

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.

FINANCIAL REPORT

JUNE 30, 2012

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To the Board of Directors
Gateway Community Services, Inc.
and Gateway Community Services Foundation, Inc.
Jacksonville, Florida

Independent Auditor's Report

We have audited the accompanying combined statements of financial position of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc. as of June 30, 2012 and 2011 and the related combined statements of activities, functional expenses, and cash flows for the years then ended. These combined 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Gateway Community Services, Inc. and Gateway Community Services Foundation, 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 October 25, 2012, on our consideration of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc.'s internal control over financial reporting and on 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 audits.

Independent Auditor's Report

(Continued)

Our audits were conducted for the purpose of forming an opinion on the combined financial statements of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc. as a whole. The schedule of expenditures of financial awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.650*, Rules of the Auditor General, schedule of state earnings, schedule of source and expenditure of city grant funds, and notes to the schedule of source and expenditure of city grant funds are presented for purposes of additional analysis and are not a required part of the combined 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 audits of the basic 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 information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Smook, Davis & Nixon LLP

October 25, 2012

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

| ASSETS | 2012 | | | | 2011 | | | |
|---|--|--|-------------|-----------|--|--|-------------|-----------|
| | Gateway Community Services, Inc. | Gateway Community Services Foundation, Inc. | Elimination | Total | Gateway Community Services, Inc. | Gateway Community Services Foundation, Inc. | Elimination | Total |
| Current Assets: | | | | | | | | |
| Cash and cash equivalents | 1,315,672 | 1,280 | | 1,316,952 | 675,323 | 54,400 | | 729,723 |
| Investments | 274,753 | | | 274,753 | 274,668 | | | 274,668 |
| Patient accounts receivable, net | 91,971 | | | 91,971 | 127,677 | | | 127,677 |
| Public support receivable | 1,262,228 | | | 1,262,228 | 1,642,041 | | | 1,642,041 |
| Prepaid expenses and other current assets | 57,295 | | | 57,295 | 44,019 | | | 44,019 |
| Deposits | 1,003 | | | 1,003 | 1,003 | | | 1,003 |
| Total current assets | 3,002,922 | 1,280 | 0 | 3,004,202 | 2,764,731 | 54,400 | 0 | 2,819,131 |
| Land, buildings and equipment | 5,811,882 | 540,386 | | 6,352,268 | 5,841,642 | 563,438 | | 6,405,080 |
| Total Assets | 8,814,804 | 541,666 | 0 | 9,356,470 | 8,606,373 | 617,838 | 0 | 9,224,211 |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Accounts payable | 110,120 | | | 110,120 | 225,251 | | | 225,251 |
| Salary and wages payable | 151,295 | | | 151,295 | 129,143 | | | 129,143 |
| Accrued leave time payable | 353,223 | | | 353,223 | 248,348 | | | 248,348 |
| Payroll taxes and benefits payable | 92,184 | | | 92,184 | 136,463 | | | 136,463 |
| Third party payable | 86,387 | | | 86,387 | 86,987 | | | 86,987 |
| Other | 45,052 | | | 45,052 | 48,002 | | | 48,002 |
| Deferred revenue | 14,500 | | | 14,500 | 14,500 | | | 14,500 |
| Current portion - long-term debt | 68,978 | | | 68,978 | 63,439 | 19,134 | | 82,573 |
| Total current liabilities | 921,739 | 0 | 0 | 921,739 | 952,133 | 19,134 | 0 | 971,267 |
| Long-term debt, non-current portion | 252,675 | 0 | 0 | 252,675 | 321,653 | 59,334 | 0 | 380,987 |
| Net Assets: | | | | | | | | |
| Unrestricted | 7,436,960 | 541,666 | | 7,978,626 | 7,126,179 | 539,370 | | 7,665,549 |
| Temporarily Restricted | 203,430 | | | 203,430 | 206,408 | | | 206,408 |
| Total Net Assets | 7,640,390 | 541,666 | 0 | 8,182,056 | 7,332,587 | 539,370 | 0 | 7,871,957 |
| Total Liabilities and Net Assets | 8,814,804 | 541,666 | 0 | 9,356,470 | 8,606,373 | 617,838 | 0 | 9,224,211 |

The Notes to Combined Financial Statements are an integral part of these statements.

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.

COMBINED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2012 and 2011

| | 2012 | | | | 2011 | | | |
|--|--|--|-------------|------------|--|--|-------------|------------|
| | Gateway Community Services, Inc. | Gateway Community Services Foundation, Inc. | Elimination | Total | Gateway Community Services, Inc. | Gateway Community Services Foundation, Inc. | Elimination | Total |
| CHANGES IN UNRESTRICTED NET ASSETS: | | | | | | | | |
| Revenues, Gains and Other Support: | | | | | | | | |
| Public Support: | | | | | | | | |
| State ADM grants | 6,520,744 | | | 6,520,744 | 6,143,320 | | | 6,143,320 |
| Other state and federal grants | 1,866,849 | | | 1,866,849 | 1,669,887 | | | 1,669,887 |
| Local government grants | 4,589,300 | | | 4,589,300 | 5,684,331 | | | 5,684,331 |
| Contributions | 220,952 | | | 220,952 | 231,307 | | | 231,307 |
| Total Public Support | 13,197,845 | 0 | 0 | 13,197,845 | 13,728,845 | 0 | 0 | 13,728,845 |
| Revenues: | | | | | | | | |
| Net patient service revenue | 324,307 | | | 324,307 | 411,701 | | | 411,701 |
| Interest income | 197 | 128 | | 325 | 356 | 122 | | 478 |
| Other revenue | 833,813 | 30,000 | (30,000) | 833,813 | 843,919 | 30,000 | (30,000) | 843,919 |
| Net assets released from restrictions | 77,978 | | | 77,978 | 77,978 | | | 77,978 |
| Total Revenues | 1,236,295 | 30,128 | (30,000) | 1,236,423 | 1,333,954 | 30,122 | (30,000) | 1,334,076 |
| Total Unrestricted Revenues, Gains and Other Support | 14,434,140 | 30,128 | (30,000) | 14,434,268 | 15,062,799 | 30,122 | (30,000) | 15,062,921 |
| Expenses and Losses: | | | | | | | | |
| Program Services: | | | | | | | | |
| Assessment | 296,049 | | | 296,049 | 328,064 | | | 328,064 |
| Detoxification | 1,700,590 | | | 1,700,590 | 1,753,496 | | | 1,753,496 |
| Outpatient | 1,388,501 | 23,052 | (30,000) | 1,381,553 | 1,544,417 | 24,570 | (30,000) | 1,538,987 |
| Research | 2,278,614 | | | 2,278,614 | 2,600,954 | | | 2,600,954 |
| Residential II | 2,028,542 | | | 2,028,542 | 2,136,622 | | | 2,136,622 |
| Cutting Edge/Taste Buds | 280,278 | | | 280,278 | 350,712 | | | 350,712 |
| Room/Board with Supervision | 114,726 | | | 114,726 | 189,570 | | | 189,570 |
| Prevention | 497,683 | | | 497,683 | 302,971 | | | 302,971 |
| Intervention | 86,514 | | | 86,514 | 75,131 | | | 75,131 |
| Case Management | 230,700 | | | 230,700 | 135,233 | | | 135,233 |
| Non-ADM services | 2,000,593 | 4,780 | | 2,005,373 | 2,082,544 | 5,952 | | 2,088,496 |
| | 10,902,790 | 27,832 | (30,000) | 10,900,622 | 11,499,714 | 30,522 | (30,000) | 11,500,236 |
| Supporting Services: | | | | | | | | |
| Clinical support | 453,846 | | | 453,846 | 347,270 | | | 347,270 |
| Operations support | 993,578 | | | 993,578 | 1,005,245 | | | 1,005,245 |
| Administration | 1,773,145 | | | 1,773,145 | 2,343,547 | | | 2,343,547 |
| | 3,220,569 | 0 | 0 | 3,220,569 | 3,696,062 | 0 | 0 | 3,696,062 |
| Total Expenses and Losses | 14,123,359 | 27,832 | (30,000) | 14,121,191 | 15,195,776 | 30,522 | (30,000) | 15,196,298 |
| Increase (decrease) in unrestricted net assets | 310,781 | 2,296 | 0 | 313,077 | (132,977) | (400) | 0 | (133,377) |
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS: | | | | | | | | |
| Contributions | 75,000 | | | 75,000 | 75,000 | | | 75,000 |
| Net Assets released from restrictions | (77,978) | | | (77,978) | (77,978) | | | (77,978) |
| Decrease in temporarily restricted net assets | (2,978) | 0 | 0 | (2,978) | (2,978) | 0 | 0 | (2,978) |
| Increase (decrease) in total net assets | 307,803 | 2,296 | 0 | 310,099 | (135,955) | (400) | 0 | (136,355) |
| Total net assets, beginning of year | 7,332,587 | 539,370 | 0 | 7,871,957 | 7,468,542 | 539,770 | 0 | 8,008,312 |
| Total net assets, end of year | 7,640,390 | 541,666 | 0 | 8,182,056 | 7,332,587 | 539,370 | 0 | 7,871,957 |

The Notes to Combined Financial Statements are an integral part of these statements.

