

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

FINANCIAL REPORT

Years Ended June 30, 2014 and 2013

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying combined financial statements of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc. which comprise the statements of financial position as of June 30, 2014 and 2013 and the related combined statements of activities, functional expenses and cash flows for the years 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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



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Independent Auditor's Report
(Continued)

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc. as of June 30, 2014 and 2013, and the changes in their net assets and their 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 audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The schedule of state earnings, income statement by business unit, schedule of bed-day availability payments, schedule of related party transaction adjustments, schedule of source and expenditure of city grant funds and related notes are presented for additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of financial awards, 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*, is presented for purposes of additional analysis and is 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 October 27, 2014, on our consideration of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc.'s internal control over financial reporting and on our tests of 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 Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc.'s internal control over financial reporting and compliance.

Smoak, Davis & Nixon LLP

Jacksonville, Florida
October 27, 2014

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

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

ASSETS	2014				2013			
	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total
Current Assets:								
Cash and cash equivalents	1,180,851	43,155		1,224,006	1,346,637	19,173		1,365,810
Patient accounts receivable, net	114,450			114,450	93,958			93,958
Public support receivable	1,209,877			1,209,877	1,408,696			1,408,696
Prepaid expenses and other current assets	147,722			147,722	60,156			60,156
Deposits	1,003			1,003	1,003			1,003
Total current assets	<u>2,653,903</u>	<u>43,155</u>	<u>0</u>	<u>2,697,058</u>	<u>2,910,450</u>	<u>19,173</u>	<u>0</u>	<u>2,929,623</u>
Land, buildings and equipment	<u>6,231,202</u>	<u>516,581</u>		<u>6,747,783</u>	<u>6,111,923</u>	<u>526,281</u>		<u>6,638,204</u>
Total assets	<u><u>8,885,105</u></u>	<u><u>559,736</u></u>	<u><u>0</u></u>	<u><u>9,444,841</u></u>	<u><u>9,022,373</u></u>	<u><u>545,454</u></u>	<u><u>0</u></u>	<u><u>9,567,827</u></u>
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Accounts payable	178,722			178,722	197,735			197,735
Salary and wages payable	136,326			136,326	229,043			229,043
Accrued leave time payable	230,956			230,956	296,488			296,488
Payroll taxes and benefits payable	31,305			31,305	92,562			92,562
Third party payable	82,632			82,632	82,632			82,632
Other	46,942			46,942	46,502			46,502
Total current liabilities	<u>706,883</u>	<u>0</u>	<u>0</u>	<u>706,883</u>	<u>944,962</u>	<u>0</u>	<u>0</u>	<u>944,962</u>
Long-term debt, non-current portion	<u>252,675</u>	<u>0</u>	<u>0</u>	<u>252,675</u>	<u>252,675</u>	<u>0</u>	<u>0</u>	<u>252,675</u>
Net Assets:								
Unrestricted	7,728,073	559,736		8,287,809	7,624,284	545,454		8,169,738
Temporarily restricted	197,474			197,474	200,452			200,452
Total net assets	<u>7,925,547</u>	<u>559,736</u>	<u>0</u>	<u>8,485,283</u>	<u>7,824,736</u>	<u>545,454</u>	<u>0</u>	<u>8,370,190</u>
Total liabilities and net assets	<u><u>8,885,105</u></u>	<u><u>559,736</u></u>	<u><u>0</u></u>	<u><u>9,444,841</u></u>	<u><u>9,022,373</u></u>	<u><u>545,454</u></u>	<u><u>0</u></u>	<u><u>9,567,827</u></u>

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

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

COMBINED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2014 and 2013

	2014				2013			
	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total
CHANGES IN UNRESTRICTED NET ASSETS:								
Revenues, Gains and Other Support:								
Public Support:								
State ADM grants	6,615,292			6,615,292	6,358,718			6,358,718
Other state and federal grants	2,048,896			2,048,896	1,674,753			1,674,753
Local government grants	2,054,402			2,054,402	3,536,875			3,536,875
Contributions	129,502			129,502	235,300			235,300
Total Public Support	10,848,092	0	0	10,848,092	11,805,646	0	0	11,805,646
Revenues:								
Net patient service revenue	264,618			264,618	317,647			317,647
Interest income	82	27		109	437	4		441
Other revenue	590,677	24,000	(24,000)	590,677	764,616	18,000	(18,000)	764,616
Net assets released from restrictions	2,978			2,978	77,978			77,978
Total Revenues	858,355	24,027	(24,000)	858,382	1,160,678	18,004	(18,000)	1,160,682
Total Unrestricted Revenues, Gains and Other Support	11,706,447	24,027	(24,000)	11,706,474	12,966,324	18,004	(18,000)	12,966,328
Expenses and Losses:								
Program Services:								
Assessment	262,452			262,452	283,526			283,526
Detoxification	1,694,968			1,694,968	1,693,762			1,693,762
Outpatient	1,167,630	9,700	(24,000)	1,153,330	1,171,888	14,105	(18,000)	1,167,993
Research	829,571			829,571	1,675,560			1,675,560
Residential II	1,914,559			1,914,559	1,862,002			1,862,002
Cutting Edge/Taste Buds				0	159,526			159,526
Room/Board with Supervision	194,789			194,789	203,136			203,136
Prevention	316,123			316,123	353,720			353,720
Intervention	126,692			126,692	100,102			100,102
Case Management	130,761			130,761	219,525			219,525
Non-ADM services	1,939,555	45		1,939,600	2,032,103	111		2,032,214
	8,577,100	9,745	(24,000)	8,562,845	9,754,850	14,216	(18,000)	9,751,066
Supporting Services:								
Clinical support	444,102			444,102	435,437			435,437
Operations support	830,355			830,355	972,352			972,352
Administration	1,751,101			1,751,101	1,616,361			1,616,361
	3,025,558	0	0	3,025,558	3,024,150	0	0	3,024,150
Total Expenses and Losses	11,602,658	9,745	(24,000)	11,588,403	12,779,000	14,216	(18,000)	12,775,216
Increase in unrestricted net assets	103,789	14,282	0	118,071	187,324	3,788	0	191,112
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:								
Contributions				0	75,000			75,000
Net Assets released from restrictions	(2,978)			(2,978)	(77,978)			(77,978)
Decrease in temporarily restricted net assets	(2,978)	0	0	(2,978)	(2,978)	0	0	(2,978)
Increase in total net assets	100,811	14,282	0	115,093	184,346	3,788	0	188,134
Total net assets, beginning of year	7,824,736	545,454	0	8,370,190	7,640,390	541,666	0	8,182,056
Total net assets, end of year	7,925,547	559,736	0	8,485,283	7,824,736	545,454	0	8,370,190

