

**The Governor's Front Porch Revitalization
Council of Pensacola
Pensacola, Florida
June 30, 2006**

Audited Financial Statements,
Independent Auditor's Report, and
Management Letter Comments
For the Year Ended June 30, 2006

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**The Governor's Front Porch Revitalization
Council of Pensacola
1040 Guillemard Street
Pensacola, Florida 32501**

THE ORGANIZATION

The Governor's Front Porch Revitalization Council of Pensacola was created under the provisions for non-profit organizations recognized by the Federal and State governments.

Board members of the Governor's Front Porch Revitalization Council of Pensacola for the year ended June 30, 2006 were as follows:

BOARD OF DIRECTORS

Sally Cooley
Delores Curry
Allen Gibson
Michelle R. MacNeil
Malcolm McCorvery
Melanie A. Nichols
Jeannie Rhoden
Allen Upchurch

Community Liaison

Thelma Manley

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report on the Financial Statements	1
Statement of Position – Year ended June 30, 2006	3
Statement of Activities - Year ended June 30, 2006	4
Statement of Cash Flows - Year ended June 30, 2006	5
Notes to the Financial Statements	6
Independent Accountant's Report On Compliance and on Internal Control Over Financial Reporting Based on an Audit Of Financial Statements Performed in Accordance With Government Auditing Standards	10
Independent Auditor's Letter to Management	12
Statement of Functional Expenses	23



HARVEY, BRANKER & ASSOCIATES, P.A.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
The Governor's Front Porch Revitalization Council of Pensacola

We have audited the accompanying statement of position for The Governor's Front Porch Revitalization Council of Pensacola, (a non profit organization) and the related statement of activities and cash flows as of and for the year ended June 30, 2006. 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 audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

The Governor's Front Porch Revitalization Council of Pensacola was unable to provide sufficient documentation for its bank reconciliations, expenditures, current liabilities, fixed assets and grant agreements for period ending June 30, 2006. As a result, we could not verify or validate certain assets, expenses, and liabilities incurred during the fiscal year. Further, the Organization does not maintain a fixed assets schedule to reflect the assets' net carrying value. In our opinion, accounting principles generally accepted in the United States of America require that expenses and liabilities be recorded at the date expenses are incurred and the future obligation becomes due. Additionally, fixed assets are depreciated over their estimated useful life and reflected on the face of the financial statements net of the related accumulated depreciation.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the requested information, the financial statements referred to above present fairly, in all material respects, the financial position of The Governor's Front Porch Revitalization Council of Pensacola as of June 30, 2006, and the changes in its net assets and its cash flows for the year 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 a report dated August 31, 2006 on our consideration of The Governor's Front Porch Revitalization Council of Pensacola's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Harvey, Branker & Associates

August 31, 2006
Hollywood, Florida

THE GOVERNOR'S FRONT PORCH REVITALIZATION COUNCIL OF PENSACOLA
STATEMENT OF POSITION
June 30, 2006

<u>ASSETS</u>	<u>2006</u>
Cash	\$ 84,861
Other Assets - Undeposited Funds	6,150
Fixed Assets - (Net)	15,159
 TOTAL ASSETS	 <u>\$ 106,170</u>
 <u>LIABILITIES & NET ASSETS</u>	
Liabilities	
Accounts Payable	<u>\$ 39,409</u>
 Total Current Liabilities	 39,409
 Net Assets	
Net Assets - Unrestricted	<u>66,761</u>
 TOTAL NET ASSETS	 66,761
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 106,170</u>

THE GOVERNOR'S FRONT PORCH REVITALIZATION COUNCIL OF PENSACOLA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2006

	Unrestricted
REVENUES	2006
Grant/Contract Revenue	\$ 212,766
TOTAL REVENUES	212,766
EXPENSES	
Long Hollow Planning Grant	22,784
Keep Florida Beautiful	14,359
Computer Lab Grant	21,100
Housing Grant	35,655
Escambia County Health Department	38,554
TOTAL PROGRAM EXPENSES	132,452
SUPPORTING SERVICES	
General and Administrative	102,869
TOTAL SUPPORTING EXPENSES	235,321
CHANGE IN NET ASSETS	(22,555)
NET ASSETS, Unrestricted	
Beginning of Year	128,725
NET ASSETS, Unrestricted	
End of Year	\$ 106,170