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012

| | Program Services | | | | | | | | | | | Supporting Services | | | | Total | |
|---|------------------|------------------|------------------|------------------|------------------|-----------------------------|----------------------------------|----------------|----------------|-----------------|------------------|------------------------|------------------|--------------------|------------------|------------------|---------------------------|
| | Assessment | Detox-ification | Out-patient | Research | Residential | Cutting Edge/ Taste Buds | Room & Board with Supervision | Prevention | Intervention | Case Management | Non-ADM | Total Program Services | Clinical Support | Operations Support | Admin-istration | | Total Supporting Services |
| Salaries | 180,874 | 1,138,120 | 880,223 | 1,402,451 | 1,049,468 | 60,113 | 54,589 | 377,095 | 55,778 | 148,742 | 918,671 | 6,266,124 | 357,348 | 543,389 | 844,401 | 1,745,138 | 8,011,262 |
| Fringe benefits | 34,833 | 222,959 | 173,779 | 221,403 | 212,996 | 9,625 | 11,056 | 63,687 | 11,133 | 29,687 | 183,449 | 1,174,607 | 51,138 | 124,101 | 187,006 | 362,245 | 1,536,852 |
| Contract or Temp employees | 2,314 | 0 | 18,270 | 38,525 | 24,174 | 263 | 0 | 166 | 1,356 | 3,615 | 578 | 89,261 | | | | | 89,261 |
| Total salaries and fringe benefits | 218,021 | 1,361,079 | 1,072,272 | 1,662,379 | 1,286,638 | 70,001 | 65,645 | 440,948 | 68,267 | 182,044 | 1,102,698 | 7,529,992 | 408,486 | 667,490 | 1,031,407 | 2,107,383 | 9,637,375 |
| Building occupancy | 9,802 | 72,128 | 43,080 | 30,113 | 245,782 | 1,753 | 11,056 | 15,915 | 5,348 | 14,260 | 291,296 | 740,533 | 27,320 | 139,245 | 87,255 | 253,820 | 994,353 |
| Professional services | 33,126 | 0 | 50,345 | 303,243 | 38,862 | | 4,090 | 2,300 | 60 | 160 | 15,911 | 448,097 | | 8,824 | 160,584 | 169,408 | 617,505 |
| Travel | 4,328 | 536 | 20,326 | 100,493 | 1,447 | | 63 | 14,785 | 1,267 | 3,379 | 4,518 | 151,142 | 584 | 3,813 | 9,660 | 14,057 | 165,199 |
| Equipment costs | 2,266 | 7,737 | 11,267 | 5,410 | 7,299 | | 110 | 3,512 | 721 | 1,922 | 8,564 | 48,808 | 7,851 | 4,195 | 15,522 | 27,568 | 76,376 |
| Food Services | 0 | 77,409 | 3 | 4,632 | 152,661 | 162,447 | 12,313 | 2,361 | | 1 | 202,622 | 614,449 | | 8,014 | 9,126 | 17,140 | 631,589 |
| Medical/pharmacy | 4,925 | 90,915 | 71,899 | 57,582 | 18,576 | | 1,502 | | 5,910 | 15,759 | 32,067 | 299,135 | | 40 | 89,054 | 89,094 | 388,229 |
| Insurance | 1,752 | 9,768 | 14,790 | 2,797 | 47,376 | 2,726 | 3,062 | 3,666 | 1,114 | 2,971 | 59,367 | 149,389 | 6,693 | 7,914 | 16,431 | 31,038 | 180,427 |
| Interest | | | | | | | | | | | 4,744 | 4,744 | | 629 | 15,003 | 15,632 | 20,376 |
| Operating supplies and expenses | 19,491 | 51,280 | 52,791 | 103,625 | 149,685 | 28,979 | 11,042 | 12,362 | 2,158 | 5,754 | 152,669 | 589,836 | 2,407 | 137,737 | 67,711 | 207,855 | 797,691 |
| Other expenses | 636 | 1,079 | 4,102 | 5,401 | 5,181 | | 848 | 1,834 | | 769 | 6,165 | 26,499 | | 3,782 | 131,505 | 135,287 | 161,786 |
| Depreciation | 1,702 | 28,659 | 40,678 | 2,939 | 75,035 | 13,524 | 5,647 | | 1,381 | 3,681 | 124,752 | 297,998 | 505 | 11,895 | 139,887 | 152,287 | 450,285 |
| Total direct expenses | 78,028 | 339,511 | 309,281 | 616,235 | 741,904 | 210,277 | 49,081 | 56,735 | 18,247 | 48,656 | 902,675 | 3,370,630 | 45,360 | 326,088 | 741,738 | 1,113,186 | 4,483,816 |
| Total program expenses | 296,049 | 1,700,590 | 1,381,553 | 2,278,614 | 2,028,542 | 280,278 | 114,726 | 497,683 | 86,514 | 230,700 | 2,005,373 | 10,900,622 | 453,846 | 993,578 | 1,773,145 | 3,220,569 | 14,121,191 |
| Clinical support | 14,117 | 81,092 | 66,210 | 83,914 | 96,730 | | 5,471 | | 4,125 | 11,001 | 91,186 | 453,846 | (453,846) | | | (453,846) | 0 |
| Operations support | 18,359 | 208,039 | 86,104 | 141,303 | 248,159 | | 14,035 | 30,863 | 5,365 | 14,306 | 227,045 | 993,578 | | (993,578) | | (993,578) | 0 |
| Administration | 49,418 | 283,868 | 231,773 | 380,353 | 338,612 | | 19,150 | 83,075 | 14,441 | 38,509 | 333,946 | 1,773,145 | | | (1,773,145) | (1,773,145) | 0 |
| Total expenses | 377,943 | 2,273,589 | 1,765,640 | 2,884,184 | 2,712,043 | 280,278 | 153,382 | 611,621 | 110,445 | 294,516 | 2,657,550 | 14,121,191 | 0 | 0 | 0 | 0 | 14,121,191 |

The Notes to Combined Financial Statements are an integral part of this statement.

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011

| | Program Services | | | | | | | | | | | Supporting Services | | | | Total | |
|---------------------------------------|------------------|-----------------|-------------|-----------|-------------|-----------------------------|----------------------------------|------------|--------------|-----------------|-----------|------------------------|------------------|--------------------|-----------------|-------------|---------------------------|
| | Assessment | Detox-ification | Out-patient | Research | Residential | Cutting Edge/ Taste Buds | Room & Board with Supervision | Prevention | Intervention | Case Management | Non-ADM | Total Program Services | Clinical Support | Operations Support | Admin-istration | | Total Supporting Services |
| Salaries | 202,693 | 1,158,592 | 963,008 | 1,661,158 | 978,251 | 87,292 | 92,910 | 223,108 | 47,034 | 84,662 | 914,627 | 6,413,335 | 243,952 | 569,063 | 1,239,829 | 2,052,844 | 8,466,179 |
| Fringe benefits | 42,056 | 242,399 | 201,208 | 287,561 | 218,261 | 17,860 | 21,368 | 37,343 | 9,857 | 17,742 | 203,780 | 1,299,435 | 51,823 | 137,419 | 231,156 | 420,398 | 1,719,833 |
| Contract or Temp employees | 1,516 | 2,983 | 16,607 | 59,768 | 11,344 | 13,721 | 334 | 0 | 1,011 | 1,819 | 4,894 | 113,997 | | 116 | 5 | 121 | 114,118 |
| Total salaries and fringe benefits | 246,265 | 1,403,974 | 1,180,823 | 2,008,487 | 1,207,856 | 118,873 | 114,612 | 260,451 | 57,902 | 104,223 | 1,123,301 | 7,826,767 | 295,775 | 706,598 | 1,470,990 | 2,473,363 | 10,300,130 |
| Building occupancy | 10,167 | 91,959 | 56,324 | 31,038 | 444,040 | 3,653 | 17,224 | 9,530 | 5,023 | 9,041 | 349,484 | 1,027,483 | 25,420 | 121,244 | 81,674 | 228,338 | 1,255,821 |
| Professional services | 38,902 | 727 | 57,744 | 273,468 | 50,120 | | 7,704 | 3,380 | 124 | 222 | 11,525 | 443,916 | | 5,122 | 188,047 | 193,169 | 637,085 |
| Travel | 3,304 | 1,174 | 22,259 | 91,932 | 5,276 | 1,079 | 77 | 7,751 | 1,226 | 2,208 | 4,201 | 140,487 | 2,842 | 5,903 | 16,210 | 24,955 | 165,442 |
| Equipment costs | 2,345 | 6,695 | 11,309 | 5,188 | 7,274 | | 168 | 3,533 | 556 | 1,001 | 9,680 | 47,749 | 7,948 | 4,787 | 14,390 | 27,125 | 74,874 |
| Food Services | 12 | 54,817 | 154 | 3,490 | 125,538 | 166,083 | 16,874 | 2,664 | 10 | 17 | 220,193 | 589,852 | | 7,523 | 6,520 | 14,043 | 603,895 |
| Medical/pharmacy | 5,137 | 122,395 | 59,953 | 70,459 | 38,689 | | 2,760 | | 3,683 | 6,629 | 25,510 | 335,215 | | | 106,506 | 106,506 | 441,721 |
| Insurance | 2,028 | 9,025 | 16,729 | 2,184 | 54,060 | 2,946 | 5,231 | 3,434 | 968 | 1,742 | 59,871 | 158,218 | 6,760 | 7,988 | 18,089 | 32,837 | 191,055 |
| Interest | | | | | | | | | | | 5,851 | 5,851 | | 1,173 | 17,392 | 18,565 | 24,416 |
| Operating supplies and expenses | 16,083 | 32,733 | 70,496 | 110,842 | 161,069 | 35,564 | 18,358 | 12,161 | 3,318 | 5,972 | 149,691 | 616,287 | 7,845 | 122,975 | 95,287 | 226,107 | 842,394 |
| Other expenses | 597 | 1,264 | 2,373 | 927 | 5,110 | 4,491 | 186 | 67 | 106 | 191 | 5,488 | 20,800 | 175 | 7,167 | 184,333 | 191,675 | 212,475 |
| Depreciation | 3,224 | 28,733 | 60,823 | 2,939 | 37,590 | 18,023 | 6,376 | 0 | 2,215 | 3,987 | 123,701 | 287,611 | 505 | 14,765 | 144,109 | 159,379 | 446,990 |
| Total direct expenses | 81,799 | 349,522 | 358,164 | 592,467 | 928,766 | 231,839 | 74,958 | 42,520 | 17,229 | 31,010 | 965,195 | 3,673,469 | 51,495 | 298,647 | 872,557 | 1,222,699 | 4,896,168 |
| Total program expenses | 328,064 | 1,753,496 | 1,538,987 | 2,600,954 | 2,136,622 | 350,712 | 189,570 | 302,971 | 75,131 | 135,233 | 2,088,496 | 11,500,236 | 347,270 | 1,005,245 | 2,343,547 | 3,696,062 | 15,196,298 |
| Clinical support | 11,320 | 60,505 | 53,290 | 70,764 | 73,724 | 0 | 6,541 | 0 | 2,592 | 4,666 | 63,868 | 347,270 | (347,270) | | | (347,270) | 0 |
| Operations support | 20,115 | 203,714 | 94,697 | 159,479 | 248,226 | 0 | 22,023 | 18,577 | 4,607 | 8,292 | 225,515 | 1,005,245 | | (1,005,245) | | (1,005,245) | 0 |
| Administration | 68,959 | 368,589 | 324,639 | 546,727 | 449,123 | 0 | 39,848 | 63,685 | 15,792 | 28,426 | 437,759 | 2,343,547 | | | (2,343,547) | (2,343,547) | 0 |
| Total expenses | 428,458 | 2,386,304 | 2,011,613 | 3,377,924 | 2,907,695 | 350,712 | 257,982 | 385,233 | 98,122 | 176,617 | 2,815,638 | 15,196,298 | 0 | 0 | 0 | 0 | 15,196,298 |