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

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	Program Services											Supporting Services				Total	
	Assessment	Detox-ification	Out-patient	Research	Residential	Cutting Edge/ Taste Buds	Room & Board with Supervision	Prevention	Intervention	Case Management	Non-ADM	Total Program Services	Clinical Support	Operations Support	Admin-istration		Total Supporting Services
Salaries	149,742	1,100,104	741,838	497,760	985,057		92,131	233,692	76,901	81,699	836,891	4,795,815	313,173	465,994	780,348	1,559,515	6,355,330
Fringe benefits	39,834	209,905	165,771	73,474	206,667		19,404	48,865	18,530	18,773	185,643	986,866	46,291	114,145	215,692	376,128	1,362,994
Contract or Temp employees	174	1,140	2,815	8,930	11,723		2,401	200	209	278	355	28,225				0	28,225
Total salaries and fringe benefits	189,750	1,311,149	910,424	580,164	1,203,447	0	113,936	282,757	95,640	100,750	1,022,889	5,810,906	359,464	580,139	996,040	1,935,643	7,746,549
Building occupancy	14,074	76,586	59,339	11,013	261,149		21,874	12,223	8,059	8,955	290,713	763,985	24,043	53,010	128,847	205,900	969,885
Professional services	38,953	1,226	39,764	187,481	2,059		56	2,700	10,653	6,888	31,060	320,840		21,693	207,218	228,911	549,751
Travel	5,575	355	25,693	11,246	3,179		273	6,123	2,746	2,861	5,033	63,084	111	4,325	4,928	9,364	72,448
Equipment costs	1,788	5,533	11,406	411	3,330		278	1,491	1,074	1,214	18,923	45,448	4,050	2,457	11,584	18,091	63,539
Food Services	10	82,331	165	100	150,019		21,059	12	16	16	204,055	457,767		9,192	17,664	26,856	484,623
Medical/pharmacy	3,479	111,816	43,064	9,724	15,461		2,648	3,363	4,320	37,854	231,729	47,617		4,089	51,706	283,435	
Insurance	5,331	27,774	26,088	4,474	31,296		4,110	5,157	2,718	2,878	50,405	160,231	4,556	15,381	32,430	52,367	212,598
Interest												0		359	40	399	399
Operating supplies and expenses	1,688	40,821	16,760	21,041	146,247		17,777	3,451	1,379	1,708	143,345	394,217	2,628	125,945	70,897	199,470	593,687
Other expenses	761	1,914	4,069	978	4,225		528	2,221	409	443	7,679	23,227	1,128	3,506	106,848	111,482	134,709
Depreciation	1,043	35,463	16,558	2,939	94,147		12,250		639	728	127,644	291,411	505	14,348	170,516	185,369	476,780
Total direct expenses	72,702	383,819	242,906	249,407	711,112	0	80,853	33,366	31,052	30,011	916,711	2,751,939	84,638	250,216	755,061	1,089,915	3,841,854
Total program expenses	262,452	1,694,968	1,153,330	829,571	1,914,559		194,789	316,123	126,692	130,761	1,939,600	8,562,845	444,102	830,355	1,751,101	3,025,558	11,588,403
Clinical support	14,518	93,759	64,590	33,623	105,906		10,775		7,008	7,233	106,690	444,102	(444,102)			(444,102)	0
Operations support	16,890	195,757	75,143	53,388	221,119		22,497	20,344	8,153	8,415	208,649	830,355		(830,355)		(830,355)	0
Administration	53,582	346,045	238,383	169,365	390,877		39,768	64,539	25,865	26,697	395,980	1,751,101			(1,751,101)	(1,751,101)	0
Total expenses	347,442	2,330,529	1,531,446	1,085,947	2,632,461	0	267,829	401,006	167,718	173,106	2,650,919	11,588,403	0	0	0	0	11,588,403

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

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013

	Program Services											Supporting Services				Total	
	Assessment	Detox-ification	Out-patient	Research	Residential	Cutting Edge/ Taste Buds	Room & Board with Supervision	Prevention	Intervention	Case Management	Non-ADM	Total Program Services	Clinical Support	Operations Support	Admin-istration		Total Supporting Services
Salaries	172,744	1,117,409	746,771	985,366	968,015	26,830	100,978	249,894	64,122	139,862	926,401	5,498,392	298,867	573,825	786,800	1,659,492	7,157,884
Fringe benefits	36,257	203,726	154,161	146,739	182,095	5,199	18,547	46,976	13,212	28,875	176,876	1,012,663	39,953	118,697	170,704	329,354	1,342,017
Contract or Temp employees	1,232		23,105	33,550	1,223	115	287	50	2,156	4,313	3,471	69,502		9,328	125	9,453	78,955
Total salaries and fringe benefits	210,233	1,321,135	924,037	1,165,655	1,151,333	32,144	119,812	296,920	79,490	173,050	1,106,748	6,580,557	338,820	701,850	957,629	1,998,299	8,578,856
Building occupancy	8,686	72,203	38,174	30,737	235,815	1,309	21,543	12,366	5,004	10,506	266,279	702,622	24,657	86,212	112,367	223,236	925,858
Professional services	41,427		38,404	324,240	2,566		37	6,285	1,932	7,306	17,810	440,007		14,139	171,403	185,542	625,549
Travel	7,857	1,385	24,250	36,729	1,563		25	13,735	1,988	4,550	7,551	99,633	652	4,167	9,686	14,505	114,138
Equipment costs	2,325	6,332	11,281	2,855	6,513		188	3,177	981	2,112	13,222	48,986	7,012	4,551	18,502	30,065	79,051
Food Services		86,769	1,534	158,369	110,060		22,410				189,003	568,145		6,195	13,485	19,680	587,825
Medical/pharmacy	4,078	92,955	58,190	18,855	24,985		5,283		5,390	10,865	41,845	262,446	55,621	3,129	58,750	321,196	
Insurance	5,273	30,841	24,344	14,836	27,705	1,793	3,744	6,130	2,105	4,558	52,823	174,152	4,041	7,601	19,007	30,649	204,801
Interest												0		1,903	6,064	7,967	7,967
Operating supplies and expenses	1,411	45,821	15,422	70,750	157,598	11,783	16,421	14,447	1,415	2,881	202,558	540,507	3,120	132,657	70,181	205,958	746,465
Other expenses	818	730	5,031	6,430	4,453	240	580	660	446	941	9,498	29,827	1,009	5,172	85,773	91,954	121,781
Depreciation	1,418	35,591	28,860	2,939	91,102	2,197	13,093		1,351	2,756	124,877	304,184	505	7,905	149,135	157,545	461,729
Total direct expenses	73,293	372,627	243,956	509,905	710,669	127,382	83,324	56,800	20,612	46,475	925,466	3,170,509	96,617	270,502	658,732	1,025,851	4,196,360
Total program expenses	283,526	1,693,762	1,167,993	1,675,560	1,862,002	159,526	203,136	353,720	100,102	219,525	2,032,214	9,751,066	435,437	972,352	1,616,361	3,024,150	12,775,216
Clinical support	14,002	83,644	57,873	62,782	91,952		10,032		4,943	10,841	99,368	435,437	(435,437)			(435,437)	0
Operations support	19,781	211,534	81,759	116,900	232,544		25,370	24,678	6,984	15,316	237,486	972,352		(972,352)		(972,352)	0
Administration	47,761	285,320	197,408	282,253	313,661		34,219	59,585	16,863	36,980	342,311	1,616,361			(1,616,361)	(1,616,361)	0
Total expenses	365,070	2,274,260	1,505,033	2,137,495	2,500,159	159,526	272,757	437,983	128,892	282,662	2,711,379	12,775,216	0	0	0	0	12,775,216

