

**Community Based Care
of Central Florida, Inc.**

FINANCIAL STATEMENTS

June 30, 2014



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June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Based Care of Central Florida, Inc.
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Community Based Care of Central Florida, Inc. ("the Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by 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 of the State of Florida*, and the accompanying statement of functional expense, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

CARR RIGGS & INGRAM LLC

CARR, RIGGS & INGRAM, LLC

Orlando, FL

December 19, 2014

Community Based Care of Central Florida, Inc.
Statement of Financial Position

June 30, 2014

ASSETS

Current assets

Cash and cash equivalents	\$ 3,990,892
Restricted cash	1,034,686
Accounts receivable	1,450,064
Prepaid expense and other assets	179,234
Total current assets	6,654,876

Noncurrent assets

Due from affiliates	2,719,085
Property and equipment, net	1,104,140
Total noncurrent assets	3,823,225

Total assets **\$ 10,478,101**

LIABILITIES AND NET ASSETS

Liabilities

Current liabilities

Accounts payable and accrued expenses	\$ 4,058,846
Capital leases, short-term	241,604
Deferred revenue	3,462,924
Restricted cash held for others	542,686
Assets held for master trust	131,386
Total current liabilities	8,437,446

Long-term liabilities

Custodial assets held for others	289,957
Capital leases, long-term	188,633
Total long-term liabilities	478,590

Total liabilities **8,916,036**

Net assets

Unrestricted	1,552,065
Temporarily restricted	10,000

Total net assets **1,562,065**

Total liabilities and net assets **\$ 10,478,101**

See accompanying notes to financial statements.

Community Based Care of Central Florida, Inc.
Statement of Activities

For the year ended June 30, 2014

Unrestricted Net Assets

Revenues

Grants and contracts	\$ 67,636,803
Other income	292,672

Total revenues	67,929,475
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Expenses

Program services	
Foster care	11,970,720
Adoptions	15,384,497
Residential	10,101,396
Independent living	8,595,120
System of care contracts	11,971,761
Financial assistance	6,879,350
Other	1,708,124

Total program services	66,610,968
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Support services	
General and administrative	771,547

Total support services	771,547
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Total expenses	67,382,515
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Change in unrestricted net assets	546,960
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Unrestricted net assets at beginning of year	1,005,105
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Unrestricted net assets at end of year	1,552,065
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Temporarily restricted net assets at beginning and end of year	10,000
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Total net assets at end of year	\$ 1,562,065
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See accompanying notes to financial statements.

Community Based Care of Central Florida, Inc.
Statement of Cash Flows

For the year ended June 30, 2014

Cash flows from operating activities	
Change in net assets	\$ 546,960
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	103,827
Loss on disposal of custodial assets	153,190
Decrease (increase) in assets	
Accounts receivable	(204,613)
Prepaid expense and other assets	73,912
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(1,461,895)
Deferred revenue	3,109,028
Restricted cash held for others	(40,327)
Assets held for master trust	(62,828)
Custodial assets held for others	(53,455)
Total adjustments	1,616,839
Net cash provided by operating activities	2,163,799
Cash flows from investing activities	
Change in due from affiliates	(2,719,085)
Net cash used by investing activities	(2,719,085)
Cash flows from financing activities	
Capital lease payments	(218,016)
Net cash used by financing activities	(218,016)
Net decrease in cash and cash equivalents	(773,302)
Balance, beginning of year	4,764,194
Balance, end of year	\$ 3,990,892

See accompanying notes to financial statements.

Community Based Care of Central Florida, Inc. Notes to Financial Statements

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation

Community Based Care of Central Florida, Inc., (“CBCCF” or the “Organization”) is a Florida not-for-profit corporate entity dedicated to developing community-based services and support for children and families served by the child welfare system in Orange, Osceola and Seminole Counties in the State of Florida.