The Notes to Combined Financial Statements are an integral part of this statement.

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.

COMBINED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2012 and 2011

| | 2012 | | | | 2011 | | | |
|---|--|--|-------------|-----------|--|--|-------------|-----------|
| | Gateway Community Services, Inc. | Gateway Community Services Foundation, Inc. | Elimination | Total | Gateway Community Services, Inc. | Gateway Community Services Foundation, Inc. | Elimination | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Change in total net assets | 307,803 | 2,296 | | 310,099 | (135,955) | (400) | | (136,355) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | | | | | | | |
| Depreciation and amortization | 427,233 | 23,052 | | 450,285 | 422,420 | 24,570 | | 446,990 |
| Forgiveness of long-term debt | (63,439) | | | (63,439) | (58,344) | | | (58,344) |
| Patient accounts and public support receivable | 415,519 | | | 415,519 | (192,216) | | | (192,216) |
| Prepaid expenses and other assets | (13,276) | | | (13,276) | (7,203) | | | (7,203) |
| Accounts payable and accrued expenses | (35,933) | | | (35,933) | (299,205) | | | (299,205) |
| Net cash provided by (used in) operating activities | 1,037,907 | 25,348 | 0 | 1,063,255 | (270,503) | 24,170 | 0 | (246,333) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Purchase of land, building and equipment | (397,473) | | | (397,473) | (583,030) | | | (583,030) |
| Purchase of Investments | (274,753) | | | (274,753) | (274,668) | | | (274,668) |
| Proceeds from sale of Investments | 274,668 | | | 274,668 | 274,585 | | | 274,585 |
| Net cash used in investing activities | (397,558) | 0 | 0 | (397,558) | (583,113) | 0 | 0 | (583,113) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | |
| Principal payments on long-term debt | | (78,468) | | (78,468) | | (17,820) | | (17,820) |
| Net cash used in financing activities | 0 | (78,468) | 0 | (78,468) | 0 | (17,820) | 0 | (17,820) |
| Increase (decrease) in cash and cash equivalents | 640,349 | (53,120) | 0 | 587,229 | (853,616) | 6,350 | 0 | (847,266) |
| Cash and cash equivalents, beginning of year | 675,323 | 54,400 | 0 | 729,723 | 1,528,939 | 48,050 | 0 | 1,576,989 |
| Cash and cash equivalents, end of year | 1,315,672 | 1,280 | 0 | 1,316,952 | 675,323 | 54,400 | 0 | 729,723 |
| SUPPLEMENTAL DISCLOSURES FOR CASH FLOW INFORMATION | | | | | | | | |
| Cash paid for interest during the year | | 4,744 | | 4,744 | | 5,851 | | 5,851 |

The Notes to Combined Financial Statements are an integral part of these statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities:

Gateway Community Services, Inc. (the "Organization") is a private not-for-profit organization incorporated under the laws of the State of Florida. The Organization offers comprehensive services to residents of Jacksonville, Florida and surrounding communities who suffer from alcoholism and drug abuse. The Organization extends their rehabilitative services to these individuals as well as to their family members, based on their ability to pay. The Organization is controlled by a Board of Directors consisting of volunteers from the community.

Financial Statement Presentation:

In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Basis of Combination:

The combined statements include the accounts of Gateway Community Services Foundation, Inc., a not-for-profit organization which provides financial and other support services and programs to Gateway Community Services, Inc. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The City of Jacksonville requires a separate bank demand and/or time deposit account for all city funds. The amount of city cash maintained as of June 30, 2012 and 2011 was \$4,994 and \$4,985, respectively.

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 25, 2012, the date the financial statements were available to be issued.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Land, Building and Equipment:

Land, building and equipment are recorded at historical cost or fair market value at date of donation. Land, building and equipment purchased in excess of \$1,500 is capitalized. Depreciation is computed using the straight-line method over the useful lives of the related assets. The Organization takes a full year of depreciation in the year of acquisition and no depreciation in the year of disposal. The State of Florida and the City of Jacksonville are entitled to the proceeds from the disposal of certain land, building and equipment, in accordance with grant provisions.

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Organization does not imply time restrictions expiring over the estimated useful life of contributed long lived assets.

Concentrations of Credit Risk:

The Organization's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents and certificates of deposit. The Organization places its cash and cash equivalents and certificates of deposit with high credit quality institutions. At such times the financial instruments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits.

Public Support:

Public support from government grants are recorded based on the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs or units of service of the specific grant provisions have been incurred or provided. Such revenue is subject to audit by the grantor and, if the examination results in a non-allowance of units of service or expenses, the Organization will be required to reimburse any overpayments.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Contributions:

In accordance with generally accepted accounting principles, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restriction. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributions consist primarily of in-kind contributions of occupancy and supplies expense, which are recorded as other revenue based on management's estimate of the fair market value of the space and merchandise utilized.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions.

Contributed Services:

No amounts have been reflected in the statements for donated services since no objective basis is available to measure the value of such services.

Net Patient Service Revenue:

Net patient service revenue is recorded at standard rates which are reduced by allowances based upon the client's financial capabilities and by amounts estimated by management to be non-reimbursable by third-party payors and state programs under the provisions of applicable program payment arrangements. Final determination of amounts earned is subject to third-party payor audit and retroactive adjustment.

Financial Statement 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Income Taxes:

The Organizations are private not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to Section 510(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

The Organization applies generally accepted accounting principles related to income tax uncertainties. The Organization has determined that there were no unrecognized tax benefits for the years ended June 30, 2012 and 2011. The Organization files tax returns in the U.S. federal and state jurisdictions. Tax years that remain subject to examination by major tax jurisdictions are 2009 and forward.

Note 2. Investments

Investments as of June 30, 2012 and 2011 consists of certificates of deposits. The value of the certificates of deposit is \$274,753 and \$274,668 at June 30, 2012 and 2011.

Note 3. Patient Accounts Receivable

The Organization records receivables for services with private insurance and other receivables. A summary of these receivables at June 30, 2012 and 2011 is as follows:

| | <u>2012</u> | <u>2011</u> |
|--------------------------------------|----------------------|-----------------------|
| Private insurance | 302,185 | 389,664 |
| Other | 53,542 | 76,248 |
| | <u>355,727</u> | <u>465,912</u> |
| Less allowance for doubtful accounts | 263,756 | 338,235 |
| | <u><u>91,971</u></u> | <u><u>127,677</u></u> |

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Land, Building and Equipment

Major classes of land, building, equipment and accumulated depreciation are as follows:

| | 2012 | 2011 |
|-------------------------------------|-------------|-------------|
| Land | 1,039,565 | 1,039,565 |
| Building and leasehold improvements | 8,061,977 | 7,597,644 |
| Equipment and furniture | 1,001,137 | 979,877 |
| Construction in progress | 310,107 | 398,228 |
| | 10,412,786 | 10,015,314 |
| Less accumulated depreciation | (4,060,518) | (3,610,234) |
| Land, building and equipment | 6,352,268 | 6,405,080 |

Depreciation expense for the year ended June 30, 2012 and 2011 was approximately \$450,285 and \$446,990, respectively.

Note 5. Long-Term Debt

Long-term debt obligations are as follows:

| | 2012 | 2011 |
|---|----------|----------|
| Mortgage Note – Lexington/Edgewood/University | 0 | 78,468 |
| Department of Juvenile Justice Note | 68,978 | 132,417 |
| Duval County Finance Authority Note | 69,791 | 69,791 |
| Jacksonville Housing Authority Note | 182,884 | 182,884 |
| | 321,653 | 463,560 |
| Less current portion | (68,978) | (82,573) |
| | 252,675 | 380,987 |

Mortgage Note – Lexington/Edgewood/University:

The Organization had a Mortgage Note Agreement with a financial institution. The note was payable in monthly installments of \$1,973 including interest at 6.54% through its maturity at May 20, 2017, but the Organization paid off the note in June 2012.