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

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

COMBINED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013

	2014				2013			
	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in total net assets	100,811	14,282		115,093	184,346	3,788		188,134
Adjustments to reconcile change in net assets to net cash provided by operating activities:								
Depreciation and amortization	467,080	9,700		476,780	447,624	14,105		461,729
Gain on sale of land, building and equipment	(99,111)			(99,111)				0
Forgiveness of long-term debt				0	(68,978)			(68,978)
Patient accounts and public support receivable	178,327			178,327	(148,455)			(148,455)
Prepaid expenses and other assets	(87,566)			(87,566)	(2,861)			(2,861)
Accounts payable and accrued expenses	(238,079)			(238,079)	92,201			92,201
Net cash provided by operating activities	321,462	23,982	0	345,444	503,877	17,893	0	521,770
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of land, building and equipment	(602,291)			(602,291)	(747,665)			(747,665)
Proceeds from sale of land, building and equipment	115,043			115,043				0
Proceeds from sale of Investments				0	274,753			274,753
Net cash used in investing activities	(487,248)	0	0	(487,248)	(472,912)	0	0	(472,912)
Increase (decrease) in cash and cash equivalents	(165,786)	23,982	0	(141,804)	30,965	17,893	0	48,858
Cash and cash equivalents, beginning of year	1,346,637	19,173	0	1,365,810	1,315,672	1,280	0	1,316,952
Cash and cash equivalents, end of year	1,180,851	43,155	0	1,224,006	1,346,637	19,173	0	1,365,810

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities:

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

Basis of Combination:

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

Financial Statement Presentation:

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

Unrestricted Net Assets:

Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets:

Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Functional Expense Allocation:

The costs related to the administration of the Organization's programs have been detailed in the statement of functional expenses, and are summarized on a program basis in the statement of activities. Personnel and operating expenses which are associated with a specific program are charged directly to that program. Personnel and operating expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Administrative expenses represent indirect costs of administering these programs.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Cash and Cash Equivalents:

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

The City of Jacksonville requires a separate bank demand and/or time deposit account for all city funds. The amount of city cash maintained as of June 30, 2014 and 2013 was \$ 5,098 and \$5,630, respectively.

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 27, 2014, the date the financial statements were available to be issued.

Land, Building and Equipment:

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

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

Periodically, management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Impairment is measured by comparing the carrying amount of the asset to the sum of expected future cash flows (undiscounted and without interest charges) resulting from use of the asset and its eventual disposition. Management believes that there are no impairment losses on long-lived assets as of June 30, 2014 and 2013.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Concentrations of Credit Risk:

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

Public Support:

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

Contributions:

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

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

Contributed Services:

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

Net Patient Service Revenue:

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Financial Statement Estimates:

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

Income Taxes:

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

The Organization applies generally accepted accounting principles related to income tax uncertainties. The Organization has determined that there were no unrecognized tax benefits for the years ended June 30, 2014 and 2013. The Organization files tax returns in the U.S. federal and state jurisdictions. Tax years that remain subject to examination by major tax jurisdictions are 2011 and forward.

Note 2. Patient Accounts Receivable

The Organization records receivables for services with private insurance and other receivables. A summary of these receivables at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Private insurance	401,912	278,483
Other	52,342	49,724
	<u>454,254</u>	<u>328,207</u>
Less allowance for doubtful accounts	339,804	234,249
	<u>114,450</u>	<u>93,958</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Land, Building and Equipment

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

	2014	2013
Land	1,034,965	1,039,565
Building and leasehold improvements	8,709,949	8,637,937
Equipment and furniture	1,690,670	1,124,882
Construction in progress	285,510	358,067
	11,721,094	11,160,451
Less accumulated depreciation	(4,973,311)	(4,522,247)
Land, building and equipment	6,747,783	6,638,204

Depreciation expense for the year ended June 30, 2014 and 2013 was \$476,780 and \$461,729, respectively.

Note 4. Long-Term Debt

Long-term debt obligations are as follows:

	2014	2013
Duval County Finance Authority Note	69,791	69,791
Jacksonville Housing Authority Note	182,884	182,884
	252,675	252,675
Less current portion	0	0
	252,675	252,675

DCFA Note:

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

JHA Note:

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

Interest related to the debt instruments that were charged to expense during the years ended June 30, 2014 and 2013 was approximately \$ 0 and \$6,023, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Operating Leases

The Organization leases buildings and various equipment under non-cancelable operating leases expiring in various years through 2019. Total rental expense under operating leases was approximately \$182,217 and \$191,813 for the years ended June 30, 2014 and 2013, respectively.