Community Based Care of Central Florida, Inc. is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and the laws of the State of Florida. Operations are directed by a voluntary board who receive no compensation for their services.

The Organization recognizes public support, revenues and expenses on the accrual basis. Support and revenues from grants and contracts are generally recognized as eligible costs are incurred and/or required services are performed.

The Organization’s programs are as follows:

Foster care – provides recruitment, training, licensing, re-licensing and support for foster care parents.

Adoptions – provide cost of adoption assistance, subsidy payments and other nonrecurring adoption expenses for adopting families.

Residential – provides placement of children in relative care, family foster care, therapeutic foster care, medical foster care, residential group care, or emergency shelter.

Independent living – provides pre-independent living assessments, independent life skills assessments, employment training, counseling, and after care support services, and provides payments to clients who participate in the program.

System of care – provides case management, prevention and early intervention, and domestic violence support.

Financial assistance – provides assistance for community, assessments, and preventative financial assistance.

Other – includes background screenings, home licensing, and home health inspections.

Community Based Care of Central Florida, Inc. Notes to Financial Statements

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When a restriction is accomplished or it 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 statement of activities as “net assets released from restrictions.”

As of June 30, 2014, there were no permanently restricted net assets. The temporarily restricted net assets held at June 30, 2014 consist of \$10,000 of proceeds held from sale of a custodial asset that are restricted for program purposes.

Income Taxes

The Organization has not recognized any liability for unrecognized tax benefits as it has no known tax positions that would subject the Organization to any material income tax exposure. The tax years that remain subject to examination are the periods beginning July 1, 2010 for all major tax jurisdictions.

Investment in Partnership

The Organization is a general partner in a limited partnership, The Community Based Care Partnership, Ltd. (“the Partnership”). The Partnership currently holds a contract with the Florida Agency for Health Care Administration to operate the Child Welfare Prepaid Mental Health Plan (see Note 6). The Organization has a 3.33% interest in the Partnership and accounts for the investment using the equity method. As of June 30, 2014 the Organization was holding funds of \$542,686 on behalf of its partners which is included on the accompanying statement of financial positions as restricted cash held for others.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Community Based Care of Central Florida, Inc. Notes to Financial Statements

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

Restricted cash consists of cash held in a separate bank account on behalf of CBCCF and the other general partners of the Partnership. These funds are being held separately in the event that the Partnership is in need of a capital contribution from its general partners. The portion that relates to the funds held for the other general partners is also recorded in the accompanying statement of financial position as the liability, "Restricted cash held for others."

Accounts Receivable

Accounts receivable are stated at the amount management expects to realize from outstanding balances. Receivables as of June 30, 2014 are due in less than one year and are considered collectible. There was no allowance for doubtful accounts at June 30, 2014 as management feels all amounts are collectible.

Due from Affiliates

Due from affiliates consist of short-term, unsecured, non-interest bearing advances due from affiliates.

Property and Equipment

Property and equipment acquisitions are stated at cost when purchased, while donations are recorded at the estimated fair value when donated. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than a year. Property and equipment acquired by the Organization are considered owned by the Organization. However, State and Local funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. State and Local funding sources have a reversionary interest in those custodial assets purchased with its funds. Depreciation is computed using the straight-line method over the useful lives of the assets, generally 3 to 7 years.

Deferred Revenue

Deferred revenue consists of funds advanced on contracts that were not expended as of June 30, 2014. Funding agencies have approved these amounts to carry forward to subsequent years in their contracts.

Community Based Care of Central Florida, Inc. Notes to Financial Statements

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations

The Organization maintains its cash and cash equivalents in deposit accounts which may exceed federally insured limits, may not be federally insured, or may be insured by an entity other than an agency of the federal government. The Organization believes it is not exposed to any significant credit risk on cash and equivalents and has not experienced any losses in such accounts.

Unsecured receivables are limited as the receivables are primarily contracts receivable from governmental entities.

