

EPIC COMMUNITY SERVICES, INC.  
CONSOLIDATED FINANCIAL REPORT

Years Ended June 30, 2014 and 2013

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
EPIC Community Services, Inc.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of EPIC Community Services, Inc. (a Florida not-for-profit corporation), and its subsidiary EPIC Recovery Center, LLC, (collectively "the Organization") which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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, and Chapter 10.650, *Rules of the Auditor General of the State of Florida*. 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EPIC Community Services, Inc. and its subsidiary, EPIC Recovery Center, LLC, as of June 30, 2014 and 2013, and the changes in their consolidated net assets and consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state financial assistance, as required by Chapter 10.650, *Rules of the Auditor General of the State of Florida*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the

auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 February 9, 2015, on our consideration of EPIC Community Services, Inc.'s and EPIC Recovery Center, LLC's internal control over financial reporting and on our tests of their 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 EPIC Community Services, Inc.'s and EPIC Recovery Center, LLC's internal control over financial reporting and compliance.

*Krusge, Platt & Abram, PLLC*

St. Augustine, FL  
February 9, 2015

EPIC COMMUNITY SERVICES, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013

	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 424,240	\$ 151,580
Accounts receivable, net	472	6,976
Unconditional promises to give, net	62,779	32,749
Grants and contracts receivable	255,425	106,424
Prepaid expenses and other assets, net	45,795	23,780
Property and equipment, net	2,614,688	468,251
<b>TOTAL ASSETS</b>	<b>\$ 3,403,399</b>	<b>\$ 789,760</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 44,645	\$ 3,088
Accrued expenses and other liabilities	34,496	25,400
Line of credit	62,569	19,805
Long-term debt	1,807,304	391,615
<b>TOTAL LIABILITIES</b>	<b>1,949,014</b>	<b>439,908</b>
<b>NET ASSETS</b>		
Unrestricted	1,136,181	211,351
Temporarily restricted	318,204	138,501
<b>TOTAL NET ASSETS</b>	<b>1,454,385</b>	<b>349,852</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,403,399</b>	<b>\$ 789,760</b>

See accompanying notes

EPIC COMMUNITY SERVICES, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,378,306	\$ -	\$ 1,378,306
Grants and contracts	-	2,200,861	2,200,861
Program service fees	158,771	-	158,771
Fundraising and special events	151,746	-	151,746
Other revenue	<u>51,705</u>	<u>-</u>	<u>51,705</u>
Total revenue and support	<u>1,740,528</u>	<u>2,200,861</u>	<u>3,941,389</u>
 NET ASSETS RELEASED FROM RESTRICTIONS	 <u>2,021,158</u>	 <u>(2,021,158)</u>	 <u>-</u>
 EXPENSES			
Program services	2,544,091	-	2,544,091
Administrative, management and general	161,539	-	161,539
Fundraising	<u>131,226</u>	<u>-</u>	<u>131,226</u>
Total expenses	<u>2,836,856</u>	<u>-</u>	<u>2,836,856</u>
 CHANGE IN NET ASSETS	 924,830	 179,703	 1,104,533
NET ASSETS, BEGINNING	<u>211,351</u>	<u>138,501</u>	<u>349,852</u>
NET ASSETS, ENDING	<u>\$ 1,136,181</u>	<u>\$ 318,204</u>	<u>\$ 1,454,385</u>

See accompanying notes

EPIC COMMUNITY SERVICES, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 105,246	\$ 365,954	\$ 471,200
Grants and contracts	-	1,091,038	1,091,038
Program service fees	194,285	-	194,285
Fundraising and special events	169,719	-	169,719
Other revenue	9,168	-	9,168
Total revenue and support	<u>478,418</u>	<u>1,456,992</u>	<u>1,935,410</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,395,347</u>	<u>(1,395,347)</u>	<u>-</u>
EXPENSES			
Program services	1,453,433	-	1,453,433
Administrative, management and general	180,142	-	180,142
Fundraising	153,204	-	153,204
Total expenses	<u>1,786,779</u>	<u>-</u>	<u>1,786,779</u>
CHANGE IN NET ASSETS	86,986	61,645	148,631
NET ASSETS, BEGINNING	<u>124,365</u>	<u>76,856</u>	<u>201,221</u>
NET ASSETS, ENDING	<u>\$ 211,351</u>	<u>\$ 138,501</u>	<u>\$ 349,852</u>