DJJ Note:

The Organization has a note payable dated December 31, 2001 with the Department of Juvenile Justice for the Organization's Impact House facility. The loan has imputed interest at 8.4% and will be forgiven over a ten year period beginning December 31, 2003.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. (Continued)

DCFA Note:

The Organization has a note payable dated June 30, 2004 with the Duval County Finance Authority for \$165,000 to conduct a program, activity, or project. The loan has imputed interest at 5.75% and will be forgiven on June 30, 2019.

JHA Note:

The Organization has a note payable dated June 30, 2005 with the Jacksonville Housing Authority for \$576,000 to conduct a program, activity, or project. The loan has imputed interest at 5.75% and will be forgiven on June 30, 2025.

Aggregate principal payments and loan forgiveness on long-term debt in the succeeding years are due as follows:

| | |
|--------------------------|-----------------------|
| Year ended June 30, 2013 | 68,978 |
| 2014 | 0 |
| Thereafter | <u>252,675</u> |
| | <u><u>321,653</u></u> |

Interest related to the debt instruments that were charged to expense during the years ended June 30, 2012 and 2011 was approximately \$16,305 and \$22,506, respectively.

Note 6. Operating Leases

The Organization entered into an operating lease in 2011 for a facility in which it provides adolescent residential substance abuse services. The Organization will pay annual rental payments of \$118,860 for a term of three years with one optional renewal term of three years. The Organization also leases other buildings and equipment under operating leases expiring in various years through 2014.

As of June 30, 2012, future minimum lease payments under non-cancelable operating leases are as follows:

| | |
|--------------------------|-----------------------|
| Year ended June 30, 2013 | 167,400 |
| 2014 | 147,110 |
| 2015 & Thereafter | <u>0</u> |
| | <u><u>314,510</u></u> |

Rental expense under operating leases was approximately \$194,228 and \$305,040 for the years ended June 30, 2012 and 2011, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 7. Dependency on Governmental Support

The Organization receives a substantial amount of support from federal, state and local governmental agencies. A reduction in the level of future support from the state or local governmental agencies could have a substantial effect on the Organization's programs and activities.

Note 8. In-kind Donations

During the years ended June 30, 2012 and 2011, the Organization received in-kind donations for rental space of \$0 and \$120,000, respectively.

Note 9. Pension Plans

Effective September 1, 1993 the Organization established a defined contribution retirement plan, which covers all employees meeting certain eligibility requirements. In accordance with the agreement with the retirement fund, employee and employer contributions are a percentage of the participating employees' salary. The Organization's contributions are limited to a percentage of the employee contributions as determined by the Board of Directors on an annual basis. Total contributions made by the Organization for 2012 and 2011 were \$0.

Note 10. Net Assets Released from Restriction

Net assets were released from restrictions due to acquisitions of land, building and equipment of \$75,000 for the year ended June 30, 2012 and 2011, respectively, and incurring depreciation expense of \$2,978 in 2012 and 2011 related to a temporarily restricted building donated in 2000.

Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$203,430 and \$206,408 consist of various fixed assets that are available for providing program services for the fiscal years ended June 30, 2012 and 2011, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 12. Related Party

Gateway Community Services Foundation, Inc. was formed for the purpose of providing financial and other support services to the Organization. Expenses for both 2012 and 2011 include \$30,000 paid to the Foundation in building rent which has been eliminated in the combined financial statements.

Note 13. Fair Value Measurements

The Organization applies generally accepted accounting principles for fair value measurements of financial assets and liabilities. These accounting principles define fair value and establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques. The three levels of inputs used to measure fair value are as follows:

Level 1 - Values measured using quoted prices in active markets for identical investments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The carrying amounts reflected in the statements of financial position for cash and cash equivalents, patient and public receivables, prepaids and other current assets, accounts payable, accrued expenses and deferred revenue approximates fair value due to the relative terms and/or short maturity of these financial instruments. Investments are reflected in the accompanying financial statements at fair value. The fair value of long-term debt at June 30, 2012 and 2011 approximates carrying value due to the variable and imputed interest rates in effect.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 13. (Continued)

The following is a summary of the levels within the fair value hierarchy for the Organization's assets measured at fair value on a recurring basis as of June 30, 2012 and 2011:

| Fair Value Measurements on a Recurring Basis as of June 30, 2012 | | | | |
|---|---------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Investments | | | | |
| Certificates of deposit | | 274,753 | | 274,753 |
| Total | 0 | 274,753 | 0 | 274,753 |
| | | | | |
| Fair Value Measurements on a Recurring Basis as of June 30, 2011 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Investments | | | | |
| Certificates of deposit | | 274,668 | | 274,668 |
| Total | 0 | 274,668 | 0 | 274,668 |
| | | | | |

SUPPLEMENTARY INFORMATION

GATEWAY COMMUNITY SERVICES, INC. AND
GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS

For the Year Ended June 30, 2012

| Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project | CFDA CSFA Number | Contract Number | Program or Award Amount | Accrued Revenue at June 30, 2011 | Cash Received | Disburse- ments/ Expenses | Accrued Revenue at June 30, 2012 |
|---|------------------------|--------------------|----------------------------|---|------------------|---------------------------------|---|
| FEDERAL PROGRAMS: | | | | | | | |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | | | | | |
| Passed through Florida Department of Children and Family Services: | | | | | | | |
| Adult Substance Abuse: | | | | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | DD032 | 2,495,996 | 534,975 | 534,975 | | 0 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | DD032 | 2,911,232 | | 2,323,720 | 2,911,232 | 587,512 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | DDZ03 | 45,898 | | 45,898 | 45,898 | 0 |
| Passed through St. Johns County Board of County Commissioners | | | | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | RES 2010-300 | | 19,488 | 30,811 | 11,323 | 0 |
| | | | | <u>554,463</u> | <u>2,935,404</u> | <u>2,968,453</u> | <u>587,512</u> |
| Passed through Florida Department of Children and Family Services: | | | | | | | |
| Temporary Assistance for Needy Families | 93.558 | | 1 | | 1 | 1 | 0 |
| Temporary Assistance for Needy Families | 93.558 | DD032 | 157,749 | 29,280 | 29,280 | | 0 |
| Temporary Assistance for Needy Families | 93.558 | DD032 | 161,599 | | 125,902 | 161,599 | 35,697 |
| | | | | <u>29,280</u> | <u>155,183</u> | <u>161,600</u> | <u>35,697</u> |
| Passed through the City of Jacksonville, Florida | | | | | | | |
| HIV Emergency Relief Project Grants | 93.914 | 9479-09 | 150,078 | 18,480 | 124,492 | 106,012 | 0 |
| HIV Emergency Relief Project Grants | 93.914 | 9479-16 | 146,079 | | 7,085 | 34,060 | 26,975 |
| | | | | <u>18,480</u> | <u>131,577</u> | <u>140,072</u> | <u>26,975</u> |
| Passed through Florida Department of Children and Family Services: | | | | | | | |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | | 7 | | 7 | 7 | 0 |
| Passed through Florida Department of Children and Family Services: | | | | | | | |
| ARRA - Foster Care_ Title IV-E | 93.658 | | 42 | | 42 | 42 | 0 |
| Passed through Florida Department of Children and Family Services: | | | | | | | |
| ARRA - Adoption Assistance | 93.659 | | 14 | | 14 | 14 | 0 |

GATEWAY COMMUNITY SERVICES, INC. AND
GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS

For the Year Ended June 30, 2012

| Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project | CFDA CSFA Number | Contract Number | Program or Award Amount | Accrued Revenue at June 30, 2011 | Cash Received | Disburse- ments/ Expenses | Accrued Revenue at June 30, 2012 |
|---|------------------------|--------------------|----------------------------|---|------------------|---------------------------------|---|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | | | | | |
| Passed through Florida Department of Children and Family Services: | | | | | | | |
| Social Services Block Grant | 93.667 | DD032 | 15,067 | | 15,067 | 15,067 | 0 |
| Social Services Block Grant | 93.667 | | 15 | | 15 | 15 | 0 |
| | | | | <u>0</u> | <u>15,082</u> | <u>15,082</u> | <u>0</u> |
| Passed through Northeast Florida Healthy Start Coalition | | | | | | | |
| Maternal and Child Health Services Block Grant to the States | 93.994 | | 97,150 | <u>7,822</u> | <u>65,724</u> | <u>80,635</u> | <u>22,733</u> |
| Passed through Northeast Florida Healthy Start Coalition | | | | | | | |
| Medical Assistance Program | 93.778 | | 97,150 | | <u>15,022</u> | <u>15,022</u> | <u>0</u> |
| Passed through the University of Miami | | | | | | | |
| Drug Abuse and Addiction Research Programs | 93.279 | 5U10DA13720-04 | 28,234 | 2,000 | 2,000 | | 0 |
| Drug Abuse and Addiction Research Programs | 93.279 | 5U10DA13720-04 | 18,704 | 17,303 | 18,204 | 901 | 0 |
| Drug Abuse and Addiction Research Programs | 93.279 | 5U10DA13720-04 | 20,363 | | 7,744 | 14,480 | 6,736 |
| Drug Abuse and Addiction Research Programs | 93.279 | CTN-0014 | 21,407 | 18,410 | 10,632 | | 7,778 |
| Drug Abuse and Addiction Research Programs | 93.279 | CTN-0014 | 21,407 | | | 2,997 | 2,997 |
| Drug Abuse and Addiction Research Programs | 93.279 | CTN-0031 | 212,737 | 29,867 | 8,841 | | 21,026 |
| Drug Abuse and Addiction Research Programs | 93.279 | CTN-0046 | 251,172 | 171,568 | 204,351 | 32,783 | 0 |
| Drug Abuse and Addiction Research Programs | 93.279 | CTN-0046 | 230,907 | | 128,600 | 160,177 | 31,577 |
| Drug Abuse and Addiction Research Programs | 93.279 | CTN-0037 | 284,643 | 115,160 | 186,695 | 71,535 | 0 |
| Drug Abuse and Addiction Research Programs | 93.279 | CTN-0037 | 386,905 | | <u>222,704</u> | <u>286,145</u> | <u>63,441</u> |
| | | | | <u>354,308</u> | <u>789,771</u> | <u>569,018</u> | <u>133,555</u> |
| Substance Abuse and Mental Health Services_ | | | | | | | |
| Projects of Regional and National Significance | 93.243 | 5 H79-TI019760-02 | 450,000 | 35,598 | 158,429 | 122,831 | 0 |
| Substance Abuse and Mental Health Services_ | | | | | | | |
| Projects of Regional and National Significance | 93.243 | 5 H79-TI019760-02 | 450,000 | | 291,633 | 323,920 | 32,287 |
| Substance Abuse and Mental Health Services_ | | | | | | | |
| Projects of Regional and National Significance | 93.243 | 5 H79-TI018264-04 | 400,000 | 33,500 | 133,216 | 99,716 | 0 |
| Substance Abuse and Mental Health Services_ | | | | | | | |
| Projects of Regional and National Significance | 93.243 | 5 H79-TI020100-02 | 400,000 | 16,485 | 111,894 | 95,409 | 0 |
| Substance Abuse and Mental Health Services_ | | | | | | | |
| Projects of Regional and National Significance | 93.243 | 5 H79-TI020100-02 | 400,000 | | 25,855 | 25,855 | 0 |