The Organization received substantially all of its revenue from federal and state awards during the year ended June 30, 2014.

Commitments and Contingencies

CBCCF, as an authorized agent of the State in accordance with section 409.1671, F.S. has contracted with organizations to deliver quality child welfare services. The contracts have one-year terms, but often can be renewed for additional one-year terms.

The Organization is subject to state and federal audit examination to determine compliance with grant requirements. In the event that expenditures would be disallowed, repayment could be required. Management is of the opinion that such expenditures, if any, would not have a material adverse impact on the Organization.

Use of Estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include those related to determining the functional expense allocation. Actual results could differ from those estimates.

Community Based Care of Central Florida, Inc.
Notes to Financial Statements

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

June 30, 2014

	CBCCF	Custodial Assets
Building	\$ -	\$ 237,622
Computer and equipment	32,787	1,349,192
Software	460,179	-
Furniture and fixtures	3,930	11,640
Land	-	69,700
	496,896	1,668,154
Less accumulated depreciation	(252,839)	(808,071)
Total	\$ 244,057	\$ 860,083

NOTE 3: LINE OF CREDIT

CBCCF has an unsecured bank credit line with a limit of \$2,500,000. Terms of the note provide that principal is due on demand and interest is payable monthly at LIBOR rate plus 4%. The line was not drawn on during the year and there was no outstanding balance as of June 30, 2014.

NOTE 4: LEASES

Obligations under capital leases consist of the following:

June 30, 2014

Description	Cost	Accumulated Depreciation	Monthly Principal and Interest		Implicit Rate	Termination Date
			Payments			
Copier	\$ 12,906	\$ 7,313	\$ 350	3.2%	7/29/2014	
Copier	22,092	11,046	593	3.3%	9/29/2014	
Phone system	332,573	199,544	9,653	18.0%	5/1/2015	
Data switches	100,844	60,506	2,550	10.2%	5/1/2015	
Copiers	155,602	67,428	3,479	3.5%	11/29/2015	
Copier	17,907	6,566	401	3.6%	1/30/2016	
Fax kit	8,911	1,782	257	4.3%	5/31/2016	
Copier	12,046	2,259	357	4.3%	6/13/2016	
Copier	12,324	2,409	375	4.3%	6/17/2016	
Phone system	149,352	52,896	3,112	7.6%	1/30/2017	
Phone system	134,031	-	2,468	4.0%	5/4/2019	
	\$ 958,588	\$ 411,749	\$ 23,595			

Interest expense was \$43,237 for the year ended June 30, 2014.

Community Based Care of Central Florida, Inc.
Notes to Financial Statements

NOTE 4: LEASES (Continued)

Future minimum lease payments under capital lease with the present value of the net minimum lease payments as of June 30, 2014:

2015	\$ 264,756
2016	98,776
2017	51,400
2018	29,621
2019	29,621
<hr/>	
Total minimum lease payments	474,174
Less: amount representing interest	(43,937)
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Present value of net minimum lease payments	430,237
Less: current maturities	(241,604)
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Total	\$ 188,633
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In addition, CBCCF leases facilities and equipment under various operating leases that expire through June 2028. The aggregate rental expense paid under these leases totaled approximately \$1,835,000 for the year ended June 30, 2014.

Future minimum lease payments under the non-cancelable operating leases in excess of one year are as follows:

<i>Year ended June 30</i>	<i>Amount</i>
2015	\$ 2,111,527
2016	2,133,195
2017	1,394,340
2018	861,499
2019	730,089
2020 - 2028	6,583,557
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Total	\$ 13,814,207
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NOTE 5: RETIREMENT PLAN

The Organization employees are eligible to participate in a 401(k) profit sharing plan following the date on which the employee becomes eligible and has attained the age of twenty-one. The Organization matches up to 4% of each eligible employee's pre-tax contribution. The total expense for the year ended June 30, 2014 was approximately \$92,000.