See accompanying notes

EPIC COMMUNITY SERVICES, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services							Support Services			TOTAL
	Intervention and Treatment	Prevention	Big Brothers Big Sisters	Prevention Coalition	Recovery Center	Total Program Services	General and		TOTAL		
							Administrative	Occupancy			
Wages	\$ 514,903	\$ 73,077	\$ 87,163	\$ 71,305	\$ 365,205	\$ 1,111,653	\$ 102,152	\$ 28,304	\$ -	\$ 1,242,109	
Fringe benefits	38,534	4,427	7,660	4,926	10,242	65,789	9,926	3,084	-	78,799	
Payroll taxes	42,612	6,039	7,098	5,102	34,723	95,574	7,471	2,339	-	105,384	
Total personnel costs	596,049	83,543	101,921	81,333	410,170	1,273,016	119,549	33,727	-	1,426,292	
Professional services	56,548	1,692	2,270	1,652	109,946	172,108	3,118	9,537	-	184,763	
Advertising	9,579	190	250	2,365	3,450	15,834	570	21,183	-	37,587	
Office supplies	4,669	508	653	1,106	5,171	12,107	2,053	630	-	14,790	
Property and casualty insurance	15,551	2,248	3,782	2,517	7,025	31,123	1,139	2,278	-	34,540	
Telephone	10,013	1,863	1,157	1,945	6,103	21,081	817	1,452	1,611	24,961	
Postage and shipping	1,233	108	659	163	896	3,059	1,175	426	-	4,660	
Equipment rental and maintenance	6,134	967	711	1,083	1,904	10,799	1,396	3,194	-	15,389	
Printing and copying	3,909	484	1,968	1,589	3,299	11,249	771	1,525	-	13,545	
Dues and subscriptions	91	-	2,934	1,150	78	4,253	6,136	-	-	10,389	
Licenses, fees and permits	-	-	-	-	2,015	2,015	-	-	-	2,015	
Occupancy cost distribution	32,136	5,438	3,983	6,126	85,272	132,955	-	-	(132,955)	-	
Rent and miscellaneous expense	-	-	-	-	-	-	165	7,442	2,813	10,420	
Bank service charges	-	-	-	-	538	538	8,211	-	-	8,749	
Software system maintenance	-	-	-	-	129,832	129,832	-	-	-	129,832	
Maintenance	-	-	-	-	-	-	927	1,854	34,050	36,831	
Utilities	-	-	-	-	-	-	1,394	1,147	34,554	37,095	
Mortgage interest	-	-	-	-	-	-	1,270	2,083	59,927	63,280	
Travel	7,559	1,424	3,364	4,949	635	17,931	661	1,641	-	20,233	
Depreciation and amortization	15,060	2,593	1,881	2,904	34,830	57,268	1,320	2,640	-	61,228	
Program supplies	41,692	2,107	3,321	28,666	71,871	147,657	3,576	19,535	-	170,768	
Interest expense	-	-	-	-	680	680	1,559	-	-	2,239	
Donated professional services	-	-	1,700	64,422	3,495	69,617	-	12,017	-	81,634	
Donated goods and merchandise	550	-	620	3,771	245,177	250,118	4,544	8,085	-	262,747	
Donated occupancy	15,086	-	-	164,368	-	179,454	-	830	-	180,284	
Taxes and other miscellaneous	-	-	-	-	1,397	1,397	1,188	-	-	2,585	
Total expenses before allocation of management and general expenses	815,859	103,165	131,174	370,109	1,123,784	2,544,091	161,539	131,226	-	2,836,856	
Allocation of management and general expenses	56,132	6,415	9,623	9,626	78,582	160,378	(161,539)	(131,226)	-	-	
Total expenses after allocation of management and general expenses	\$ 871,991	\$ 109,580	\$ 140,797	\$ 379,735	\$ 1,202,366	\$ 2,704,469	\$ -	\$ -	\$ -	\$ 2,836,856	