See Accompanying Notes to the Financial Statements

THE GOVERNOR'S FRONT PORCH REVITALIZATION COUNCIL OF PENSACOLA
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006

	<u>2006</u>
Cash Flows from Operating Activities	
Increase (Decrease) in Unrestricted Net Assets	\$ (22,555)
Adjustments to reconcile increase in net assets to	
Net cash used by operating activities:	
Depreciation	5,648
Decrease/(Increase) in Other Assets	(6,150)
Increase/(Decrease) in Accounts Payable	15,159
Total Adjustments	<u>14,657</u>
Net Cash Provided by (used in) Operating Activities	<u>(7,898)</u>
Cash Flows from Investing Activities	
Purchase of Equipment	<u>(20,807)</u>
Net Cash Provided by (used in) Investing Activities	<u>(20,807)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(28,705)
Cash and Cash Equivalents, Beginning of Year	<u>113,566</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 84,861</u></u>

**THE GOVERNOR'S FRONT PORCH
REVITALIZATION COUNCIL OF PENSACOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of The Governor's Front Porch Revitalization Council of Pensacola (the "Organization") have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

General

The Organization was formed in 2001 as a not-for-profit corporation to encourage new growth, interest and investment in Pensacola, Florida. The Organization's programs include neighborhood improvement, new development, marketing, and public relations and government services. Over 95% of the support and revenue of the Organization is provided by state and local governmental entities.

Property and Equipment

Property and equipment is recorded at cost when purchased or estimated fair value when contributed. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Income taxes

The Organization is classified as tax-exempt under Section 501(C)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the accompanying financial statements.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include only investments with original maturities of three months or less.

THE GOVERNOR'S FRONT PORCH REVITALIZATION COUNCIL OF PENSACOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Donated services

Donated services have not been reflected in the accompanying financial statements since none of these services meet the criteria for recognition under generally accepted accounting principles.

Public Support and Revenue

Annual contributions are generally available for unrestricted use unless specifically restricted by the donor. Grants and other contributions of cash are reported as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulation time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTES 2 – CONCENTRATION OF CREDIT RISK

The Organization's contracts receivable are for amounts due from local and state government agencies under reimbursement contracts. The Organization has no policy requiring collateral or other security to support its receivables. As of year-end, the organization did not have any amounts owed to them from any Federal, State, or Local entity.

NOTE 3 – RECLASSIFICATION

Certain accounts in the 2006 financial statements were reclassified to conform to the 2006 financial statement presentation.

THE GOVERNOR'S FRONT PORCH REVITALIZATION COUNCIL OF PENSACOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 - CHANGES IN FIXED ASSETS

Changes in fixed assets are shown below:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Business Equipment	\$ -	14,674	-	\$ 14,674
Computer Equipment	-	2,885	-	2,885
Office Equipment	-	1,974	-	1,974
Furniture, Fixtures and Equipment	-	1,274	-	- 1,274
Total	-	20,807	-	20,807
Less Accum. Depreciation	-	(5,648)	-	(5,648)
Net Fixed Assets	<u>\$ -</u>	<u>15,159</u>	<u>-</u>	<u>\$ 15,159</u>

NOTE 5 – LEASES AND OTHER OBLIGATIONS

Operating Leases

The Organization leased commercial space from an independent third party on May 31, 2000. The lease is renewable in 2010.