GATEWAY COMMUNITY SERVICES, INC. AND
GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS

For the Year Ended June 30, 2012

| Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project | CFDA CSFA Number | Contract Number | Program or Award Amount | Accrued Revenue at June 30, 2011 | Cash Received | Disburse- ments/ Expenses | Accrued Revenue at June 30, 2012 |
|--|------------------------|-----------------------|----------------------------|---|------------------|---------------------------------|---|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | | | | | |
| Substance Abuse and Mental Health Services_ Projects of Regional and National Significance | 93.243 | 5 U79-SM058764-02 | 400,000 | 29,122 | 132,950 | 103,828 | 0 |
| Substance Abuse and Mental Health Services_ Projects of Regional and National Significance | 93.243 | 5 U79-SM058764-02 | 400,000 | | 279,305 | 307,783 | 28,478 |
| Substance Abuse and Mental Health Services_ Projects of Regional and National Significance | 93.243 | 1 H79-TI019578-01 | 468,916 | 39,296 | 173,220 | 133,924 | 0 |
| Substance Abuse and Mental Health Services_ Projects of Regional and National Significance | 93.243 | 1 H79-TI019578-01 | 468,916 | | 417,049 | 449,505 | 32,456 |
| Substance Abuse and Mental Health Services_ Projects of Regional and National Significance | 93.243 | 1 H79-TI020870-01 | 300,000 | 20,553 | 87,279 | 66,726 | 0 |
| Substance Abuse and Mental Health Services_ Projects of Regional and National Significance | 93.243 | 1 H79-TI020870-01 | 300,000 | | 205,440 | 227,014 | 21,574 |
| Substance Abuse and Mental Health Services_ Projects of Regional and National Significance | 93.243 | 1 H79-TI023375-01 | 400,000 | 20,853 | 156,260 | 135,407 | 0 |
| Substance Abuse and Mental Health Services_ Projects of Regional and National Significance | 93.243 | 1 H79-TI023375-01 | 400,000 | | 246,227 | 272,646 | 26,419 |
| Passed through Florida State Fourth Circuit Court Substance Abuse and Mental Health Services_ Projects of Regional and National Significance | 93.243 | CO5004-09 | 300,000 | 41,068 | 150,165 | 109,097 | 0 |
| | | | | 236,475 | 2,568,922 | 2,473,661 | 141,214 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: | | | | | | | |
| Supportive Housing Program | 14.235 | FL0128B4H101003 | 61,705 | 8,587 | 50,666 | 42,079 | 0 |
| Supportive Housing Program | 14.235 | FL0128B4H101104 | 61,705 | | 8,102 | 14,483 | 6,381 |
| Supportive Housing Program | 14.235 | FL0129B4H101003 | 54,728 | 5,439 | 47,756 | 42,317 | 0 |
| Supportive Housing Program | 14.235 | FL0129B4H101104 | 54,727 | | 5,414 | 9,352 | 3,938 |
| | | | | 14,026 | 111,938 | 108,231 | 10,319 |
| Passed through the City of Jacksonville, Florida Housing Opportunities for Persons with AIDS | 14.241 | 9479-03 (FL29H10F001) | 66,000 | 6,546 | 23,876 | 17,330 | 0 |
| Housing Opportunities for Persons with AIDS | 14.241 | 9479-14 (FL29H11F001) | 66,001 | | 43,773 | 47,960 | 4,187 |
| | | | | 6,546 | 67,649 | 65,290 | 4,187 |

GATEWAY COMMUNITY SERVICES, INC. AND
GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS

For the Year Ended June 30, 2012

| Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project | CFDA CSFA Number | Contract Number | Program or Award Amount | Accrued Revenue at June 30, 2011 | Cash Received | Disburse- ments/ Expenses | Accrued Revenue at June 30, 2012 |
|--|------------------------|--------------------|----------------------------|---|------------------|---------------------------------|---|
| U.S. DEPARTMENT OF AGRICULTURE: | | | | | | | |
| Passed through the Florida Department of Education School Breakfast Program | 10.553 | 01-0364 | | | 25,128 | 27,376 | 2,248 |
| Passed through the Florida Department of Education National School Lunch Program | 10.555 | 01-0364 | | 7,343 | 57,894 | 55,019 | 4,468 |
| U.S. DEPARTMENT OF JUSTICE: | | | | | | | |
| Passed through the City of Jacksonville Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 9479-07 | 35,000 | 22,448 | 22,448 | | 0 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 9479-07 | 35,000 | | 12,143 | 12,143 | 0 |
| | | | | 22,448 | 34,591 | 12,143 | 0 |
| Passed through the Florida State Attorney's Office Drug Court Discretionary Grant Program | 16.585 | 2008-DC-BX-0051 | 530,000 | 24,438 | 47,726 | 23,288 | 0 |
| Total Expenditures of Federal Awards | | | | <u>1,275,629</u> | <u>7,021,674</u> | <u>6,714,953</u> | <u>968,908</u> |
| STATE PROJECTS: | | | | | | | |
| FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES: | | | | | | | |
| Passed through Clay County Behavioral Health Center, Inc. Substance Abuse Treatment and Aftercare Services for Adults | 60.033 | 59-2219-317 | | | 72,027 | 78,273 | 6,246 |
| Passed through Family Support Services of North Florida, Inc.: Community Based Care (CBC) Supports | 60.094 | DJ031 | | 7,025 | 7,025 | | 0 |
| FLORIDA DEPARTMENT OF JUVENILE JUSTICE: | | | | | | | |
| Passed through First Coast Management Services, Inc. Mental Health Services | 80.011 | X1521 | | 13,320 | 13,320 | | 0 |
| Mental Health Services | 80.011 | X1521 | | | 117,865 | 127,580 | 9,715 |
| | | | | 13,320 | 131,185 | 127,580 | 9,715 |
| Delinquency Non-Secure Residential Services | 80.016 | R-2042 | 820,520 | 67,340 | 477,988 | 410,648 | 0 |
| Delinquency Non-Secure Residential Services | 80.016 | R-2042 | 820,520 | | 336,812 | 403,008 | 66,196 |
| | | | | 67,340 | 814,800 | 813,656 | 66,196 |
| Total Expenditures of State Projects | | | | <u>87,685</u> | <u>1,025,037</u> | <u>1,019,509</u> | <u>82,157</u> |

GATEWAY COMMUNITY SERVICES, INC. AND
GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS

For the Year Ended June 30, 2012

| Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project | CFDA CSFA Number | Contract Number | Program or Award Amount | Accrued Revenue at June 30, 2011 | Cash Received | Disburse- ments/ Expenses | Accrued Revenue at June 30, 2012 |
|---|------------------------|--------------------|----------------------------|---|------------------|---------------------------------|---|
| GENERAL STATE FUNDING: | | | | | | | |
| FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES: | | | | | | | |
| Temporary Assistance for Needy Families | | DD032 | 9,936 | | 9,936 | 9,936 | 0 |
| Block Grants for Prevention and Treatment of Substance Abuse | | DD032 | 3,422,910 | | 3,422,910 | 3,422,910 | 0 |
| Block Grants for Prevention and Treatment of Substance Abuse | | DDZ03 | 4,792 | | 4,792 | 4,792 | 0 |
| Stephanie Tubbs Jones Child Welfare Services Program | | | 2 | | 2 | 2 | 0 |
| ARRA - Foster Care_ Title IV-E | | | 40 | | 40 | 40 | 0 |
| ARRA - Adoption Assistance | | | 14 | | 14 | 14 | 0 |
| Temporary Assistance for Needy Families | | | 1 | | 1 | 1 | 0 |
| Other State | | | 12 | | 12 | 12 | 0 |
| Passed through Baker Community Counseling Services, Inc. | | | | 1,022 | 6,394 | 5,372 | 0 |
| Passed through River Region Human Services, Inc. | | DD033 | 350,000 | | 3,380 | 3,380 | 0 |
| Passed through Florida Council on Compulsive Gambling, Inc | | | 10,000 | 1,000 | 1,000 | | 0 |
| Florida Medicaid Program | | | | 31,167 | 363,008 | 353,786 | 21,945 |
| Department of Juvenile Justice Mental Health and/or Substance Abuse Treatment Services | | Y0040 | | | | 10,616 | 10,616 |
| Passed through University of Miami | | CTN-0042 | | | | 11,614 | 11,614 |
| Total Expenditures of General State Funding | | | | <u>33,189</u> | <u>3,811,489</u> | <u>3,822,475</u> | <u>44,175</u> |