See accompanying notes

EPIC COMMUNITY SERVICES, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services					Support Services			Total
	Intervention and Treatment	Prevention	Big Brothers Big Sisters	Prevention Coalition	Total Program Services	General and Administrative			
						Fundraising	Occupancy	Total	
Wages	\$ 450,098	\$ 97,286	\$ 70,163	\$ 74,444	\$ 691,991	\$ 107,864	\$ 55,283	\$ -	\$ 855,138
Fringe benefits	28,122	9,283	5,996	5,025	48,426	8,538	4,201	-	61,165
Payroll taxes	33,243	9,102	6,490	8,602	57,437	9,981	5,706	-	73,124
Total personnel costs	511,463	115,671	82,649	88,071	797,854	126,383	65,190	-	989,427
Professional services	84,199	2,675	2,909	6,936	96,719	18,167	11,688	-	126,574
Advertising	6,726	291	137	26,798	33,952	191	18,581	-	52,724
Office supplies	7,937	1,196	708	2,128	11,969	2,026	868	-	14,863
Property and casualty insurance	17,789	3,050	3,551	3,235	27,625	1,441	2,677	-	31,743
Telephone	8,706	2,323	1,210	1,700	13,939	2,078	966	-	16,983
Postage and shipping	935	139	391	363	1,828	1,559	638	-	4,025
Equipment rental and maintenance	7,800	666	227	163	8,856	947	6,936	-	16,739
Printing and copying	4,459	546	276	517	5,798	236	1,688	-	7,722
Dues and subscriptions	40	-	7,735	772	8,547	4,300	265	-	13,112
Occupancy cost distribution	31,851	6,024	3,014	5,062	45,951	-	179	(46,130)	0
Rent and miscellaneous expense	-	-	-	-	-	2,938	8,833	-	11,098
Bank service charges	-	-	-	-	-	4,398	-	-	4,398
Maintenance	-	-	-	-	-	1,038	1,884	15,981	18,903
Utilities	-	-	-	-	-	522	1,044	8,881	10,447
Mortgage interest	-	-	-	-	-	1,256	2,335	21,941	25,532
Travel	6,260	1,488	4,909	12,801	25,458	2,602	1,963	-	30,023
Depreciation and amortization	7,746	1,581	800	1,499	11,626	684	1,367	-	13,677
Program supplies	23,710	3,049	4,045	15,085	45,889	3,750	14,882	-	64,521
Interest expense	-	-	-	-	-	626	-	-	626
Donated professional services	-	-	-	71,387	71,387	-	1,500	-	72,887
Donated goods and merchandise	649	-	3,084	1,605	5,338	5,000	8,890	-	19,228
Donated occupancy	10,915	-	-	228,545	239,460	-	830	-	240,290
Taxes and other miscellaneous	1,237	-	-	-	1,237	-	-	-	1,237
Total expenses before allocation of management and general expenses	732,422	138,699	115,645	466,667	1,453,433	180,142	153,204	-	1,786,779
Allocation of management and general expenses	107,396	21,919	11,091	20,778	161,184	(180,142)	18,958	-	-
Total expenses after allocation of management and general expenses	\$ 839,818	\$ 160,618	\$ 126,736	\$ 487,445	\$ 1,614,617	\$ -	\$ 172,162	\$ -	\$ 1,786,779