As of June 30, 2014, future minimum lease payments under non-cancelable operating leases are as follows:

Year ended June 30, 2015	124,254
2016	110,308
2017	27,592
2018	21,556
2019	5,389
Thereafter	0
	<hr/>
	289,099
	<hr/> <hr/>

Note 6. Dependency on Governmental Support

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

Note 7. Employee Retirement Plan

Effective September 1, 1993, the Organization established a defined contribution retirement plan, which covers all employees meeting certain eligibility requirements. In accordance with the agreement with the retirement fund, employee and employer contributions are a percentage of the participating employees' salary. The Organization's contributions are limited to a percentage of the employee contributions as determined by the Board of Directors on an annual basis. There were no contributions made by the Organization for 2014 and 2013.

Note 8. Net Assets Released from Restriction

Net assets released from restrictions due to acquisitions of land, building and equipment of \$0 and \$75,000 for the year ended June 30, 2014 and 2013, respectively, and incurring depreciation expense of \$2,978 in 2014 and 2013 related to a temporarily restricted building donated in 2000.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$197,474 and \$200,452 consist of various fixed assets that are available for providing program services for the fiscal years ended June 30, 2014 and 2013, respectively.

Note 10. Related Party

Gateway Community Services Foundation, Inc. was formed for the purpose of providing financial and other support services to the Organization. Expenses for both 2014 and 2013 include \$24,000 and \$18,000, respectively, paid to the Foundation in building rent which has been eliminated in the combined financial statements.

Note 11. Fair Value Measurements

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

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

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

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

The carrying amounts reflected in the statements of financial position for cash and cash equivalents, patient and public receivables, prepaid expenses and other current assets, accounts payable, accrued expenses and deferred revenue approximates fair value due to the relative terms and/or short maturity of these financial instruments. The fair value of long-term debt at June 30, 2014 and 2013 approximates carrying value due to the imputed interest rates in effect.

SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2014

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Accrued Revenue at June 30, 2013	Cash Received	Disburse- ments/ Expenses	Accrued Revenue at June 30, 2014
FEDERAL PROGRAMS:							
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Passed through LSF Health Systems							
Block Grants for Prevention and Treatment of Substance Abuse	93.959	DD032	3,159,003	287,641	287,641		0
Block Grants for Prevention and Treatment of Substance Abuse	93.959	DD032	75,000	18,002	18,002		0
Block Grants for Prevention and Treatment of Substance Abuse	93.959	NE002	3,085,605		2,637,106	2,968,353	331,247
Block Grants for Prevention and Treatment of Substance Abuse	93.959	PG004	150,000		132,275	144,300	12,025
				<u>305,643</u>	<u>3,075,024</u>	<u>3,112,653</u>	<u>343,272</u>
Passed through LSF Health Systems							
Temporary Assistance for Needy Families	93.558	DD032	161,599	23,345	23,345		0
Temporary Assistance for Needy Families	93.558	NE002	196,586		161,938	189,116	27,178
				<u>23,345</u>	<u>185,283</u>	<u>189,116</u>	<u>27,178</u>
Passed through the City of Jacksonville, Florida							
HIV Emergency Relief Project Grants	93.914	9479-23	111,864	23,684	76,317	52,633	0
HIV Emergency Relief Project Grants	93.914	9479-29	116,638		11,834	21,678	9,844
				<u>23,684</u>	<u>88,151</u>	<u>74,311</u>	<u>9,844</u>
Passed through Northeast Florida Healthy Start Coalition							
Maternal and Child Health Services Block Grant to the States	93.994		159,498		119,309	151,035	31,726
Passed through the University of Miami							
Drug Abuse and Addiction Research Programs	93.279	CTN-0051-XBOT	210,767		115,334	179,171	63,837
Drug Abuse and Addiction Research Programs	93.279	5U10DA013720-14	25,148		7,669	18,013	10,344
Drug Abuse and Addiction Research Programs	93.279	5U10DA13720-04	23,047	8,923	8,923		0
Drug Abuse and Addiction Research Programs	93.279	CTN-0046		5,939	8,063	2,124	0
Drug Abuse and Addiction Research Programs	93.279	CTN-0037		91,559	106,039	14,480	0
Drug Abuse and Addiction Research Programs	93.279	CTN-0052		108,907	140,856	31,949	0
				<u>215,328</u>	<u>386,884</u>	<u>245,737</u>	<u>74,181</u>

GATEWAY COMMUNITY SERVICES, INC. AND
GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
For the Year Ended June 30, 2014

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Accrued Revenue at June 30, 2013	Cash Received	Disburse- ments/ Expenses	Accrued Revenue at June 30, 2014
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	5 H79-TI019760-03	450,000	38,970	153,463	114,493	0
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	1 H79-TI023375-03	400,000	45,600	170,984	125,384	0
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	1 H79-TI024370-01	500,000	55,998	155,051	99,053	0
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	1 H79-TI024370-02	500,000	140,568	324,013	370,347	46,334
				<u>140,568</u>	<u>803,511</u>	<u>709,277</u>	<u>46,334</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:							
Continuum of Care Program	14.267	FL0128L4H101205	66,553	15,276	66,460	51,184	0
Continuum of Care Program	14.267	FL0129L4H101205	55,769	9,576	55,767	46,191	0
				<u>24,852</u>	<u>122,227</u>	<u>97,375</u>	<u>0</u>
Passed through the City of Jacksonville, Florida Housing Opportunities for Persons with AIDS	14.241	9479-22 (FL29H12F001)	70,024	11,660	22,992	11,332	0
Housing Opportunities for Persons with AIDS	14.241	9479-27 (FL29H13F001)	70,934	11,660	31,784	50,020	18,236
				<u>11,660</u>	<u>54,776</u>	<u>61,352</u>	<u>18,236</u>
U.S. DEPARTMENT OF AGRICULTURE:							
Passed through the Florida Department of Education School Breakfast Program	10.553	01-0364		2,381	30,263	30,270	2,388
Passed through the Florida Department of Education National School Lunch Program	10.555	01-0364		4,741	63,275	60,923	2,389
Total Expenditures of Federal Awards				<u>752,202</u>	<u>4,928,703</u>	<u>4,732,049</u>	<u>555,548</u>

GATEWAY COMMUNITY SERVICES, INC. AND
GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
For the Year Ended June 30, 2014