GATEWAY COMMUNITY SERVICES, INC. AND
GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS

For the Year Ended June 30, 2012

| Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project | CFDA CSFA Number | Contract Number | Program or Award Amount | Accrued Revenue at June 30, 2011 | Cash Received | Disburse- ments/ Expenses | Accrued Revenue at June 30, 2012 |
|---|------------------------|--------------------|----------------------------|---|-------------------|---------------------------------|---|
| LOCAL ASSISTANCE: | | | | | | | |
| FLORIDA STATE ATTORNEY'S OFFICE: | | | | | | | |
| Passed through the City of Jacksonville, Florida | | | | | | | |
| Intensive Delinquency Diversion Services (City Teen Court) | | | | | | | |
| | | | | 540 | 2,250 | 1,800 | 90 |
| CITY MENTAL HEALTH AND WELFARE: | | | | | | | |
| Passed through the City of Jacksonville, Florida | | | | | | | |
| Alcohol Trust Fund | | 9479-02 | 604,307 | 108,175 | 251,155 | 142,980 | 0 |
| Alcohol Trust Fund | | 9479-15 | 513,661 | | 374,622 | 414,106 | 39,484 |
| Residential, Homeless, and Transitional Living | | 7024-95 | 372,400 | (360) | (360) | | 0 |
| Residential, Homeless, and Transitional Living | | 9479-04 | 372,400 | 55,495 | 137,823 | 82,328 | 0 |
| Residential, Homeless, and Transitional Living | | 9479-12 | 372,400 | | 212,144 | 271,809 | 59,665 |
| Residential, Homeless, and Transitional Living | | 9479-05 | 245,802 | 36,392 | 90,664 | 54,272 | 0 |
| Residential, Homeless, and Transitional Living | | 9479-11 | 245,802 | | 122,387 | 155,693 | 33,306 |
| Keep Kids Drug Free | | | | | 13,000 | 13,000 | 0 |
| Title XX Day Care | | | | | 24,150 | 24,150 | 0 |
| Substance Abuse Geriatric Education Services (SAGES) | | 9479-06 | 15,096 | 1,161 | 1,161 | | 0 |
| Substance Abuse Geriatric Education Services (SAGES) | | 9479-13 | 63,526 | | 37,630 | 42,137 | 4,507 |
| Gang Intervention | | 9479-10 | 250,000 | 9,602 | 192,097 | 201,931 | 19,436 |
| | | | | <u>210,465</u> | <u>1,456,473</u> | <u>1,402,406</u> | <u>156,398</u> |
| LOCAL GRANTS: | | | | | | | |
| Sulzbacher | | | | | | | |
| | | | | 34,533 | 39,783 | 15,750 | 10,500 |
| Total Expenditures of Local Assistance | | | | <u>245,538</u> | <u>1,498,506</u> | <u>1,419,956</u> | <u>166,988</u> |
| Total Expenditures of Federal Awards and State Financial Assistance and Local Assistance | | | | <u>1,642,041</u> | <u>13,356,706</u> | <u>12,976,893</u> | <u>1,262,228</u> |

**GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.**

NOTES TO SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS

For The Year Ended June 30, 2012

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of financial awards includes the federal, state and local grant activity of Gateway Community Services, Inc. and is prepared 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* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Type A programs are those federal programs and state projects with expenditures greater than or equal to \$300,000, respectively. All other programs are considered Type B.

2. PASS-THROUGH AWARDS

The Organization receives certain federal awards and state financial assistance from pass-through awards of the State, local government and other entities. The total amount of such pass-through awards is included on the supplementary schedule of expenditures of financial awards.

3. TRANSFERS TO SUBRECIPIENTS

The Organization transferred \$20,546 of federal awards from contract number 5 H79-TI018264-04, \$56,630 from contract number 5 H79-TI019760-02, and \$189,658 from contract number 1 H79-TI023375-01 for the fiscal year ended June 30, 2012 to an unrelated third party.

4. MAINTENANCE OF EFFORT

The Organization received maintenance of effort (MOE) funds from the Florida Department of Children and Family Services. These funds are reflected in the General State Funding section of the Schedule of Financial Awards.

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.

SCHEDULE OF STATE EARNINGS

For the Year Ended June 30, 2012

| | <u>2012</u> |
|---|-------------------------|
| 1. Total Expenditures | 14,123,359 |
| 2. Less Other State and Federal Funds | (5,287,339) |
| 3. Less Non-Match SAMH Funds | (3,315,220) |
| 4. Less Unallowable Costs per 65E-14, F.A.C. | <u>(5,509)</u> |
| 5. Total Allowable Expenditures (Sum of lines 1, 2, 3, and 4) | <u><u>5,515,291</u></u> |
| 6. Maximum Available Earnings (Line 5 times 75%) | 4,136,468 |
| 7. Amount of State Funds Requiring Match | <u>3,205,496</u> |
| 8. Amount Due to Department (Subtract line 7 from 6. If negative, the amount of the difference is due the department up to the amount of line 7.) | <u><u>930,972</u></u> |

GATEWAY COMMUNITY SERVICES, INC.
 SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
 For the Year Ended June 30, 2012

| Contract # | Contract Period | Total Budget | Receipts/Expenditures | | Balance Remaining 2012 |
|---|-----------------|-----------------|-----------------------|----------------|------------------------------|
| Alcohol Trust Fund | | | | | |
| 9479-02 | 10/1/10-9/30/11 | | 10/1/10-6/30/11 | 7/1/11-9/30/11 | |
| Receipts: | | 604,307 | 334,581 | 253,081 | 16,645 |
| Expenditures: | | | | | |
| Salaries which do not include those prohibited by 118.301 {vi, vii} | | 401,868 | 299,963 | 101,906 | |
| Payroll taxes and benefits | | 61,410 | 46,602 | 13,417 | |
| Occupancy expenses | | | | | |
| Maintenance & repairs | | 8,005 | 4,907 | 401 | |
| Telephone | | 11,500 | 8,386 | 1,536 | |
| Utilities | | 30,700 | 21,086 | 8,166 | |
| Insurance | | 5,001 | 3,573 | 1,231 | |
| Office expenses | | 7,827 | 5,312 | 563 | |
| Equipment expenses | | | | | |
| Rentals & leases | | 3,900 | 2,391 | 701 | |
| Vehicle expenses - Fuel & maintenance | | 5,000 | 3,221 | 1,779 | |
| Vehicle expenses - Other insurance | | 1,620 | 1,077 | 370 | |
| Direct client expenses | | | | | |
| Food | | 64,861 | 47,239 | 12,761 | |
| Personal | | 1,700 | 500 | 0 | |
| Transportation | | 600 | 425 | 72 | |
| Physician services and medical supplies | | 315 | | 77 | |
| Total Expenditures | | 604,307 | 444,682 | 142,980 | 16,645 |

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2012

| Contract # | Contract Period | Total Budget | Receipts/Expenditures | Balance Remaining 2012 |
|---|-----------------|-----------------|-----------------------|------------------------------|
| Alcohol Trust Fund | | | | |
| 9479-15 | 10/1/11-9/30/12 | | 10/1/11-6/30/12 | |
| Receipts: | | 513,661 | 374,421 | 139,240 |
| Expenditures: | | | | |
| Salaries which do not include those prohibited by 118.301 {vi, vii} | | 375,047 | 307,743 | |
| Payroll taxes and benefits | | | | |
| FICA & Med. Tax. | | 28,700 | 23,542 | |
| Health Insurance | | 51,519 | 42,722 | |
| Retirement | | 1 | | |
| Workers Comp | | 12,650 | 6,975 | |
| Unemployment tax | | 10,700 | 8,743 | |
| Group Life | | 577 | 413 | |
| Dental | | 960 | 220 | |
| EAP | | 187 | 22 | |
| Occupancy expenses | | | | |
| Maintenance & repairs | | 500 | 80 | |
| Telephone | | 1,200 | 331 | |
| Utilities | | 6,500 | 3,900 | |
| Office expenses | | | | |
| Office & Janitorial supplies | | 100 | 48 | |
| Direct client expenses | | | | |
| Food | | 24,820 | 19,166 | |
| Personal | | 100 | | |
| Medical | | 100 | | |
| Total Expenditures | | 513,661 | 0 | 413,905 |
| | | | | 99,756 |

GATEWAY COMMUNITY SERVICES, INC.
 SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
 For the Year Ended June 30, 2012

| Contract # | Contract Period | Total Budget | Receipts/Expenditures | | Balance Remaining 2012 |
|---|-----------------|-----------------|-----------------------|----------------|------------------------------|
| Residential, Homeless, and Transitional Living | | | | | |
| 9479-04 (Prof 2) | 10/1/10-9/30/11 | | 10/1/10-6/30/11 | 7/1/11-9/30/11 | |
| Receipts: | | 372,400 | 224,079 | 137,823 | 10,498 |
| Expenditures: | | | | | |
| Salaries which do not include those prohibited by 118.301 {vi, vii} | | 115,672 | 92,624 | 23,048 | |
| Payroll taxes and benefits | | 28,621 | 23,565 | 5,053 | |
| Occupancy expenses | | | | | |
| Telephone | | 14,800 | 11,059 | 3,741 | |
| Utilities | | 41,521 | 29,403 | 10,383 | |
| Maint. & repairs | | 37,234 | 27,026 | 8,802 | |
| Insurance Prop. & Gen. | | 9,400 | 6,831 | 2,432 | |
| Office expenses | | | | | |
| Office & other | | 2,149 | 1,943 | 207 | |
| Postage | | 60 | 21 | 12 | |
| Printing Adv. | | 180 | 96 | | |
| Publications | | 1 | | | |
| Staff Training | | 1 | | | |
| Insurance Dir. & Officers | | 1 | | | |
| Contract/ Prof. fees | | 400 | 373 | | |
| Backgrounds Screenings | | 1 | | | |
| Other equip < 1000 | | 3,200 | 2,448 | 90 | |
| Other Taxes & Licenses | | 160 | 71 | 89 | |
| Travel expenses not related to entertainment or amusement | | 750 | 455 | 251 | |
| Equipment expenses rent/ lease | | 2,100 | 1,440 | 422 | |
| Vehicle Fuel & Maintenance | | 8,280 | 5,613 | 1,666 | |
| Vehicle Insurance | | 960 | 733 | 226 | |
| Direct client expenses | | | | | |
| Food | | 78,170 | 54,580 | 19,527 | |
| Medical Supplies | | 1,200 | 1,051 | | |
| Personal | | 800 | 133 | 8 | |
| Transportation | | 800 | 564 | 94 | |
| Other - recreational | | 900 | 765 | 18 | |
| Allocated management and general | | 25,039 | 18,779 | 6,260 | |
| Total Expenditures | | 372,400 | 279,573 | 82,329 | 10,498 |