See accompanying notes

EPIC COMMUNITY SERVICES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,104,533	\$ 148,631
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	61,228	13,677
Net change in:		
Accounts receivable, net	6,504	8,827
Pledges receivable, net	(30,030)	(32,749)
Grants and contracts receivable	(149,001)	(29,568)
Prepaid expenses and other assets, net	(23,148)	(6,367)
Accounts payable	41,557	(10,065)
Accrued expenses and other liabilities	9,096	(20,780)
Net cash provided by operating activities	1,020,739	71,606
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,206,532)	(28,343)
Net cash used by investing activities	(2,206,532)	(28,343)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	62,569	-
Payments on line of credit	(19,805)	(136)
Proceeds from note payable	1,440,000	-
Payments on notes payable	(24,311)	(16,915)
Net cash provided (used) by financing activities	1,458,453	(17,051)
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	272,660	26,212
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	151,580	125,368
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 424,240	\$ 151,580
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 59,456	\$ 27,672

See accompanying notes

EPIC COMMUNITY SERVICES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

EPIC Community Services, Inc. (the "Organization") is a Florida not-for-profit corporation, which was incorporated October 10, 1973 to develop and assist the health and potential of youth and families impacted by substance abuse and mental health concerns through education, prevention, early intervention, counseling, mentoring services, and outpatient treatment services to the residents of St. Johns County. The overall goal is to create opportunities that promote making good choices in terms of preventing the onset of alcohol and other substance or drug use and to provide youth with opportunities to succeed by increasing their knowledge, skills and abilities needed to make safe, responsible decisions in terms of substance abuse and reducing personal risk. The Organization's major revenue sources are grants and contracts from federal, state and county entities, and public contributions, fundraising and program services. EPIC Recovery Center, LLC (a Florida limited liability company) was established on August 27, 2013 to provide recovery services to residents of St. Johns County and surrounding areas.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The consolidated financial statements include the accounts of EPIC Community Services, Inc. and its wholly owned subsidiary, EPIC Recovery Center, LLC, after elimination of all significant inter-company balances and transactions.

Fair Value of Financial Instruments

All financial instruments are carried at amounts that approximate estimated fair value. Financial Accounting Standards Board ASC 820, *Fair Value Measurement* ("ASC 820"), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2

Inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable for the asset or liability. Unobservable inputs are defined as inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

EPIC COMMUNITY SERVICES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its ASC 958-210. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The assets, liabilities, and net assets of the Organization are reported in net asset classes as follows:

- (a) Unrestricted net assets are resources over which the Board of Directors (the "Board") has discretionary control including those unrestricted net assets invested in property and equipment at the direction of the Board.
- (b) Temporarily restricted net assets are subject to donor-imposed stipulation that may or will be met by actions of the Organization and/or the passage of time. After the donor-imposed time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported within the statement of activities as net assets released from restrictions.
- (c) Permanently restricted net assets are limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. At June 30, 2014 and 2013, there were no permanently restricted net assets.

In addition, financial statement presentation follows the recommendations of the American Institute of Certified Public Accountants in its Industry Audit Guide, *Audits of Voluntary Health and Welfare Organization*.

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with an original maturity of 90 days or less. Certificates of deposit are readily convertible to cash and are stated at cost plus accrued earnings, which approximate fair value.

Allowance for Accounts Receivable and Grants Receivable

Accounts receivable and grants receivable ("receivables") are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to either accounts receivable or grants receivable.

Property and Equipment

Property and furnishings are stated at cost, if purchased. Donations of property and furnishings are recorded at their estimated fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Expenditures for renewals or improvements that either materially add value or prolong the useful lives of assets are capitalized. Expenditures that are less than \$1,000 are expensed as incurred.

Building and improvements are depreciated using the straight-line method over their estimated useful lives, which range from 7 to 40 years. Furniture and equipment are depreciated using the straight-line method over their estimated useful lives, which range from 3 to 7 years. Depreciation expense for the year ended June 30, 2014 was \$60,095 (\$13,294 for the year ended June 30, 2013).

