the Organization's management based upon actual time involved and a percentage of assets utilized.

**(g) Donated Property and Equipment, Support Services, and Use of Facilities**

Donated property and equipment, professional support services and use of facilities are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. The Board of Directors contribute a significant amount of their time to assist the Organization in its program operations and administration functions. These services are not valued or reflected in the accompanying financial statements because there is no objective basis to measure their value.

**(h) Fair Value of Financial Instruments**

The Organization has adopted accounting standards for fair value measurements which define fair value, set out a framework for measuring fair value, and expand disclosures about fair value measurements of assets and liabilities to include disclosure about inputs used in the determination of fair value using the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

(Continued)

MIRACLE OF LOVE, INC.

**Notes to Financial Statements**

Years ended June 30, 2012 and 2011

**(2) Summary of Significant Accounting Policies (Continued)**

**(h) Fair Value of Financial Instruments (Continued)**

The new accounting standards apply under other accounting pronouncements previously issued by the Financial Accounting Standards Board, or FASB, which require or permit fair value measurements.

**(i) Subsequent Events**

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through September 20, 2012, which is the date the financial statements were available to be issued.

**(3) Concentration of Risk**

Miracle of Love, Inc. has a single mission in a limited geographic region subjecting the Organization to risks of changes in the demographics of its target area.

Substantially all of the Organization's support is received from pass-through entities that manage federal grants. There is a risk that grant funds will not be available in the future to support aids service and prevention or, if grants are available, that the Organization may not be the recipient of sufficient funds to continue operations.

**(4) Investments**

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2012.

*Certificates of Deposit* – Valued at fair value by discounting the related cash flows based on current yields of similar investments with comparable durations considering the credit-worthiness of the issuer.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(Continued)

MIRACLE OF LOVE, INC.

**Notes to Financial Statements**

Years ended June 30, 2012 and 2011

**(4) Investments (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets recorded at fair value as of June 30, 2012:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Observable Inputs Other Than Quoted Prices (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates of deposit at: June 30, 2012	<u>\$ 50,000</u>	<u>-</u>	<u>\$ 50,000</u>	<u>-</u>

The Organization's investments are reported at fair value in the accompanying statements of financial position. The carrying amounts reflected in the statement of financial position for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments.

**(5) Line of Credit**

The Organization has a line of credit agreement (the "Agreement") expiring November 30, 2012, providing up to \$50,000 of borrowings. The agreement provides for interest to be payable monthly at the prime rate plus .75% (4.00% at June 30, 2012), and is collateralized by a blanket lien on all assets. The outstanding balance at June 30, 2012 was \$48,282.

**(6) Contributed Materials and Supplies**

The value of contributed items are recorded as contributions at their estimated values at the date of the contribution as follows:

	<u>2012</u>	<u>2011</u>
Residential home	\$ 23,596	-
Computer software	7,692	-
	<u>\$ 31,288</u>	<u>-</u>

(Continued)

MIRACLE OF LOVE, INC.

**Notes to Financial Statements**

Years ended June 30, 2012 and 2011

**(7) Leases**

The Organization leases its corporate offices under a lease that expires October 2012. The lease is accounted for as an operating lease. Rent is determined on an annual base rent plus common area expenses and totaled approximately \$60,000 each year for the years ended June 30, 2012 and 2011, respectively.

The Organization leases office space for case management for the Ryan White Program in Lake County, Florida that expires April 2013. The lease is accounted for as an operating lease. Rent is determined on an annual basis and totaled approximately \$15,000 each year for the years ended June 30, 2012 and 2011, respectively.

The Organization leases office space for case management for the Ryan White Program in Kissimmee, Florida that expires October 2012. The lease is accounted for as an operating lease. Rent is determined on an annual basis and totaled approximately \$7,000 and \$5,000, respectively, for the years ended June 30, 2012 and 2011.

The Organization leases space for its Youth Program as a Drop-In Center in Orange County, Florida that expires June 2012. The lease is accounted for as an operating lease. Rent is determined on an annual basis and totaled \$7,800 each year for the years ended June 30, 2012 and 2011.