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2012

| Contract # | Contract Period | Total Budget | Receipts/Expenditures | Balance Remaining 2012 |
|---|-----------------|-----------------|-----------------------|------------------------------|
| Residential, Homeless, Detox and Transitional Living | | | | |
| 9479-12 (Prof 2) | 10/1/11-9/30/12 | | 10/1/11-6/30/12 | |
| Receipts: | | 372,400 | 212,143 | 160,257 |
| Expenditures: | | | | |
| Salaries which do not include those prohibited by 118.301 {vi, vii} | | 109,305 | 80,105 | |
| Payroll taxes and benefits | | 21,784 | 15,667 | |
| Occupancy expenses | | | | |
| Telephone | | 8,300 | 5,288 | |
| Utilities | | 33,000 | 24,760 | |
| Maint. & repairs | | 29,000 | 20,706 | |
| Insurance Prop. & Gen. | | 9,100 | 6,677 | |
| Office expenses | | | | |
| Supplies | | 10,830 | 8,434 | |
| Postage | | 12 | 11 | |
| Printing / Adv | | 30 | 30 | |
| Contract/ Prof. fees & service | | 220 | | |
| Background Screenings | | 1 | | |
| Other equip < 1000 | | 2,000 | 1,103 | |
| Other Taxes & Licenses | | 420 | 136 | |
| Travel expenses not related to entertainment or amusement | | 1,040 | 494 | |
| Equipment expenses | | 3,450 | 2,454 | |
| Vehicle Fuel & Maintenance | | 8,838 | 6,283 | |
| Vehicle Insurance | | 1,500 | 1,177 | |
| Direct client expenses | | | | |
| Food | | 97,040 | 71,499 | |
| Medical supplies | | 501 | | |
| Personal | | 1,100 | 715 | |
| Transportation | | 230 | 148 | |
| Other - recreational | | 900 | 774 | |
| Operating Captial | | 2 | | |
| Allocated management and general | | 33,797 | 25,348 | |
| Total Expenditures | | 372,400 | 0 | 271,809 |
| | | | | 100,591 |

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2012

| Contract # | Contract Period | Total Budget | Receipts/Expenditures | | Balance Remaining 2012 |
|---|-----------------|-----------------|-----------------------|----------------|------------------------------|
| Alumni House | | | | | |
| 9479-05 (Prof 1) | 10/1/10-9/30/11 | | 10/1/10-6/30/11 | 7/1/11-9/30/11 | |
| Receipts: | | 245,802 | 147,006 | 90,664 | 8,132 |
| Expenditures: | | | | | |
| Salaries which do not include those prohibited by 118.301 {vi, vii} | | 78,027 | 61,137 | 16,490 | |
| Payroll taxes and benefits | | 20,289 | 15,554 | 3,548 | |
| Occupancy expenses | | | | | |
| Telephone | | 10,100 | 7,300 | 2,800 | |
| Utilities | | 26,564 | 19,653 | 6,853 | |
| Maint. & repairs | | 22,277 | 18,370 | 3,907 | |
| Insurance Prop. & Gen. | | 6,300 | 4,509 | 1,605 | |
| Office expenses | | | | | |
| Supplies | | 1,800 | 1,036 | 623 | |
| Postage | | 40 | 14 | 7 | |
| Printing & Adv | | 120 | 63 | | |
| Publications | | 1 | | | |
| Staff Training | | 1 | | | |
| Directors & Officers Insur. | | 1 | | | |
| Contract/ Prof. fees & service | | 600 | 246 | | |
| Background Screenings | | 1 | | | |
| Other equip < 1000 | | 2,800 | 1,616 | 59 | |
| Other Taxes & Licenses | | 240 | 47 | 193 | |
| Travel expenses not related to entertainment or amusement | | 700 | 300 | 166 | |
| Equipment expense Lease/Rental | | 1,400 | 951 | 279 | |
| Vehicle Fuel & Maintenance | | 4,420 | 3,705 | 715 | |
| Vehicle Insurance | | 640 | 484 | 149 | |
| Direct client expenses | | | | | |
| Food | | 50,375 | 36,024 | 13,222 | |
| Medical Supplies | | 1,000 | 694 | | |
| Personal | | 1,200 | 193 | 6 | |
| Transportation | | 2,000 | 301 | 62 | |
| Recreational Supplies | | 600 | 472 | 12 | |
| Allocated management and general | | 14,306 | 10,729 | 3,576 | |
| Total Expenditures | | 245,802 | 183,398 | 54,272 | 8,132 |

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2012

| Contract # | Contract Period | Total Budget | Receipts/Expenditures | Balance Remaining 2012 |
|---|-----------------|-----------------|-----------------------|------------------------------|
| Alumni House | | | | |
| 9479-11 (Prof 1) | 10/1/11-9/30/12 | | 10/1/11-6/30/12 | |
| Receipts: | | 245,802 | 122,388 | 123,414 |
| Expenditures: | | | | |
| Salaries which do not include those prohibited by 118.301 {vi, vii} | | 44,795 | 34,317 | |
| Payroll taxes and benefits | | 13,641 | 9,049 | |
| Occupancy expenses | | | | |
| Telephone | | 6,942 | 4,020 | |
| Utilities | | 32,700 | 22,865 | |
| Maint. & repairs | | 30,300 | 15,968 | |
| Insurance Prop. & Gen. | | 10,072 | 6,307 | |
| Office expenses | | | | |
| Supplies | | 11,030 | 6,300 | |
| Postage | | 58 | 7 | |
| Printing & Adv. | | 70 | 70 | |
| Contract//Prof fees & service | | 480 | | |
| Other equip < 1000 | | 6,500 | 2,603 | |
| Other Taxes & Licenses | | 381 | 178 | |
| Travel expenses not related to entertainment or amusement | | 1,111 | 329 | |
| Equipment expenses | | | | |
| Lease & rental | | 2 | 1 | |
| Vehicle expenses | | | | |
| Fuel & Maint. | | 6,002 | 644 | |
| Insurance | | 202 | 1 | |
| Direct client expenses | | | | |
| Food | | 57,903 | 36,269 | |
| Medical supplies | | 2 | | |
| Personal | | 1,100 | 275 | |
| Transportation | | 151 | 1 | |
| Recreational supplies | | 501 | 95 | |
| Other - Miscellaneous | | | | |
| Allocated management and general | | 21,859 | 16,394 | |
| Total Expenditures | | 245,802 | 0 | 155,693 |
| | | | | 90,109 |

GATEWAY COMMUNITY SERVICES, INC.
 SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
 For the Year Ended June 30, 2012

| Contract # | Contract Period | Total Budget | Receipts/Expenditures | | Balance Remaining 2012 |
|---|-------------------|-----------------|-----------------------|-----------------|------------------------------|
| Substance Abuse Geriatric Education Services (SAGES) | | | | | |
| 9479-06 | 10/1/10 - 9/30/11 | | 10/1/10-6/30/11 | 7/1/11-9/30/11 | |
| Receipts: | | 15,096 | 13,935 | 1,161 | 0 |
| Expenditures: | | | | | |
| Compensation | | 14,023 | 14,023 | | |
| Payroll Taxes | | 1,073 | 1,073 | | |
| Total Expenditures | | 15,096 | 15,096 | 0 | 0 |
| Substance Abuse Geriatric Education Services (SAGES) | | | | | |
| 9479-13 | 10/1/11 - 9/30/12 | | | 10/1/11-6/30/12 | |
| Receipts: | | 63,526 | | 39,506 | 24,020 |
| Expenditures: | | | | | |
| Salaries which do not include those prohibited by 118.301 (vi, vii) | | 45,567 | | 33,989 | |
| Payroll taxes and benefits | | 10,175 | | 6,431 | |
| Supplies | | 280 | | 25 | |
| Postage | | 100 | | | |
| Printing & Advertising | | 2,000 | | 1,300 | |
| Training | | 559 | | | |
| Professional Fees & Service | | 4,055 | | 2,000 | |
| Travel expenses not related to entertainment or amusement | | 790 | | 268 | |
| Total Expenditures | | 63,526 | 0 | 44,013 | 19,513 |
| Housing Opportunities for Persons with AIDS | | | | | |
| 9479-03 (FL29H10F001) | 10/1/10 - 9/30/11 | | 10/1/10-6/30/11 | 7/1/11-9/30/11 | |
| Receipts: | | 66,000 | 42,048 | 23,876 | 76 |
| Expenditures: | | | | | |
| Support Services | | 61,450 | 45,181 | 16,193 | |
| Administrative Costs | | 4,550 | 3,413 | 1,137 | |
| Total Expenditures | | 66,000 | 48,594 | 17,330 | 76 |
| Housing Opportunities for Persons with AIDS | | | | | |
| 9479-14 (FL29H11F001) | 10/1/11 - 9/30/12 | | | 10/1/11-6/30/12 | |
| Receipts: | | 66,001 | | 43,774 | 22,227 |
| Expenditures: | | | | | |
| Support Services | | 61,381 | | 44,496 | |
| Administrative Costs | | 4,620 | | 3,465 | |
| Total Expenditures | | 66,001 | 0 | 47,961 | 18,040 |