EPIC COMMUNITY SERVICES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

In accordance with FASB ASC 958, *Financial Statements of Not-for-Profit Entities*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Under FASB ASC 958, contributions that are required to be reported as temporarily restricted support are then reclassified to unrestricted net assets upon expiration of time restrictions or satisfaction of donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Pledges receivable are recorded when unconditional promises to pay are recorded. Unconditional promises to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

The Organization writes off specific pledges receivable as they become uncollectible. Use of the direct method did not result in a material departure from accounting principles generally accepted in the United States of America.

Donated Goods and Services

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and goods, as well as rent, are reflected in the accompanying statements at their estimated value at date of receipt. Contributions for the use of facilities totaled \$180,284 for the year ended June 30, 2014 (\$240,290 for the year ended June 30, 2013). Supplies donated by various organizations amounted to \$262,747 for the year ended June 30, 2014 (\$19,228 for the year ended June 30, 2013).

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skill, are performed by people with those skills, and would otherwise be purchases of the Organization. Volunteer provided program and fundraising services throughout the year were not recognized as contributions on the financial statements since the recognition criteria were not met. Professional services donated to the Organization totaled \$81,634 for the year ended June 30, 2014 (\$72,887 for the year ended June 30, 2013).

Income Taxes

EPIC Community Services, Inc. is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). EPIC Recovery Center, LLC (the LLC) is a single-member limited liability company. For Federal income tax purposes, the LLC is a disregarded entity and the LLC's activities are included in the EPIC Community Services, Inc's return.

EPIC COMMUNITY SERVICES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Income Taxes

The Organization has adopted FASB ASC 740-10, *Accounting for Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Based on analyses of various federal and state filing positions of the Organization, management believes that its income tax filing positions and deductions are well documented and supported.

As of June 30, 2014, the Organization had no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded. Additionally, as of June 30, 2014, the Organization had no uncertain tax positions that would qualify for either recognition or disclosure in the financial statements. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FASB ASC 740-10. In addition, no cumulative effect adjustment related to the adoption of FASB ASC 740-10 was recorded.

There have been no increases or decreases in unrecognized tax benefits for current or prior years since the date of adoption. Furthermore, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months. When applicable, such interest and penalties will be reported as income tax expense.

Since the tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. At June 30, 2014, the periods that remain open to examination under federal statute include the years ended June 30, 2011 through June 30, 2013.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts and the variances are held to be immaterial.

Compensated Absences

All employees working 40 hours per week accrue vacation pay at a rate based on their length of service according to the following schedule.

<u>Length of Service</u>	<u>Hours Monthly</u>
0– 4 years	8.667
5– 9 years	10.400
10+ years	12.500

Employees working 35 to 39 hours per week earn annual leave on a proportionate basis. Full time employees may accrue a maximum of one year's worth of annual leave. Accrued vacation totaled \$15,311 at June 30, 2014 (\$22,228 at June 30, 2013) and is included in wages in the statement of functional expenses.

In addition, all full time employees earn nonvesting sick pay benefits at the rate of 5.333 hours per full calendar month. The unused sick leave is not compensated in cash upon termination of the employee's service. Therefore, an accrual for accumulated nonvesting sick pay benefits is not required.

EPIC COMMUNITY SERVICES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and other supporting services benefited.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash	\$ 414,241	\$ 141,647
Certificates of deposit	9,999	9,933
Total cash and cash equivalents	<u>\$ 424,240</u>	<u>\$ 151,580</u>

At June 30, 2014, certificates of deposits were comprised of two certificates bearing interest of 1.75% and 0.40%, with maturities of November 8, 2015 and June 6, 2015, respectively.

