

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
(A Nonprofit Corporation)

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
For The Year Ended June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of the Northwest
Behavioral Services, Inc.
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Behavioral Health Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Behavioral Health Services, Inc. as of June 30, 2014, and the changes in its net assets and its 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 statement of activities by department and grant budget to actual schedules on pages 17 -26 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of financial awards, for the year ended June 30, 2014, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, 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 other financial 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 29, 2014, on our consideration of Northwest Behavioral Health Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Northwest Behavioral Health Services, Inc.'s internal control over financial reporting and compliance.



Darryl R. Jackson, CPA, P.A.
Jacksonville, Florida
October 29, 2014

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Statement of Financial Position
As of June 30, 2014

ASSETS

	2014
Current Assets:	
Cash and cash equivalents	\$ 3,033
Grants receivable:	
Florida Department of Children and Families	147,208
City of Jacksonville	55,320
Prepaid expenses	-
Medicaid accounts receivable, net	16,270
Due from Northwest Housing	62,767
Due from others	10,692
Total current assets	295,290
Property and equipment, net	529,070
Other assets	3,600
Total assets	\$ 827,959

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 86,618
Accrued payroll liabilities	39,721
Accrued compensated absences	112,778
Custodial accounts payable	2,810
Current portion of long-term debt	30,000
Total current liabilities	271,926
Long-term debt, less current portion	-
Net Assets:	
Temporarily restricted	-
Permanently restricted	-
Unrestricted	556,033
Total net assets	556,033
Total liabilities and net assets	\$ 827,959

See accompanying notes to financial statements

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Statement of Activities
For the Year Ended June 30, 2014

	2014
Changes In Unrestricted Net Assets:	
Support and Revenue:	
Support:	
Grants:	
LSF Health Systems	\$ 1,193,237
City of Jacksonville	251,276
Jacksonville Children's Commission	142,493
Unitey Way	28,934
Total grants	1,615,940
Support:	
DUI - Substance Abuse	20,170
Housing management fee	12,770
Total support	32,940
Revenue:	
Medicaid	1,000,860
Other	30,542
Total revenue	1,031,402
Total unrestricted support and revenue	2,680,283
Expenses:	
Program Services:	
Adult case management	1,148,889
Chidren program	712,694
Full service schools	49,489
United Way	41,658
Adult outpatient	185,141
Ryan White HIV	233,984
PAC Waiver Medicaid	8,768
Total program services	2,380,623
Support Services:	
Management and general	279,231
Total expenses	2,659,854
Increase (decrease) in unrestricted net assets	20,429
Net Assets at Beginnings of Period	535,604
Net Assets at End of Period	\$ 556,033

See accompanying notes to financial statements

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Statement of Cash Flows
For the Year Ended June 30, 2014

	2014
Cash Flows from Operating Activities:	
Change in net assets	\$ 20,430
Adjustment to reconcile the change in net assets to net cash used in operations:	
Amortization and depreciation	14,184
Decrease (Increase) in current assets:	
Grants receivable:	40,916
Prepaid expenses	15,834
Medicaid accounts receivable, net	(3,307)
Due from others	28,466
Other assets	(138)
Increase (Decrease) in current liabilities:	
Accounts payable	(129,931)
Accrued payroll liabilities	10,190
Accrued compensated absences	(8,606)
Custodial accounts payable	(70)
Net cash (used in) provided from operating activities	(12,033)
 Cash Flows from Investing Activities:	
Advances (to) from Northwest Housing Initiative	-
Net cash used in investing activities	-
 Cash Flow from Financing Activities:	
Principal payments of mortgage note	14,000
Net cash used in financing activities	14,000
Net Change in Cash & Cash Equivalents	1,968
Cash at beginning of year	1,065
Cash at end of year	\$ 3,033
Interest expense paid	\$ (15)