Total rent expense for the year ended June 30, 2006 was \$1, paid annually on the anniversary date, for the commercial space. The future minimum rental commitments for the lease and beyond are as follows:

For the year ending June 30,

2007	\$ 1
2008	1
2009	1
2010	1
2011	-
Total	<u>\$ 4</u>



HARVEY, BRANKER & ASSOCIATES, P.A.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Accountant's Report On Compliance And on Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

To the Board of Directors of
The Governor's Front Porch Revitalization Council of Pensacola

We have audited the financial statements of The Governor's Front Porch Revitalization Council of Pensacola, as of and for the year ended June 30, 2006, and have issued our report thereon dated August 31, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Governor's Front Porch Revitalization Council of Pensacola's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance that are required to be reporting under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Governor's Front Porch Revitalization Council of Pensacola's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. We noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect The Governor's Front Porch Revitalization Council of Pensacola's ability to record, process, summarize and report data consistent with assertions of management of the financial statements. Reportable conditions are described in the accompanying schedule of findings **06-ML-05 and 06-ML-10**.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted one matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses **06-ML-03 and 06-ML-06**.

This report is intended solely for the information and use by management, the Board of Directors, Grantor agencies, and federal awarding agencies and pass through entities which provide financial awards to The Governor's Front Porch Revitalization Council of Pensacola and is not intended to be and should not be used by anyone other than those specified parties.

Harvey, Branker & Associates

August 31, 2006
Hollywood, Florida



HARVEY, BRANKER & ASSOCIATES, P.A.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S LETTER TO MANAGEMENT

Board of Directors

The Governor's Front Porch Revitalization Council of Pensacola

We have audited the financial statements of the Governor's Front Porch Revitalization Council of Pensacola (The "Organization") as of and for the year ended June 30, 2006, and have issued our report thereon dated August 31, 2006. That report should be considered in conjunction with this management letter. We conducted our audit in accordance with generally accepted auditing standards.

Prior Audit Findings

We have decided to comment as to whether or not findings reported in the preceding audit report have been corrected and recommendations made in the preceding audit report have been followed.

Other Matters

Our audit did reveal other matters that involve the internal control structure and other operational matters that are presented for your consideration in schedule 06-ML-01 through 06-ML-10. This letter does not affect our report dated August 31, 2006 on the financial statements of the Organization.

This management letter is intended solely for the information and use of the management of the Organization and appropriate audit agencies and is not intended to be and should not be used by anyone other than specified parties.

Harvey, Branker & Associates

August 31, 2006
Hollywood, Florida

CURRENT YEAR'S FINDING

06-ML-01

Criteria:

During our procedures, we noted that the Organization has an absence of segregation of duties.

Condition:

The Organization cannot effectively operate in the absence of the Community Liaison.

Recommendation:

We recommend that the Organization reassign some of the duties to other staff within the company.

Reason Improvement Needed:

It is an essential element to separate duties to minimize errors and serves as a check and balance for accounting controls.

Management Response:

The Council is implementing core programs, in the upcoming year, to ensure that adequate staff is hired to separate duties.

CURRENT YEAR'S FINDING

06-ML-02

Criteria:

During our procedures, we noted the Front Porch was not backing up the accounting system.

Condition:

It is essential that all information is stored via back up copy. If information is lost there is no way to accurately recover data without detailed support.

Recommendation:

We recommend that the organization maintain hard copies and/or data copies of all files for financial statements. The information should be printed monthly and filed.

Reason Improvement Needed:

The Organization will be better suited to effectively keep track of any financials if system fails.

Management Response:

The Organization will maintain hard copies of all files and print the financial statements monthly.

CURRENT YEAR'S FINDING

Material Weakness

06-ML-03

Criteria:

During our procedures, we noted several checks were not supported with check requests and invoices. We also noted the invoices did not have a 'Received' or 'Paid' date stamp.

Condition:

It is essential that all supporting documentation is attached to processed checks for research and auditing purposes. The invoices should be stamped to note received and paid dates. It is essential to maintain good record keeping. Filing a copy of the cancelled check along with the invoice serves as a mitigating control to avoid duplicate payments.