NOTE 4 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are expected to be received as follows at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 29,933	\$ 15,600
One to five years	38,975	22,500
Total unconditional promises to give	68,908	38,100
Unamortized discount (9%)	(6,129)	(5,351)
Unconditional promises to give, net	<u>\$ 62,779</u>	<u>\$ 32,749</u>

NOTE 5 GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Florida Department of Children and Families	\$ 53,731	\$ 40,510
Department of Health and Human Services	21,824	17,189
Department of Juvenile Justice	2,872	11,667
Big Brothers Big Sisters of Florida, Inc.	14,708	8,220
St. Johns County Commissioners	48,925	20,733
St. Johns County Sheriff's Office	110,080	8,105
United Way of St. Johns County, Inc.	3,285	-
Total grants and contracts receivable	<u>\$ 255,425</u>	<u>\$ 106,424</u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 286,375	\$ 145,000
Buildings and improvements	2,402,621	458,946
Furniture and equipment	107,530	22,565
Computers	41,340	30,023
Vehicles	25,200	-
Total property and equipment	2,863,066	656,534
Less, accumulated depreciation	(248,378)	(188,283)
Property and equipment, net	<u>\$ 2,614,688</u>	<u>\$ 468,251</u>

EPIC COMMUNITY SERVICES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7      LINE OF CREDIT

As of June 30, 2014, the Organization had a \$150,000 line of credit available with a local financial institution. The Organization can draw down upon this line of credit as needed. Interest is paid monthly based on the prime rate of interest published in the Wall Street Journal and a margin of one percent (1.0%). The Prime Rate as of the date of the note was 3.25%, the margin is 1%, and therefore the interest rate as of June 30, 2014 was 4.25%. At June 30, 2014 there was approximately \$87,431 available to borrow.

NOTE 8      LONG-TERM DEBT

As of June 30, 2014 and 2013, long-term debt consisted of the following:

	2014	2013
Mortgage payable to a financial institution in monthly Installments of \$3,537 including interest at 5.89% per annum until January 2017. Collateralized by real estate.	\$ 367,723	\$ 391,615
Mortgage payable to a financial institution in monthly installments of \$9,276 commencing September 2014 and including interest at 4.65% per annum until August 2021. Collateralized by real estate.	1,439,581	-
Total long-term debt	\$ 1,807,304	\$ 391,615

Maturities of the long-term debt at June 30, 2014 are as follows as of June 30:

2015	\$ 58,871
2016	69,536
2017	73,130
2018	76,912
2019	80,893
Thereafter	1,447,962
Total	\$ 1,807,304

NOTE 9      NET ASSETS RELEASED FROM RESTRICTIONS

Program services and contributions were the source of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the grantor or donor.

NOTE 10      VOLUNTEERS

In addition to the donated goods and services included in the statements of activities and functional expenses, donated services were provided by many volunteers during the year ended June 30, 2014 with an estimated value of \$178,767 (\$104,863 during the year ended June 30, 2013). These donated services were not recognized in the financial statements because they did not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

NOTE 11      ADVERTISING

The Organization uses advertising to promote its programs and fundraising activities. The costs of advertising are expensed as incurred. For the year ended June 30, 2014, advertising expenses totaled \$37,587 (\$52,724 for the year ended June 30, 2013).

EPIC COMMUNITY SERVICES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 NET ASSETS

Individual fund balances have been classified for financial statement presentation as follows:

Fund Group	2014		
	Unrestricted	Temporarily Restricted	Total
Current unrestricted funds	\$ 1,136,181	\$ -	\$ 1,136,181
Current temporarily restricted funds	-	318,204	318,204
Net assets	<u>\$ 1,136,181</u>	<u>\$ 318,204</u>	<u>\$ 1,454,385</u>

  

Fund Group	2013		
	Unrestricted	Temporarily Restricted	Total
Current unrestricted funds	\$ 211,351	\$ -	\$ 211,351
Current temporarily restricted funds	-	138,501	138,501
Net assets	<u>\$ 211,351</u>	<u>\$ 138,501</u>	<u>\$ 349,852</u>