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Accrued Revenue at June 30, 2013	Cash Received	Disburse- ments/ Expenses	Accrued Revenue at June 30, 2014
STATE PROJECTS:							
FLORIDA DEPARTMENT OF JUVENILE JUSTICE:							
Passed through First Coast Management Services, Inc.							
Mental Health Services	80.011	X1521		12,220	12,220		0
Mental Health Services	80.011	X1521			107,780	119,140	11,360
				<u>12,220</u>	<u>120,000</u>	<u>119,140</u>	<u>11,360</u>
Delinquency Non-Secure Residential Services	80.016	R-2042	820,520	137,072	137,072		0
Delinquency Non-Secure Residential Services	80.016	R-2042	820,520		681,820	814,948	133,128
Delinquency Non-Secure Residential Services	80.016	R-2042	265,125		210,807	229,182	18,375
				<u>137,072</u>	<u>1,029,699</u>	<u>1,044,130</u>	<u>151,503</u>
Total Expenditures of State Projects				<u>149,292</u>	<u>1,149,699</u>	<u>1,163,270</u>	<u>162,863</u>
GENERAL STATE FUNDING:							
Passed through LSF Health Systems							
Block Grants for Prevention and Treatment of Substance Abuse		D0032		276,449	276,449		0
Block Grants for Prevention and Treatment of Substance Abuse		NE002	3,414,889		2,980,030	3,302,619	322,589
Substance Abuse Prevention Services		NE002			10,904	10,904	0
Passed through Clay County Behavioral Health Center, Inc.							
Substance Abuse Treatment and Aftercare Services for Adults				11,310	45,814	38,521	4,017
Passed through Northeast Florida Healthy Start Coalition							
Healthy Start/Azalea Project			98,836	12,755	12,755		0
Florida Medicaid Program				35,792	153,308	142,947	25,431
Department of Juvenile Justice							
Mental Health and/or Substance Abuse Treatment Services		10121			78,661	94,324	15,663
Total Expenditures of General State Funding				<u>336,306</u>	<u>3,557,921</u>	<u>3,589,315</u>	<u>367,700</u>

LOCAL ASSISTANCE:

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

For the Year Ended June 30, 2014

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Accrued Revenue at June 30, 2013	Cash Received	Disburse- ments/ Expenses	Accrued Revenue at June 30, 2014
CITY MENTAL HEALTH AND WELFARE:							
Passed through the City of Jacksonville, Florida							
Alcohol Trust Fund		9479-19	435,499	89,101	173,281	84,180	0
Alcohol Trust Fund		9479-26	402,224		256,530	324,869	68,339
Residential, Homeless, and Transitional Living		9479-20	372,400	38,947	119,786	80,839	0
Residential, Homeless, and Transitional Living		9479-24	372,400		243,012	276,522	33,510
Residential, Homeless, and Transitional Living		9479-21	245,802	25,843	79,785	53,942	0
Residential, Homeless, and Transitional Living		9479-25	245,802		176,012	189,217	13,205
Keep Kids Drug Free					26,000	26,000	0
Title XX Day Care					46,354	46,354	0
Substance Abuse Geriatric Education Services (SAGES)		9479-18	63,526	12,978	29,895	16,917	0
Duval County Teen and Truancy Court		TIO-24146		2,360	98,026	102,196	6,530
				169,229	1,248,681	1,201,036	121,584
LOCAL GRANTS:							
Buffalo Valley Research Evaluation				1,667	20,000	20,000	1,667
Emergency Services & Homeless Coalition		12-FL-627			7,075	7,075	0
Operation New Hope					5,330	5,845	515
				1,667	32,405	32,920	2,182
Total Expenditures of Local Assistance				170,896	1,281,086	1,233,956	123,766
Total Expenditures of Federal Awards and State Financial Assistance and Local Assistance				1,408,696	10,917,409	10,718,590	1,209,877

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

NOTES TO SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS

For The Year Ended June 30, 2014

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of financial awards includes the federal, state and local grant activity of Gateway Community Services, Inc. and is prepared on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Type A programs are those federal programs and state projects with expenditures greater than or equal to \$300,000 and \$349,382, respectively. All other programs are considered Type B.

2. PASS-THROUGH AWARDS

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

3. TRANSFERS TO SUBRECIPIENTS

The Organization transferred \$4,803 from contract number 5 H79-TI019760-03, \$49,149 from contract number 1 H79-TI023375-02, \$31,223 from contract number 1 H79-TI024370-01 and \$90,107 from contract number 1 H79-TI024370-02 for the fiscal year ended June 30, 2014 to an unrelated third party.

4. MANAGING ENTITY

The Organization paid LSF Health Systems ("managing entity") a fee of \$237,334 as part of contract number NE002 and \$5,700 as a part of contract number PG004. The managing entity has a contract with the Florida Department of Children and Family Services in which a 3.8% fee is deducted from the expenditures incurred by the subrecipients. The schedule of awards reflects the net of the fee as the cash was not received from the managing entity.

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

SCHEDULE OF STATE EARNINGS

For the Year Ended June 30, 2014

	<u>2014</u>
1. Total Expenditures	11,732,158
2. Less Other State and Federal Funds	(2,980,769)
3. Less Non-Match SAMH Funds	(3,657,309)
4. Less Unallowable Costs per 65E-14, F.A.C.	<u>(3,669)</u>
5. Total Allowable Expenditures (Sum of lines 1, 2, 3, and 4)	<u><u>5,090,411</u></u>
6. Maximum Available Earnings (Line 5 times 75%)	3,817,808
7. Amount of State Funds Requiring Match	<u>3,266,478</u>
8. Amount Due to Department (Subtract line 7 from 6. If negative, the amount of the difference is due the department up to the amount of line 7.)	<u><u>551,330</u></u>

GATEWAY COMMUNITY SERVICES, INC.