Recommendation:

We recommend that the organization keep a copy of each processed check along with all supporting documentations. We further recommend that the Organization consider purchasing a "Paid" stamp and stamping all paid invoices with the stamp to avoid duplicating payment for services rendered or goods already received

Reason Improvement Needed:

The Organization will be better suited to effectively review and trace all processed invoices. Stamping the invoices will reduce the risk of duplication.

Management Response:

A date stamp has been purchased and we will implement the recommendation.

CURRENT YEAR'S FINDING

06-ML-04

Criteria:

During our audit procedures, we noted that the Organization does not maintain a detailed fixed asset schedule throughout the fiscal year for all purchased, donated, and leasehold improvements that are used over the fixed asset capitalization policy.

Condition:

The Organization cannot effectively determine adequacy, existence, and completeness of fixed assets.

Recommendation:

We recommend that the Organization maintain a detailed schedule of all fixed assets and depreciation expense.

Reason Improvement Needed:

A fixed asset register will help management track its fixed assets. By maintaining this information, the Organization can prevent the possibility of understating assets. We also noted that the Organization would have a better overall assessment of fixed assets throughout the fiscal year.

Management Response:

Management agrees with the Auditor's finding and will implement the appropriate procedures during the 2007 fiscal year to ensure compliance.

CURRENT YEAR'S FINDING

Reportable Condition

05-ML-05

Criteria:

While performing our financial statement auditing procedures, we noted that the Organization's Board minutes were incomplete, missing, or misplaced.

Condition:

The Organization was not able to provide a set of transcribed minutes from their Board Members meetings for the year ending December 31, 2005.

Recommendation:

We recommend that management take the necessary actions in order to ensure that all of the minutes are transcribed and placed in a central location in a timely fashion so that it can be readily available for review.

Reason Improvement Needed:

By having a complete minute manuscript, members of the organization as well as the Board of Directors can be aware of the latest information pertaining to the organization in the event of their absence from a meeting. It serves as a reminder of upcoming events, amounts to be received or owed and any changes that the organization has incurred as well as written record of any authorized and approved business related transactions financial and non-financial.

Management Response:

Management agrees with the Auditor's finding and will implement the appropriate procedures during the 2007 fiscal year to ensure compliance.

CURRENT YEAR'S FINDING

Material Weakness

06-ML-06

Criteria:

During our procedures, we noted that the Organization did not perform any bank reconciliations for the fiscal year 2005.

Condition:

By not performing monthly bank reconciliations, the Organization cannot effectively determine deficiencies, errors and/or track the monthly operations of the company's cash receipts and disbursement.

Recommendation:

We recommend that the Organization reconcile their bank accounts on a monthly basis.

Reason Improvement Needed:

Monthly bank reconciliations are essential to effectively tracking the amounts of money that the company received and disbursed. It also serves as a tool to keep track of outstanding disbursements and receipts.

Management Response:

Management agrees with the Auditor's finding and will implement the appropriate procedures during the 2007 fiscal year to ensure compliance.

CURRENT YEAR'S FINDING

06-ML-07

Criteria:

During audit test work, we noted the cash balance within the general ledger was not consistent with the June 30, 2006 bank statement.

Condition:

The general ledger had an ending balance of \$ 8,000 for the Bank of Pensacola account ending in 7449. The bank statement reported \$ 8,055 as the ending balance as of June 30, 2006. We noted an immaterial difference of \$ 50. We were unable to identify the cause for the difference.

Recommendation:

We recommend that the Organization carefully review all items prior to processing, during and before disbursing to ensure accuracy. The Organization must review the general ledger on a monthly basis to maintain accurate recording of financials.

Reason Improvement Needed:

Improvement is necessary to avoid future misstatements on the financials. This will guarantee the Organization maintains precise financial records.

Management Response:

Management agrees with the Auditor's finding and will implement the appropriate procedures during the 2007 fiscal year to ensure compliance.