NOTE 13 RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Temporarily restricted net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Temporarily restricted net assets released during the year ended June 30, 2014 in the amount of \$2,021,158 (\$1,395,347 during the year ended June 30, 2013). All net assets released were utilized for program expenditures. As of June 30, 2014 and 2013, temporarily restricted assets were held for the following:

	2014	2013
Program Services	\$ 255,425	\$ 104,952
Recovery Center (Detox Center)	62,779	33,549
Total temporarily restricted net assets	<u>\$ 318,204</u>	<u>\$ 138,501</u>

NOTE 14 GRANTS AND CONTRACTS

Grants and contracts revenue consisted of the following at June 30, 2014 and 2013:

	2014	2013
St. Johns County Commission	\$ 275,362	\$ 298,075
Florida Department of Children and Families	399,162	406,013
U.S. Department of Health and Human Services	102,955	161,731
St. Johns County Sheriff's Office	92,395	97,254
Big Brothers Big Sisters of Florida, Inc.	55,716	54,293
St. Johns County School District	20,000	20,000
Department of Juvenile Justice	13,007	19,172
LSF	1,138,881	-
PACT	35,000	-
BBBS	14,583	-
Other Grants	53,800	-
State of Florida – EUDL	-	34,500
Total grants and contracts revenue	<u>\$ 2,200,861</u>	<u>\$ 1,091,038</u>

EPIC COMMUNITY SERVICES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15      CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Organization to concentrations of risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts with balances and certificates of deposit in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The Organization maintains its cash and certificate of deposit balances with high quality financial institutions. Accounts at these institutions currently are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, such balances may be in excess of FDIC insurance limits. As of June 30, 2014, the Organization's uninsured cash balances totaled approximately \$12,226.

NOTE 16      OTHER CONCENTRATIONS OF RISK

For the year ended June 30, 2014, the Organization received 56% of its revenues from federal, state, county and local grants and contracts (56% for the year ended June 30, 2013), which are subject to annual renewal provisions.

NOTE 17      RELATED PARTY

Prevention Coalition of St. Johns County

A member of the Organization's board of directors also is a board of directors' member of the Prevention Coalition of St. Johns County ("PACT"). Additionally, the Organization's Executive Director is a board of directors' member of PACT. PACT is a coalition of community groups and sectors formed to work together to develop solutions to the complex problem of alcohol, tobacco and other drug abuse in the community. The members of the coalition provide the services and deliver the programs and the coalition helps bring these sectors together to figure out the best way to coordinate the needed services. EPIC Community Services, Inc. is the fiscal agent on behalf of PACT and administers the Drug Free Communities Support Program on PACT's behalf. For the year ended June 30, 2014, the Organization received \$102,955 from the program (\$161,731 for the year ended June 30, 2013).

St. Johns County School District

A member of the Organization's board of directors is a school board member of the St. Johns County School District ("School District"). The Organization and the School District have an annual contract for the Organization to administer the THINK Adolescent Suspension Alternative program. For the year ended June 30, 2014, the contract amount was \$20,000 (\$20,000 for the year ended June 30, 2013).

Additionally, the School District office provided in-kind contributions consisting of professional services, goods and meeting space, totaling \$6,743, for the year ended June 30, 2014 (\$6,743 for the year ended June 30, 2013).

NOTE 18      CONTINGENCIES

Federal, State and County funded programs are subject to special audits. Such audits could result in claims against the resources of the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 19      SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 9, 2015. No events were identified as necessary to be disclosed to keep these financial statements from being misleading or that provide additional evidence about conditions that existed at June 30, 2014, including estimates inherent in the process of preparing these financial statements.