INCOME STATEMENT BY BUSINESS UNIT

For the Year Ended June 30, 2014

	Adult Detox	Adult Outpatient Services at Stocken St.	Adult Outpatient Services at Fairwinds	Adult Residential	Adolescent Detox	Adolescent Outpatient Services	Adolescent Residential	Impact House	Prevention
REVENUES									
Juvenile Justice Revenue							139,921	1,089,726	
State Revenue	1,143,727	867,817	40,688	1,800,063	772,812	343,654	1,234,154		412,378
City and County Revenue	409,049	218,504		97,115		58,000	60,957		42,917
First/Third Party Revenue	12,157	215,322	42,635	82,726	7,214	141,020	38,228	39,516	
Other Revenue	10,100	6,989		84,557		1,730	5,011		
Total revenues	1,575,033	1,308,632	83,323	2,064,461	780,026	544,404	1,478,271	1,129,242	455,295
EXPENSES									
Salaries	732,418	752,004	66,669	541,949	367,686	231,507	535,239	629,469	233,692
Fringe benefits	133,296	163,729	13,254	114,143	76,609	65,926	111,928	142,651	48,865
Contract or Temp employees	500	3,225	250	14,124	640			356	200
Total salaries and fringe benefits	866,214	918,958	80,173	670,216	444,935	297,433	647,167	772,476	282,757
Building occupancy	67,669	70,458	24,081	128,668	8,917	19,888	154,355	68,860	12,223
Professional services	1,226	10,145	4,827	330		81,285	1,785	15,424	2,700
Travel	90	26,929	1,061	1,604	265	8,885	1,848	4,582	6,123
Equipment costs	4,546	12,328	740	1,634	987	2,413	1,974	4,400	1,491
Food Services	80,718	204		123,877	1,613		47,201	39,105	
Medical/pharmacy	91,328	49,691	2,708	15,576	20,488	1,827	2,533	36,081	
Insurance	20,519	24,706	4,023	24,177	7,255	8,287	11,229	13,046	5,157
Interest									
Operating supplies and expenses	31,212	18,298	1,783	104,568	9,609	1,455	59,456	37,746	3,451
Other expenses	1,599	3,469	1,078	3,105	315	1,135	1,648	5,984	2,221
Depreciation	35,197	7,889		72,056	266	1,380	34,341	32,133	
Total direct expenses	334,104	224,117	40,301	475,595	49,715	126,555	316,370	257,361	33,366
Total program expenses	1,200,318	1,143,075	120,474	1,145,811	494,650	423,988	963,537	1,029,837	316,123
Operating surplus/(deficit) before overhead	374,715	165,557	(37,151)	918,650	285,376	120,416	514,734	99,405	139,172
OVERHEAD									
Administrative Support	215,773	205,483	21,657	205,975	88,920	76,217	173,209	185,127	56,827
Clinical Support	65,993	62,846	6,624	62,997	27,196	23,311	52,975	56,620	
Maintenance Support	77,247	73,563	7,753	73,739	31,833	27,286	62,009	66,275	20,344
Food Services Support	60,102			57,373	24,768		48,246	51,566	
Total overhead	419,115	341,892	36,034	400,084	172,717	126,814	336,439	359,588	77,171
Operating surplus/(deficit) after overhead	(44,400)	(176,335)	(73,185)	518,566	112,659	(6,398)	178,295	(260,183)	62,001

Research	Alumni House	Stepup	Independence Village	Apartments	Administration Support	Clinical Support	Maintenance Operations Support	Food Services Operations Support	Total
									1,229,647
	600,520								6,615,293
975,014			97,375						1,487,062
100	172,143		150,095	71,776	209,254	2,701		5,804	1,651,207
975,114	772,663	0	247,470	71,776	209,254	2,701	0	5,804	11,703,469
497,760	148,979		58,443		780,348	313,173	296,946	169,048	6,355,330
73,474	31,993		11,040	(44)	215,692	46,291	70,775	43,370	1,362,992
8,930									28,225
580,164	180,972	0	69,483	(44)	996,040	359,464	367,721	212,418	7,746,547
11,013	137,096	8,050	56,672	20,032	128,847	24,043	33,000	20,010	993,882
187,481	2,786		8,000	4,851	207,218		21,643	50	549,751
11,246	451				4,928	111	821	3,504	72,448
411	14,521				11,584	4,050	1,701	756	63,536
100	164,949				17,664			9,192	484,623
9,724	1,774				4,089	47,617			283,436
4,474	18,406	1,836	12,277	4,838	32,430	4,556	12,720	2,661	212,597
					40		359		399
21,041	66,139	30	19,200	20,230	70,897	2,628	102,628	23,317	593,688
978	393	95	222	940	106,848	1,128	3,250	256	134,664
2,939	21,958	827	72,726		170,516	505	8,138	6,210	467,081
249,407	428,473	10,838	169,097	50,891	755,061	84,638	184,260	65,956	3,856,105
829,571	609,445	10,838	238,580	50,847	1,751,101	444,102	551,981	278,374	11,602,652
145,543	163,218	(10,838)	8,890	20,929	(1,541,847)	(441,401)	(551,981)	(272,570)	100,817
149,126	109,556	1,948	42,888	9,141	(1,541,847)				0
33,419	33,507		13,117	2,796		(441,401)			0
53,388	39,221	697	15,354	3,272			(551,981)		0
	30,515							(272,570)	0
235,933	212,799	2,645	71,359	15,209	(1,541,847)	(441,401)	(551,981)	(272,570)	0
(90,390)	(49,581)	(13,483)	(62,469)	5,720	0	0	0	0	100,817

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



AUDIT SCHEDULE

Schedule of Bed-Day Availability Payments
For Fiscal Year Ending June 30, 2014

Program A	Covered Service B	Contracted Rate C	Total Units of Service Provided D	Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies E	Maximum # of Units Eligible for Payment by Department (D-E) F	Amount Paid for Services by the Department G	Maximum \$ Value of Units in Column F (F x C) H	Amount Owed to Department (G-H or \$0, whichever is <u>greater</u>) I
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
						Total Amount Owed to Department =		\$0.00

Schedule not applicable in fiscal year 2014

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



AUDIT SCHEDULE

**Schedule of Related Party Transaction Adjustments
for the Fiscal Year Ending June 30, 2014**

	Related Party	Allocation of Related Party Transactions Adjustment			
		SAMH Covered Services			
		1	2	3
Revenues From Grantee					
Total Revenue From Grantee					
Expenses Associated with Grantee Transactions					
Total Associated Expenses					
Related Party Transaction Adjustment					