Community Based Care of Central Florida, Inc. Notes to Financial Statements

NOTE 6: RELATED PARTY TRANSACTIONS

The Organization has a service agreement with the Partnership. The service agreement requires the Organization to act as a liaison with the Florida Agency for Health Care Administration in regards to the Child Welfare Prepaid Mental Health Plan (the "Mental Health Plan"), to maintain relations with the Partnership's limited partners, to maintain external relations with key stakeholders, and to perform certain program services for the Mental Health Plan. For the year ended June 30, 2014, the Organization received \$2,088,290 for these services. The Organization then pays the limited partners of the Partnership for their services to the Mental Health Plan. For the year ended June 30, 2014, the amount incurred for these services was \$1,592,734.

In July 2013, the Organization signed a 5-year agreement with its parent company, CBC of Central Florida – Holdings, Inc., to receive management and administrative services. Fees are charged based on a schedule of both direct and indirect costs incurred monthly. Expenses incurred by the Organization during the year ended June 30, 2014 for these services were approximately \$3,967,000.

Additionally, at June 30, 2014 the Organization has short-term, unsecured, non-interest bearing advances due from affiliates totaling \$2,719,085, which are in the accompanying statement of financial position.

NOTE 7: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

No cash was paid for income taxes during the year ended June 30, 2014. Cash paid for interest during the year ended June 30, 2014 was \$43,237.

Non-cash investing and financing transactions include capital leases entered into for the acquisition of equipment totaling \$167,312 during the year ended June 30, 2014.

NOTE 8: SUBSEQUENT EVENTS

Subsequent events were evaluated through the date the financial statements were available to be issued. The financial statements were approved and authorized for issue by management on December 19, 2014.

During July 2014, the Partnership was dissolved and at the request of its partners, cash held for others was transferred to CBC Integrated Health, LLC for investment in that partnership.

SUPPLEMENTAL INFORMATION

Community Based Care of Central Florida, Inc. Statement of Functional Expense

For the year ended June 30, 2014

	Program Activities							Supporting Services	Total Expenses
	Foster Care	Adoptions	Residential	Independent Living	System of Care	Financial Assistance	Other	General and Administrative	
Salaries	\$ 772,695	\$ 549,422	\$ 549,987	\$ 672,686	\$ 597,388	\$ 665,978	\$ 1,217	\$ 95,377	\$ 3,904,750
Taxes and benefits	221,871	114,629	114,878	175,539	127,918	229,162	634	19,470	1,004,101
Occupancy	434,970	309,284	314,704	378,672	341,827	470,759	685	54,302	2,305,203
Professional fees	775,381	551,122	555,188	729,114	602,811	1,078,593	1,677,265	152,781	6,122,255
Insurance	189	134	134	164	146	1,897	-	24	2,688
Supplies	35,687	23,329	23,353	30,383	25,366	75,860	1,018	5,223	220,219
Communication	51,323	34,540	34,575	43,764	37,656	87,630	118	5,996	295,602
Adoption	-	10,204,020	-	-	1,400	-	-	-	10,205,420
Conferences, travel, and training	27,209	12,659	10,870	23,730	32,583	164,077	362	2,837	274,327
Equipment Rental	59,775	42,504	42,547	52,038	46,213	68,482	94	7,378	319,031
Memberships	7,632	5,427	5,432	6,644	5,901	7,476	12	2,467	40,991
Postage and shipping	6,996	4,975	4,980	6,229	5,409	6,206	13	863	35,671
Fees and bad debts	7,760	4,255	4,261	5,383	4,681	12,302	6,059	1,408	46,109
Community development	3,346	2,379	2,382	2,913	2,587	18,465	5	4,213	36,290
Independent living	-	-	9,713	2,930,827	17,521	2,078	-	-	2,960,139
Financial assistance	1,324,204	235,760	65,270	32,140	3,205,115	65,072	39	4,215	4,931,815
Client screening and certifications	10,654	6,653	6,660	8,317	18,171	8,342	17,310	1,155	77,262
Special events	3,286	2,336	2,339	2,773	2,540	3,690	5	90	17,059
Out of home	3,650,876	-	5,968,243	-	314,572	-	-	-	9,933,691
Purchased services contracts	4,556,319	3,266,461	2,371,255	3,475,915	6,566,073	3,895,573	3,255	411,214	24,546,065
Depreciation	20,547	14,608	14,625	17,889	15,883	17,708	33	2,534	103,827
Total	\$ 11,970,720	\$ 15,384,497	\$ 10,101,396	\$ 8,595,120	\$ 11,971,761	\$ 6,879,350	\$ 1,708,124	\$ 771,547	\$ 67,382,515
Percentage of total expenses	18%	23%	15%	13%	18%	10%	3%	1%	100%