SUPPLEMENTAL INFORMATION

EPIC COMMUNITY SERVICES, INC.  
 SCHEDULE OF STATE FINANCIAL ASSISTANCE  
 YEAR ENDED JUNE 30, 2014

	<u>Period</u>	<u>CSFA</u>	<u>Contract/ Grant</u>	<u>Award</u>	<u>Expenditure</u>
Florida Department of Children and Families					
Pass-through programs from:					
PACT Prevention Coalition of St. Johns County					
Prevention Partnership Grant	7/1/13-6/30/14		PG0005	\$ 150,000	\$ 150,000
					<u>150,000</u>
Florida Department of Education					
Pass-through programs from:					
Big Brothers Big Sisters Association of Florida					
Mentoring/Student Assistance Initiatives	7/1/13-6/30/14	48.068		55,716	55,716
					<u>55,716</u>
Florida Department of Juvenile Justice					
Pass-through programs from:					
Big Brothers Big Sisters Association of Florida					
Delinquency Prevention	7/19/13-6/30/14	80.029		25,000	14,583
					<u>14,583</u>
Florida Department of Children and Families					
Pass-through programs from:					
St. Johns County Sheriff's Office					
Substance Abuse Detoxification Program	12/1/13-6/30/14			1,300,000	1,138,881
					<u>1,138,881</u>
 Total State Financial Assistance					 <u>\$ 1,359,180</u>

EPIC COMMUNITY SERVICES, INC.  
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2014

NOTE 1           BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes the state assistance activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Because the Schedule presents only a selected portion of the operations of EPIC Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of EPIC Community Services, Inc.

NOTE 2           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the State Projects Compliance Supplement, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

# KRESGE, PLATT & ABARE, PLLC

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

To the Board of Directors of  
EPIC Community Services, 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 consolidated financial statements of EPIC Community Services, Inc. and its subsidiary, EPIC Recovery Center, LLC (collectively the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 9, 2015.

### Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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.

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. 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.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the consolidated 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 consolidated 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*.

### 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.

*Kresge, Platt & Abare, PLLC*

St. Augustine, FL  
February 9, 2015

# KRESGE, PLATT & ABARE, PLLC

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650

To the Board of Directors of  
EPIC Community Services, Inc.

### Report on Compliance for Each Major State Award

We have audited EPIC Community Services, Inc.'s and EPIC Recovery Center, LLC's (collectively the "Organization") compliance with the types of compliance requirements described in the Executive Office of the Florida Governor's State Projects Compliance Supplement, that could have a direct and material effect on each of the Organization's major state awards for the year ended June 30, 2014. The Organization's major state awards 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 state awards.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major state awards 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 Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Those standards, the Chapter 10.650, 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 state award 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 state award. However, our audit does not provide a legal determination of the Organization's compliance.

### Opinion on Each Major Federal Program and State Award

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 state awards 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 state award to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state award and to test and report on internal control over compliance in accordance with 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 state award 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 state award 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 state award 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 Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Accordingly, this report is not suitable for any other purpose.

*Kreuzer, Platt & Adams, PLLC*

St. Augustine, FL  
February 9, 2015

EPIC COMMUNITY SERVICES, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ X _____ No	
Significant deficiency(ies) identified?	_____ Yes	_____ X _____ None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ X _____ No	

State Projects

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ X _____ No	
Significant deficiency(ies) identified?	_____ Yes	_____ X _____ None reported	

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported under Chapter 10.656

	_____ Yes	_____ X _____ No	
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Identification of major programs:

<u>CSFA Number(s)</u>	<u>Name of State Project</u>
n/a	Substance Abuse Detoxification Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None.

EPIC COMMUNITY SERVICES, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2014

There are no prior audit findings.

# KRESGE, PLATT & ABARE, PLLC

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To the Board of Directors  
EPIC Community Services, Inc.  
St. Augustine, FL

We have audited the financial statements of EPIC Community Services, Inc., and its subsidiary EPIC Recovery Center, LLC, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated February 9, 2015.

We conducted our audit 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 *Chapter 10.650, Rules of the Florida Auditor General*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Chapter 10.650, Rules of the Florida Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 9, 2015, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Kresge, Platt & Abare, PLLC*

St. Augustine, FL  
February 9, 2015