CURRENT YEAR'S FINDING

06-ML-08

Criteria:

During our procedures, we noted check request forms were not utilized to approve payments. The Community Liaison and Treasurer were authorized to approve invoices and sign checks

Condition:

It is essential that all payments are approved prior to processing. The individual approving the check requests can not sign the check. All information provided on the check request form should be complete. Completion of this form reflects the approval and validation of processed item. Missing information can result in the processing of incorrect invoice and/or statement. It is also possible that information can be utilized for fraudulent activity if forms are not completed.

Recommendation:

We recommend that the organization complete a check request form and ensure that authorized personnel, review supporting documentation to verify accuracy and completeness prior to signing.

Reason Improvement Needed:

The Organization would have implemented strategies to correctly process paperwork.

Management Response:

Management agrees with the Auditor's finding and will implement the appropriate procedures during the 2007 fiscal year to ensure compliance.

CURRENT YEAR'S FINDING

06-ML-09

Criteria:

During test work, we learned the Front Porch did not maintain copies of all agreements. We were unable to obtain copies of the Keep Florida Beautiful and the Long Hollow Planning Grants.

Condition:

We were unable to review and understand the terms and conditions of the agreements. We could not verify or validate the expenditures incurred, per these agreements, during the fiscal year ended June 30, 2006.

Recommendation:

We recommend that the front porch obtain and maintain copies of all agreements on site. It is imperative for the board of directors and community liaison to fully understand the terms and conditions of the agreements.

Reason Improvement Needed:

The front porch will have the agreements at hand and will have the ability to explain/prove the validity of all expenditures.

Management Response:

Management agrees with the Auditor's finding and will implement the appropriate procedures during the 2007 fiscal year to ensure compliance.

CURRENT YEAR'S FINDING

Reportable Condition

06-ML-10

Criteria:

During test work, we learned all accounting transactions were not recorded immediately after processing. The financial statements for the front porch were not up-to-date due to lack of daily, weekly or monthly recordings.

Condition:

We were unable to perform our search for unrecorded liabilities test work.

Recommendation:

We recommend that the front porch records all financial transactions on a daily, weekly or monthly basis. It is essential to record these transactions immediately to reduce the risk of missing, incomplete and inaccurate transactions.

Reason Improvement Needed:

The Organization will have a better view of its financial stand point.

Management Response:

Due to the many responsibilities of the Liaison, making entries are hard to do daily. Between meetings, trainings, outreach, community events, project coordination, running the office and daily appointments with residents, there is no time. The Organization is implementing accounting practices for 2007 to ensure the recommendation is met.

THE GOVERNOR'S FRONT PORCH REVITALIZATION COUNCIL OF PENSACOLA
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

PROGRAM SERVICES

Description	Long Hollow Planning Grant	Keep Florida Beautiful	Computer Lab Grant	Housing Grant	Escambia County Dept. of Health	Total Programmatic Expenditures	General & Administrative Expenditures	TOTAL EXPENDITURES
Advertising						0	139	139
Bank Charges & Fees						0	140	140
Cable Services						0	437	437
Depreciation						0		
Insurance						0	989	989
Miscellaneous Expense						0	2,250	2,250
Postage & Delivery						0	646	646
Printing & Copying						0	1,588	1,588
Professional Fees	9,634	2,834	13,479	1,016	16,002	42,965	1,850	44,815
Program Expense	12,900	11,525	7,371	36,389	19,603	87,788	25,897	113,685
Rent/Utilities	250					250	1,608	1,858
Repairs and Maintenance						0	696	696
Supplies			250		50	300	4,256	4,556
Telephone & Communications						0	3,994	3,994
Training			-	1,149		1,149	189	1,338
Transportation/Travel			-			0	58,010	58,010
TOTAL	\$ 22,784	\$ 14,359	\$ 21,100	\$ 38,554	\$ 35,655	\$ 132,452	\$ 102,689	\$235,141