Community Based Care of Central Florida, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance

For the year ended June 30, 2014

Federal/State Agency/Pass-Through Entity Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Contract Period	Expenditures	Amount Provided to Sub-Recipients
Federal Awards					
Department of Health and Human Services					
Indirect programs					
Passed through the State of Florida					
Department of Children and Families					
Adoption Incentive	93.603	Note (4)	7/1/13 - 6/30/14	\$ 94,040	\$ -
Child Welfare Services -	93.645	Note (4)	7/1/13 - 6/30/14	845,644	528,988
Adoption Assistance, Title IV-E	93.659	Note (4)	7/1/13 - 6/30/14	6,166,988	1,354,662
Social Services Block Grant	93.667*	Note (4)	7/1/13 - 6/30/14	3,826,920	2,717,125
Child Abuse and Neglect					
State Grants	93.669	Note (4)	7/1/13 - 6/30/14	61,196	30,193
Chafee Foster Care Independence					
Program	93.674	Note (4)	7/1/13 - 6/30/14	885,785	55,996
Chafee Education and Training					
Vouchers Program	93.599	Note (4)	7/1/13 - 6/30/14	395,602	-
Foster Care, Title IV-E	93.658*	Note (4)	7/1/13 - 6/30/14	13,429,299	8,348,962
Promoting Safe & Stable Families	93.556*	Note (4)	7/1/13 - 6/30/14	1,995,507	1,960,165
Grants to States for Access					
and Visitation Programs	93.597	Note (4)	7/1/13 - 6/30/14	30,579	25,472
Medical Assistance Program	93.778	Note (4)	7/1/13 - 6/30/14	160,243	95,856
Temporary Assistance for					
Needy Families	93.558	Note (4)	7/1/13 - 6/30/14	5,142,490	3,272,815
Total indirect programs				33,034,293	18,390,234
Passed through Seminole County					
Families and Communities Together					
in Seminole	93.243		7/1/13 - 6/30/14	2,162,763	1,306,939
Passed through Orange County					
Wrap Around Orange	93.104		7/1/13 - 9/30/13	22,966	-
Total Department of Health and Human Services				35,220,022	19,697,173
Department of Housing and Urban Development					
Indirect programs					
Passed through Homeless Services Network					
HUD Supportive Housing Program	14.235		7/1/13 - 7/31/13	20,185	-
Total Federal Awards				\$ 35,240,207	\$ 19,697,173

* Major federal program

Community Based Care of Central Florida, Inc. Schedule of Expenditures of Federal Awards and State Financial Assistance

For the year ended June 30, 2014

Federal/State Agency/Pass-Through Entity Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Contract Period	Expenditures	Amount Provided to Sub-Recipients
State Financial Assistance					
Indirect programs					
Department of Children and Families					
In Home	60.075**	Note (4)	7/1/13 - 6/30/14	\$ 4,912,466	\$ 1,964,828
Out of Home	60.074**	Note (4)	7/1/13 - 6/30/14	9,210,041	3,534,600
Independent Living	60.112**	Note (4)	7/1/13 - 6/30/14	1,860,476	22,891
Total Department of Children and Families				15,982,983	5,522,319
Total Federal Awards and State Financial Assistance				\$ 51,223,190	\$ 25,219,492

** Major state project

Notes:

Note (1) The accompanying schedule of expenditures of federal awards and state financial assistance is prepared on the accrual basis of accounting

Note (2) Service provided contract revenues were earned in accordance with the contract terms and were reported as expenditures on the schedule of expenditures of federal awards and state financial assistance.