Schedule not applicable in fiscal year 2014

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2014

Contract #	Contract Period	Total Budget	Receipts/Expenditures		Balance Remaining 2014
Alcohol Trust Fund					
9479-19	10/1/12-9/30/13		10/1/12-6/30/13	7/1/13-9/30/13	
Receipts:		435,499	261,068	173,294	1,137
Expenditures:					
Salaries which do not include those prohibited by 118.301 {vi, vii}		344,543	274,457	70,085	
Payroll taxes and benefits					
FICA & Med. Tax.		25,826	21,145	4,681	
Health Insurance		19,377	16,507	2,633	
Dental		1,520	1,200	320	
Workers Comp		9,216	6,914	2,302	
Unemployment tax		6,957	4,810	1,289	
Group Life		1,699	1,351	307	
EAP		7	7		
Occupancy expenses					
Utilities		4,313	4,313		
Office expenses					
Office & Janitorial supplies		16	16		
Direct client expenses					
Food		22,025	19,462	2,563	
Total Expenditures		435,499	350,182	84,180	1,137
Alcohol Trust Fund					
9479-26	10/1/13-9/30/14			10/1/13-6/30/14	
Receipts:		402,224		256,530	145,694
Expenditures:					
Salaries which do not include those prohibited by 118.301 {vi, vii}		329,541		270,582	
Payroll taxes and benefits					
FICA & Med. Tax.		11,226		9,161	
Health Insurance		8,888		7,020	
Dental		240		180	
Workers Comp		8,560		6,308	
Group Life		389		314	
Occupancy expenses					
Utilities		4,830		3,752	
Insurance Property & Gen. Liab.		3,480		2,688	
Direct client expenses					
Food		35,070		24,864	
Total Expenditures		402,224	0	324,869	77,355

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2014

Contract #	Contract Period	Total Budget	Receipts/Expenditures		Balance Remaining 2014
Residential, Homeless, and Transitional Living					
9479-20 (Prof 2)	10/1/12-9/30/13		10/1/12-6/30/13	7/1/13-9/30/13	
Receipts:		372,400	249,984	119,772	2,644
Expenditures:					
Salaries which do not include those prohibited by 118.301 {vi, vii}		108,588	81,360	26,789	
Payroll taxes and benefits		24,991	18,631	6,020	
Occupancy expenses					
Telephone		5,807	4,018	1,789	
Utilities		27,526	23,985	3,541	
Maint. & repairs		27,268	26,048	1,220	
Insurance Prop. & Gen.		7,687	5,923	1,608	
Office expenses					
Supplies		10,453	8,080	1,519	
Postage		12	12		
Printing / Adv		30	30		
Other equip < 1000		2,690	1,728	962	
Other Taxes & Licenses		220	220		
Travel expenses not related to entertainment or amusement		527	456	67	
Equipment expenses rent/ lease		8,386	5,857	1,856	
Vehicle Fuel & Maintenance		9,496	7,995	1,501	
Vehicle Insurance		454	388	66	
Direct client expenses					
Food		96,741	73,315	23,426	
Medical supplies		600	100	500	
Personal		474	474		
Other - recreational		550	372		
Allocated management and general		39,900	29,925	9,975	
Total Expenditures		372,400	288,917	80,839	2,644

GATEWAY COMMUNITY SERVICES, INC.
 SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS

For the Year Ended June 30, 2014

Contract #	Contract Period	Total Budget	Receipts/Expenditures	Balance Remaining 2014
Residential, Homeless, Detox and Transitional Living				
9479-24 (Prof 2)	10/1/13-9/30/14		10/1/13-6/30/14	
Receipts:		372,400	242,999	129,401
Expenditures:				
Salaries which do not include those prohibited by 118.301 {vi, vii}		121,253	94,004	
Payroll taxes and benefits		28,361	22,423	
Occupancy expenses				
Telephone		6,944	5,348	
Utilities		47,484	47,484	
Maint. & repairs		24,687	18,404	
Insurance Prop. & Gen.		300	300	
Office expenses				
Office & other		11,250	9,079	
Postage		140	18	
Printing / Adv		200	100	
Other equip < 1000		1,300	768	
Travel expenses not related to entertainment or amusement		400	274	
Direct client expenses				
Food		85,581	44,932	
Allocated management and general		44,500	33,375	
Total Expenditures		372,400	0	276,509
				95,891

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2014

Contract #	Contract Period	Total Budget	Receipts/Expenditures		Balance Remaining 2014
Alumni House					
9479-21 (Prof 1)	10/1/12-9/30/13		10/1/12-6/30/13	7/1/13-9/30/13	
Receipts:		245,802	164,263	79,785	1,754
Expenditures:					
Salaries which do not include those prohibited by 118.301 {vi, vii}		36,717	28,302	8,415	
Payroll taxes and benefits		9,150	6,847	2,303	
Occupancy expenses					
Rent-occupancy		24,000	18,000	6,000	
Telephone		3,400	2,678	722	
Utilities		29,425	23,951	5,474	
Maint. & repairs		23,687	23,166	521	
Insurance Prop. & Gen.		7,278	5,126	1,395	
Office expenses					
Supplies		7,685	5,476	1,783	
Postage		160	62		
Printing & Adv		510	70		
Other equip < 1000		4,884	3,826	1,058	
Other Taxes & Licenses		120	120		
Travel expenses not related to entertainment or amusement		360	304	56	
Equipment expenses					
Lease & rental		5,900	4,293	1,607	
Vehicle expenses					
Fuel & Maint.		8,307	5,686	2,621	
Insurance		1,986	1,629	357	
Direct client expenses					
Food		54,681	40,133	14,548	
Medical Supplies		600	100	500	
Personal		525	525		
Recreational Supplies		100	67		
Allocated management and general		26,327	19,746	6,581	
Total Expenditures		245,802	190,107	53,941	1,754

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2014

Contract #	Contract Period	Total Budget	Receipts/Expenditures	Balance Remaining 2014
Alumni House				
9479-25 (Prof 1)	10/1/13-9/30/14		10/1/13-6/30/14	
Receipts:		245,802	176,012	69,790
Expenditures:				
Salaries which do not include those prohibited by 118.301 {vi, vii}				
Payroll taxes and benefits				
Occupancy expenses				
Rent-occupancy		24,000	18,000	
Telephone		5,300	3,420	
Utilities		40,595	18,340	
Maint. & repairs		10,400	8,672	
Insurance Prop. & Gen.		12,480	9,100	
Office expenses				
Supplies		4,350	4,081	
Contract./Prof fees & service		900	675	
Other equip < 1000		800	308	
Other Taxes & Licenses		250	150	
Travel expenses not related to entertainment or amusement		25	25	
Equipment expenses				
Lease & rental		17,927	11,055	
Vehicle expenses				
Fuel & Maint.		20,125	16,068	
Insurance		5,047	3,748	
Direct client expenses				
Food		76,357	75,503	
Medical supplies		500	238	
Personal		370	41	
Recreational supplies		50	50	
Allocated management and general		26,326	19,743	
Total Expenditures		245,802	0	189,217
				56,585