Future minimum rent required by all operating leases with a non-cancelable remaining lease term in excess of one year as of June 30, 2012 are summarized in the following table:

For the year ended June 30:

2013	\$ 34,240
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SUPPLEMENTAL DATA

Schedule of Expenditures of Federal Awards

MIRACLE OF LOVE, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

Federal Agency/Program Title	Federal CFDA Number	Contract Number	Pass-through Grantor	Periods of Awards	Amount of Award	Federal Expenditures
<b>Department of Health and Human Services:</b>						
HIV Prevention Activities - Non-Governmental Organization Based (Project Start, CTR, CRCS)	93.939	5-U65-PS002456-02	(1)	7/1/11-6/30/12	335,748	\$ 327,588
HIV Emergency Relief Project Grants, Part A of the Ryan White HIV/AIDS Treatment Modernization Act of 2006	93.914	Y10-189B	(2)	3/1/11-2/28/12	237,000	139,784
	93.914	Y10-189B	(2)	3/1/12-2/28/13	118,500	67,320
						207,104
HIV Prevention Activities - Health Department Based - SNS Project Fast	93.940	FAD10	(1) (3)	1/1/09-12/31/11	441,000	74,190
	93.940	CODEQ	(1) (3)	1/1/12-12/31/12	147,000	73,500
						147,690
Extended Testing Initiative	93.940	OA-143	(1) (3)	9/30/10-9/29/11	75,000	18,750
	93.940	OA-159	(1) (3)	9/30/11-9/29/12	75,000	48,271
						67,021
Mpowerment Project	-	C0DU1	(3)	7/1/11-6/30/12	163,000	157,109
Subtotal - Department of Health and Human Services						\$ 906,512
<b>Department of Housing and Urban Development:</b>						
Housing Opportunities for Persons with AIDS	14.241	325898	(4)	10/1/10-9/30/11	416,664	\$ 141,003
	14.241	FY11-12	(4)	10/1/11-9/30/12	435,693	334,729
						475,732
Subtotal - Department of Housing and Urban Development						\$ 475,732
<b>Total Federal Awards</b>						\$ 1,382,244

Key to Pass-Through Entity Identification:

- (1) Centers for Disease Control and Prevention
- (2) Orange County Florida - Department of Health and Family Services
- (3) State of Florida - Department of Health
- (4) City of Orlando

MIRACLE OF LOVE, INC.

**Notes to the Schedule of Expenditures of Federal Awards**

Years ended June 30, 2012 and 2011

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance and federal cost-reimbursement contracts of Miracle of Love, Inc. Miracle of Love, Inc. receives federal awards indirectly through pass-through entities.

Federal program expenditures included in the accompanying schedule are presented on the accrual basis of accounting. 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*.

Note 2 – Major Programs

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

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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**

To the Board of Directors  
Miracle of Love, Inc.

We have audited the financial statements of Miracle of Love, Inc. (the "Organization") as of and for the year ended June 30, 2012, and have issued our report thereon dated September 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of Miracle of Love, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hope and Miracle of Love, 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 the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 organization's financial statements will not be prevented, or detected and corrected on a timely basis.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Miracle of Love, 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 audit committee, Board of Directors, management, others within the organization, federal, state and local awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Schater, Tschoff, Whitcomb, Mitchell & Shuilen, LLP*

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September 20, 2012

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**Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control Over Compliance in  
Accordance with OMB Circular A-133**

To the Board of Directors  
Miracle of Love, Inc.

Compliance

We have audited the compliance of Miracle of Love, Inc., with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. Miracle of Love's major federal programs are identified in the summary of the 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 is the responsibility of Miracle of Love, Inc.'s management. Our responsibility is to express an opinion on compliance based on our audits.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Miracle of Love, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination on Miracle of Love, Inc.'s compliance with those requirements.

In our opinion, Miracle of Love, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2012.

## Internal Control Over Compliance

The management of Miracle of Love, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audits, we considered Miracle of Love, Inc.'s internal control over compliance with requirements that could have a direct material effect on a major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Miracle of Love, Inc.'s internal control over compliance.

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

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

This report is intended solely for the information and use of the finance committee, Board of Directors, management, others within the organization, federal, state and local awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Scharke, Tschagg, Whitcomb, Mitchell & Shuidan, LLP*

Altamonte Springs, Florida  
September 20, 2012

**Miracle of Love, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

**I. Summary of the Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of Miracle of Love, Inc.
2. No significant deficiencies or material weaknesses were disclosed during the audit of compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards.
3. No instances of noncompliance material to the financial statements of Miracle of Love, Inc. were disclosed during the audit.
4. No significant deficiencies or material weaknesses were disclosed during the audit of compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major Federal award programs for Miracle of Love, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major Federal award program for Miracle of Love, Inc.
7. The programs tested as major programs were:  
  
Department of Health and Human Services CFDA #93.939 - HIV Prevention Activities - Non-Governmental Organization Based  
Department of Housing and Urban Development CFDA #14.241 - Housing Opportunities for Persons with AIDS
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The auditee did qualify as a low-risk auditee.

**II. Financial Statement Findings**

1. No matters reported.

**Miracle of Love, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

**III. Federal Award Findings and Questioned Costs**

1. No matters reported.

**IV. Summary Schedule of Prior Audit Findings**

1. No matters reported.