Note (3) Expenses presented in the accompanying schedule of expenditures of federal awards and state financial assistance include federal awards and state financial assistance provided to sub-recipients.

Note (4) The federal awards from the Department of Health and Human Services and the state financial assistance consists of the two following contracts: GJ245 and GJL57.

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*

Board of Directors
Community Based Care of Central Florida, Inc.

We have audited, in accordance with the 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, the financial statements of Community Based Care of Central Florida, Inc. (the “Organization”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

2014-001 Preparation of Schedule of Expenditures of Federal Awards and State Financial Assistance

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

2014-002 Accounting for Capital Leases

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carrie Riggs & Dorman LLC

Orlando, Florida
December 19, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Board of Directors
Community Based Care of Central Florida, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited Community Based Care of Central Florida, Inc.'s ("the Organization") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement*, and the Florida 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, 2014. The Organization's major federal program and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General of the State of Florida*, 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of 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, 2014.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project and to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General of the State of Florida*, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Accordingly, this report is not suitable for any other purpose.

Carole Riggs & DeBorja LLC

Orlando, Florida
December 19, 2014

Community Based Care of Central Florida, Inc. Schedule of Findings and Questioned Costs

Section A – Summary of Auditor’s Results

1. The Independent Auditor’s Report expresses an unmodified opinion on the financial statements of Community Based Care of Central Florida, Inc.
2. One significant deficiency and one material weakness relating to the audit of the financial statements were reported in the 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*.
3. No instances of noncompliance considered material to the financial statements of Community Based Care of Central Florida, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs and state projects were reported in the Independent Auditor’s Report on Compliance for Each Major Program and State Project and on Internal Control Over Compliance Required By OMB Circular A-133 and State of Florida Chapter 10.650, *Rules of the Auditor General*.
5. The auditor’s report on compliance for the major federal award programs and state projects for Community Based Care of Central Florida, Inc. expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs and state projects for Community Based Care of Central Florida, Inc. were reported in Parts C and D of this schedule. (There were no such findings noted.)
7. Identification of major programs and state projects:

<u>Name of Federal Program</u>	<u>Federal CFDA Number</u>
Social Services Block Grant	93.667
Foster Care, Title IV-E	93.658
Promoting Safe and Stable Families	93.556

<u>Name of State Project</u>	<u>CSFA Number</u>
Department of Children and Families – In Home	60.075
Department of Children and Families – Out of Home	60.074
Department of Children and Families – Independent Living	60.112

8. The threshold for distinguishing Type A and Type B programs was \$1,057,206 for major federal programs and \$479,489 for major state projects.
9. Community Based Care of Central Florida, Inc. was determined to be a high-risk auditee pursuant to OMB Circular A-133 for the year ended June 30, 2014.

Community Based Care of Central Florida, Inc. Schedule of Findings and Questioned Costs

Section B – Financial Statement Findings

2014-001 Preparation of Schedule of Expenditures of Federal Awards and State Financial Assistance

Conditions and Criteria: During the single audit process, it was noted that funds passed through Orange County relevant to the Social Services Block Grant #93.667 were not included on the Schedule of Expenditures of Federal Awards and State Financial Assistance. Additionally, federal expenditures were overstated as they reflected awards in place of expenditures, and amounts provided to sub-recipients was overstated as it included non-sub-recipient expenditures. The Office of Management and Budget Circular A-133 and State of Florida Chapter 10.650, *Rules of the Auditor General of the State of Florida* require that all Federal Programs and State Projects be included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

Effect: Total federal award expenditures from Orange County relating to the Social Services Block Grant were understated by \$111,790. Total federal and state expenditures were overstated by approximately \$3,760,000 as a result of reporting awarded amounts. Total amounts provided to sub-recipients were overstated approximately \$16,000,000.