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2014

Contract #	Contract Period	Total Budget	Receipts/Expenditures		Balance Remaining 2014
Substance Abuse Geriatric Education Services (SAGES)					
9479-18	10/1/12 - 9/30/13		10/1/12-6/30/13	7/1/13-9/30/13	
Receipts:		63,526	39,506	18,033	5,987
Expenditures:					
Salaries which do not include those prohibited by 118.301 (vi, vii)		45,567	30,677	11,067	
Payroll taxes and benefits		8,697	6,755	1,456	
Telephone & Utilities		2			
Maintenance & Repairs		506	222		
Insurance		1			
Supplies		120	120		
Postage		50			
Printing & Advertising		2,000	195	1,805	
Professional Fees & Service		5,500	2,250	2,250	
Other Equipment < \$1,000		1			
Travel expenses not related to entertainment or amusement		1,082	403	339	
Total Expenditures		63,526	40,622	16,917	5,987
Housing Opportunities for Persons with AIDS					
9479-22 (FL29H12F001)	10/1/12 -9/30/13		10/1/12-6/30/13	7/1/2013-9/30/13	
Receipts:		70,024	33,283	22,991	13,750
Expenditures:					
Support Services		65,198	41,323	10,125	
Administrative Costs		4,826	3,620	1,206	
Total Expenditures		70,024	44,943	11,331	13,750
Housing Opportunities for Persons with AIDS					
9479-27 (FL29H13F001)	10/1/13 - 9/30/14			10/1/13-6/30/14	
Receipts:		70,934		31,783	39,151
Expenditures:					
Support Services		65,969		46,282	
Administrative Costs		4,965		3,724	
Total Expenditures		70,934	0	50,006	20,928

GATEWAY COMMUNITY SERVICES, INC.
 SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
 For the Year Ended June 30, 2014

Contract #	Contract Period	Total Budget	Receipts/Expenditures		Balance Remaining 2014
Ryan White - Title I					
9479-23	3/1/13 - 2/28/14		3/1/13-9/30/13	10/1/13-2/28/14	
Receipts:		111,864	86,577	24,092	1,195
Expenditures:					
Substance Abuse Services					
Outpatient		12,553	11,310	162	
Residential Level II		99,311	94,324	4,873	
Total Expenditures		111,864	105,634	5,035	1,195
Ryan White - Title I					
9479-29	3/1/14 - 2/28/15			3/1/14-6/30/14	
Receipts:		116,638		11,834	104,804
Expenditures:					
Substance Abuse Services					
Outpatient		17,441		272	
Residential		99,197		21,406	
Total Expenditures		116,638	0	21,678	94,960

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

NOTES TO SCHEDULE OF SOURCE AND EXPENDITURE OF CITY GRANT FUNDS

For The Year Ended June 30, 2014

BASIS OF ACCOUNTING

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

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

CONTRACT 9479-19

The remaining expenditures balance of \$1,137 for contract number 9479-19 reflects expenditures not incurred by Gateway Community Services, Inc. (the "Organization") during the contract period and will not be billed to the City of Jacksonville (the "City").

CONTRACT 9479-26

The remaining expenditures balance of \$77,355 for contract number 9479-26 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$145,694 represents both funds to be received from the City for expenditures incurred as of June 30, 2014 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-20

The remaining expenditures balance of \$2,644 for contract number 9479-20 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

CONTRACT 9479-24

The remaining expenditures balance of \$95,891 for contract number 9479-24 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$129,401 represents both funds to be received from the City for expenditures incurred as of June 30, 2014 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-21

The remaining expenditures balance of \$1,754 for contract number 9479-21 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

NOTES TO SCHEDULE OF SOURCE AND EXPENDITURE OF CITY GRANT FUNDS

CONTRACT 9479-25

The remaining expenditures balance of \$56,585 for contract number 9479-25 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$69,790 represents both funds to be received from the City for expenditures incurred as of June 30, 2014 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-18

The remaining expenditures balance of \$5,987 for contract number 9479-18 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

CONTRACT 9479-22 (FL29H12F001)

The remaining expenditures balance of \$13,750 for contract number 9479-22 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

CONTRACT 9479-27 (FL29H13F001)

The remaining expenditures balance of \$20,928 for contract number 9479-27 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$39,151 represents both funds to be received from the City for expenditures incurred as of June 30, 2014 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-23

The remaining expenditures balance of \$1,195 for contract number 9479-23 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

CONTRACT 9479-29

The remaining expenditures balance of \$94,960 for contract number 9479-29 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$104,804 represents both funds to be received from the City for expenditures incurred as of June 30, 2014 and funds to be disbursed by the City for expenses incurred during the remaining contract period.



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

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

We have audited, 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 combined financial statements of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc. (the "Organization")(a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined 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 combined 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 combined 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 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.



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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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gateway Community Services, Inc.'s and Gateway Community Services Foundation Inc.'s combined financial statements are free from 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*.

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.

Smoak, Davis & Nixon LLP

Jacksonville, Florida
October 27, 2014



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

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

Report on Compliance for Each Major Federal Program and State Project

We have audited Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended June 30, 2014. The Organization's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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 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.



SMOAK, DAVIS & NIXON LLP
 Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER
10.650, RULES OF THE AUDITOR GENERAL

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 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 to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Smoak, Davis & Nixon LLP

Jacksonville, Florida
 October 27, 2014

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

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

Federal Awards and State Financial Assistance Section

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

Type of auditor's report on compliance for major federal programs and major state projects:	Unmodified
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Internal control over major federal programs and state projects	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiencies identified that are not considered to be material weakness(es)?	_____ Yes <u> X </u> No
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General?	_____ Yes <u> X </u> No

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Identification of major state financial assistance projects:

<u>CFSA Number</u>	<u>Name of Federal Program or Cluster</u>
80.016	Delinquency Non-Secure Residential Services

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

None

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

None

SCHEDULE OF PRIOR AUDIT FINDINGS

None – No prior audit findings to be reported

MANAGEMENT LETTER

None – No findings required to be reported

CORRECTIVE ACTION PLAN

None – No findings are reported