GATEWAY COMMUNITY SERVICES, INC.
 SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
 For the Year Ended June 30, 2012

| Contract # | Contract Period | Total Budget | Receipts/Expenditures | | Balance Remaining 2012 |
|--|-------------------|-----------------|-----------------------|----------------------|------------------------------|
| Ryan White - Title I | | | | | |
| 9479-09 | 3/1/11 - 2/28/12 | | 3/1/11-9/30/11 | 10/1/11-2/28/12 | |
| Receipts: | | 150,078 | 47,284 | 90,052 | 12,742 |
| Expenditures: | | | | | |
| Outpatient | | 18,736 | 1,287 | 4,707 | |
| Residential | | 131,342 | 80,640 | 50,702 | |
| Total Expenditures | | 150,078 | 81,927 | 55,409 | 12,742 |
| Ryan White - Title I | | | | | |
| 9479-16 | 3/1/12 - 2/28/13 | | | 3/1/12-6/30/12 | |
| Receipts: | | 146,079 | | 7,085 | 138,994 |
| Expenditures: | | | | | |
| Substance Abuse Services | | | | | |
| Outpatient | | 22,812 | | 2,038 | |
| Residential Level II | | 123,267 | | 32,022 | |
| Total Expenditures | | 146,079 | 0 | 34,060 | 112,019 |
| Justice Assistance Grant (Original contract extended one month) | | | | | |
| 9479-07 | 10/1/10 - 9/30/11 | | 10/1/10-9/30/11 | 10/1/11- 10/31/11 | |
| Receipts: | | 35,000 | 31,949 | 2,642 | 409 |
| Expenditures: | | | | | |
| Compensation | | 32,900 | 29,849 | 2,642 | |
| Payroll Taxes and Benefits | | 2,100 | 2,100 | 0 | |
| Supplies | | 0 | 0 | 0 | |
| Equipment | | 0 | 0 | 0 | |
| Total Expenditures | | 35,000 | 31,949 | 2,642 | 409 |

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2012

| Contract # | Contract Period | Total Budget | Receipts/Expenditures | | | Balance Remaining 2012 |
|----------------------------|-----------------------|------------------------|-----------------------|-----------------------|--|------------------------------|
| Gang Intervention | | | | | | |
| 9479-10 (amended) | 5/16/11-5/16/12 | | | | | |
| | Amended Budget | 5/16/11-6/30/11 | 7/1/11-5/31/12 | 6/1/12-6/30/12 | | |
| Receipts: | 250,000 | | 162,292 | 30,005 | | 57,703 |
| Expenditures: | | | | | | |
| Compensation | 188,386 | 5,161 | 139,281 | 15,711 | | |
| Payroll Taxes and Benefits | 40,627 | 431 | 30,642 | 3,457 | | |
| Recruitment & marketing | | | | | | |
| Printing | 585 | | 585 | | | |
| Equipment | | | | | | |
| Cell phones | 2,787 | | 2,267 | 160 | | |
| Laptops | 4,000 | 4,000 | | | | |
| Transportation | 6,929 | | 4,766 | 108 | | |
| General Operating | 6,686 | | 5,164 | | | |
| Total Expenditures | 250,000 | 9,592 | 182,705 | 19,436 | | 38,267 |

**GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.**

NOTES TO SCHEDULE OF SOURCE AND EXPENDITURE OF CITY GRANT FUNDS

For The Year Ended June 30, 2012

BASIS OF ACCOUNTING

The accompanying schedule of source and expenditure of city grant funds includes grant activity related to funding from the various departments within the City of Jacksonville.

The information in this schedule is presented in accordance with the requirements of Ordinance Code Chapter 118.208(e) of the City of Jacksonville, Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CONTRACT 9479-02

The remaining expenditures balance of \$16,645 for contract number 9479-02 reflects expenditures not incurred by Gateway Community Services, Inc. (the "Organization") during the contract period and will not be billed to the City of Jacksonville (the "City").

CONTRACT 9479-15

The remaining expenditures balance of \$99,756 for contract number 9479-15 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$139,240 represents both funds to be received from the City for expenditures incurred as of June 30, 2012 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-04

The remaining expenditures balance of \$10,498 for contract number 9479-04 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

CONTRACT 9479-12

The remaining expenditures balance of \$100,591 for contract number 9479-12 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$160,257 represents both funds to be received from the City for expenditures incurred as of June 30, 2012 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

NOTES TO SCHEDULE OF SOURCE AND EXPENDITURE OF CITY GRANT FUNDS

CONTRACT 9479-05

The remaining expenditures balance of \$8,132 for contract number 9479-05 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

CONTRACT 9479-11

The remaining expenditures balance of \$90,105 for contract number 9479-11 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$123,414 represents both funds to be received from the City for expenditures incurred as of June 30, 2012 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-06

Contract number 9479-06 was fully expended at year end and the Organization has been fully reimbursed by the City.

CONTRACT 9479-13

The remaining expenditures balance of \$19,513 for contract number 9479-13 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$24,020 represents both funds to be received from the City for expenditures incurred as of June 30, 2012 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-03 (FL29H10F001)

The remaining expenditures balance of \$76 for contract number 9479-03 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

CONTRACT 9479-14 (FL29H11F001)

The remaining expenditures balance of \$18,040 for contract number 9479-14 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$22,227 represents both funds to be received from the City for expenditures incurred as of June 30, 2012 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

NOTES TO SCHEDULE OF SOURCE AND EXPENDITURE OF CITY GRANT FUNDS

CONTRACT 9479-09

The remaining expenditures balance of \$12,742 for contract number 9479-09 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

CONTRACT 9479-16

The remaining expenditures balance of \$112,019 for contract number 9479-16 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$138,994 represents both funds to be received from the City for expenditures incurred as of June 30, 2012 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-07

The City extended contract number 9479-07 from the ending date of September 30, 2011 to October 31, 2011 to allow the Organization the opportunity to incur the remaining program expenditures. The Organization had a carryover of \$3,051 which the Organization expended \$2,642. The remaining expenditures balance of \$409 for contract number 9479-07 reflects expenditures that were not incurred by the Organization during the amended contract period and will not be billed to the City.

CONTRACT 9479-10

Contract number 9479-10 was initially a five year grant for \$250,000 per year, but due to budget cuts the City discontinued the funding of this program. The City has approved the remaining expenditures of \$38,267 from the initial grant to be carried over and used by the Organization subsequent to their fiscal year June 30, 2012. The remaining balance of \$57,703 represents both funds to be received from the City for expenses incurred as of June 30, 2012 and funds to be disbursed by the City for expenses incurred subsequent to the Organizations year end.



SMOAK, DAVIS & NIXON LLP
Certified Public Accountants
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To the Board of Directors
Gateway Community Services, Inc.
and Gateway Community Services Foundation, Inc.
Jacksonville, Florida

INDEPENDENT AUDITOR'S 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

We have audited the combined financial statements of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc. (the "Organization") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 25, 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 the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization'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 a 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 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 previously.

Independent Auditor's Report
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gateway Community Services, Inc.'s and Gateway Community Services Foundation 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 Director's, Finance Committee, and management of the Organization, and 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.

Smoak, Davis & Nixon LLP

October 25, 2012



SMOAK, DAVIS & NIXON LLP
Certified Public Accountants
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To the Board of Directors
Gateway Community Services, Inc.
and Gateway Community Services Foundation, Inc.
Jacksonville, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND MAJOR
PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Compliance

We have audited Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended June 30, 2012. The Organization's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

Independent Auditor's Report
(Continued)

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, 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 the Organization's internal control over compliance.

A deficiency in 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 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 over compliance 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 material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Director's, Finance Committee, and management of the Organization, and 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.

Smoak, Davis & Nixon LLP

October 25, 2012

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

| | |
|--|---------------------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | _____ Yes <u> X </u> No |
| Significant deficiencies identified that are not considered to be material weakness(es)? | _____ Yes <u> X </u> No |
| Noncompliance material to financial statement noted? | _____ Yes <u> X </u> No |

Federal Awards and State Financial Assistance Section

| | |
|--|------------------------------------|
| Dollar Threshold used to determine Federal Type A programs: | 300,000 |
| Dollar Threshold used to determine State Type A projects: | 300,000 |
| Auditee qualified as low-risk auditee for federal awards purposes? | _____ <u> X </u> Yes _____ No |

Type of auditor's report on compliance for major federal programs and major state projects:

Unqualified

| | |
|---|---------------------------|
| Material weakness(es) identified? | _____ Yes <u> X </u> No |
| Significant deficiencies identified that are not considered to be material weakness(es)? | _____ Yes <u> X </u> No |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General? | _____ Yes <u> X </u> No |

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

Identification of major federal programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|--|
| 93.243 | Substance Abuse and Mental Health Services_Projects of Regional and National Significance |
| 93.914 | HIV Emergency Relief Project Grants |

Identification of major state financial assistance projects:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 80.011 | Mental Health Services |
| 80.016 | Delinquency Non-Secure Residential Services |

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS
AND STATE FINANCIAL ASSISTANCE PROJECTS**

None

SCHEDULE OF PRIOR AUDIT FINDINGS

None – No prior audit findings to be reported

MANAGEMENT LETTER

None – No findings required to be reported

CORRECTIVE ACTION PLAN

None – No findings are reported