Cause: The process to complete and review the Schedule of Expenditures of Federal Awards and State Financial Assistance in accordance with OMB Circular A-133 and State of Florida Chapter 10.650, *Rules of the Auditor General of the State of Florida*.

Auditor Recommendation: A formal review process of the Schedule of Expenditures of Federal Awards and State Financial Assistance is implemented. We also recommend annual continuing education training for personnel who prepare and review the Schedule of Expenditures of Federal Awards and State Financial Assistance.

Planned Corrective Actions: As recommended by the auditor's, a formal meeting will be called quarterly by the Controller to include the CFO, Assistant Controller, Contracts Manager to discuss contracts and how they relate to Federal Awards Schedule. A representative from CRI will be requested to be present at the meeting in case there are any clarifying questions they want to ask us. The results of these meeting will be reported out to the Finance and Audit committee. A requirement for annual continuing education training will be established for the Controller and Assistant Controller to keep up to date on Single Audit reporting requirements.

2014-002 Accounting for Capital Leases

Conditions and Criteria: During a search for unrecorded commitments on the Florida UUC website, a capital lease that was not reflected in the Organization's financial statements was identified.

Effect: The Organization's capital lease liability and custodial assets were understated by approximately \$134,000.

Cause: The process to communicate executed lease agreements with accounting.

Community Based Care of Central Florida, Inc. Schedule of Findings and Questioned Costs

Section B – Financial Statement Findings (Continued)

2014-002 Accounting for Capital Leases (Continued)

Auditor Recommendation: A control be implemented so that all leases be reviewed by someone in accounting prior to execution to determine if they are capital or operating and then copies of executed leases be promptly forwarded to accounting for recording.

Planned Corrective Actions: A new process will be implemented that will include Contracts and the Controller. Prior to the lease being signed it must be routed through the contracts process with a sign off sheet to the pertinent departments. All leases must be reviewed by the Controller and determined to be either a capital lease or an operating lease. Signature of the lease will not happen until it has been routed and signed off by the appropriate Departments.

Section C – Findings and Questioned Costs – Major Federal Programs

No matters were reported.

Section D – Findings and Questioned Costs – Major State Projects

No matters were reported.

Section E – Other Issues

1. A management letter was issued on December 19, 2014 with a material weakness pertaining to finding 2014-001, and a significant deficiency pertaining to finding 2014-002.
2. No corrective action plan is presented because there were no findings required to be reported under the Federal or Florida Single Audit Acts.

Community Based Care of Central Florida, Inc. Summary Schedule of Prior Audit Findings

2013-001 Approval of Program Directors' Credit Card Purchases

Conditions and Criteria: During the cash disbursement control testing, an instance was identified in which a Program Director's credit card purchases lacked evidence of review or approval for payment.

Auditor Recommendation: The Organization revise its policies and procedures to delegate oversight of Program Directors' expenditures to individuals who are easily accessible for review and approval and are knowledgeable of the corresponding programs.

Current Status: No such exceptions were identified in the current year testing. Finding is closed.

2013-002 Preparation of Schedule of Expenditures of Federal Awards and State Financial Assistance

Conditions and Criteria: Two Federal programs were not included on the Schedule of Expenditures of Federal Awards and State Financial Assistance: System of Care Project for Children, CDFA #94.104 and HUD Supportive Housing Program, CDFA #14.235.

Auditor Recommendation: Increased communication between the accounting and contracts department.

Current Status: Still a finding, see the Schedule of Findings and Questioned Costs.