See accompanying notes to financial statements

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2014

	Adult Case Mgmt	Children	Full Service Schools	United Way	Adult Outpatient	Adult Forensic Services	Ryan White HIV	PAC Waiver Medicaid	Total Program Services	Mgmt. and General	Total Expenses
Personnel Services:											
Salaries	\$ 472,032	\$ 475,812	\$ 36,686	\$ 28,848	\$ 84,196	\$ 23,427	\$ 165,285	\$ 2,737	\$ 1,289,023	\$ 132,503	\$ 1,421,526
Payroll taxes	45,104	43,476	3,179	2,622	8,079	2,858	13,988	393	119,700	12,332	132,032
Fringe benefits	74,854	70,217	6,726	5,483	17,716	4,810	19,078	893	199,777	28,212	227,989
	<u>591,991</u>	<u>589,505</u>	<u>46,591</u>	<u>36,953</u>	<u>109,990</u>	<u>31,095</u>	<u>198,351</u>	<u>4,024</u>	<u>1,608,500</u>	<u>173,047</u>	<u>1,781,547</u>
Building Occupancy:											
Rent	36,073	-	-	906	24,404	3,644	14,328	-	79,354	21,473	100,828
Utilities	5,631	8,954	-	600	2,600	788	2,620	1,300	22,493	2,791	25,284
Repairs and maintenance	7,224	12,650	300	927	1,871	807	2,696	1,116	27,590	5,454	33,043
Mortgage interest	-	-	-	-	-	-	-	-	-	(15)	(15)
	<u>48,928</u>	<u>21,603</u>	<u>300</u>	<u>2,433</u>	<u>28,874</u>	<u>5,238</u>	<u>19,644</u>	<u>2,416</u>	<u>129,437</u>	<u>29,703</u>	<u>159,140</u>
Professional Services:											
Psychiatrist	41,750	60,183	-	-	8,250	-	5,000	-	115,183	-	115,183
Consultants and sub-contractors	-	383	-	-	7,170	242,385	-	-	249,938	1,667	251,605
Grant administration fees	22,085	7,763	-	-	5,380	14,232	-	-	49,459	2,008	51,467
Accounting and auditing	-	-	-	-	-	-	-	-	-	5,525	5,525
Legal	112	-	-	-	-	55	-	-	168	1,985	2,153
Transcription service	6,250	6,712	-	-	1,099	759	-	-	14,819	-	14,819
	<u>70,197</u>	<u>75,040</u>	<u>-</u>	<u>-</u>	<u>21,899</u>	<u>257,431</u>	<u>5,000</u>	<u>-</u>	<u>429,567</u>	<u>11,185</u>	<u>440,753</u>
Other Operating Expenses:											
Travel	17,135	911	611	-	2,611	1,745	1,286	-	24,298	1,222	25,520
Equipment costs	3,778	4,269	300	447	899	1,444	1,050	447	12,634	1,483	14,117
Insurance	3,990	3,006	975	975	2,424	975	2,604	975	15,923	4,314	20,237
Postage	735	-	-	-	275	-	451	-	1,461	609	2,070
Telephone	5,764	601	340	500	1,131	972	1,600	557	11,466	4,807	16,273
Printing and supplies	2,094	9,375	284	349	648	246	2,506	349	15,851	3,921	19,772
Advertising	-	1,988	-	-	-	-	-	-	1,988	-	1,988
Dues and subscriptions	87	-	-	-	-	43	-	-	130	2,140	2,270
Training	1,050	150	-	-	-	150	-	-	1,350	200	1,550
Client services	93,420	2,301	50	-	14,358	8,062	940	-	119,132	-	119,132
Other	2,314	3,944	38	-	2,031	5	553	-	8,885	32,415	41,301
	<u>130,368</u>	<u>26,545</u>	<u>2,598</u>	<u>2,271</u>	<u>24,377</u>	<u>13,641</u>	<u>10,990</u>	<u>2,328</u>	<u>213,118</u>	<u>51,112</u>	<u>264,230</u>
Total expenses before depreciation	841,484	712,694	49,489	41,658	185,141	307,405	233,984	8,768	2,380,623	265,047	2,645,670
Depreciation	-	-	-	-	-	-	-	-	-	14,184	14,184
Total Expenses	<u>\$ 841,484</u>	<u>\$ 712,694</u>	<u>\$ 49,489</u>	<u>\$ 41,658</u>	<u>\$ 185,141</u>	<u>\$ 307,405</u>	<u>\$ 233,984</u>	<u>\$ 8,768</u>	<u>\$ 2,380,623</u>	<u>\$ 279,231</u>	<u>\$ 2,659,854</u>

See accompanying notes to financial statements

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.

Notes to Financial Statements
For the year ended June 30, 2014

NOTE 1: CORPORATION AND NATURE OF ACTIVITIES

Corporation and Nature of Activities

Northwest Behavioral Health Services, Inc. (“the Center”) was incorporated in the State of Florida in 1992 as a nonprofit corporation. The Center provides behavioral health services to adults and children in Northwest Duval County. The Center's mission is to assist its clients to overcome life's challenges and enhance their quality of life in the community.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis in accordance with the accounting and reporting procedures recommended for Nonprofit Corporations by the American Institute of Certified Public Accountants.

The Center accounts for unconditional pledges (promises) to give in accordance with Financial Accounting Standards Board (“FASB”) ASC 958 – *Not-for-Profit Entities*. Resources of the Center are also recorded in accordance with FASB ASC 958.

FASB ASC 958 requires that unconditional promises to give (pledges) be recorded as receivables and revenue. It also requires the Center to distinguish between contributions received for each asset category in accordance with donor imposed restrictions, if any.

FASB ASC 958 establishes standards for external reporting by not-for-profit organizations. Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories. Accordingly, net assets and the changes therein are classified as follows:

Unrestricted net assets – Net assets and contributions not subject to donor imposed stipulations. Unrestricted net assets include accumulated gains on permanently restricted endowments which are not stipulated by the donor or law for permanent reinvestment.

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.

Permanently restricted net assets – Net assets and contributions subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets – Net assets and contributions subject to donor-imposed stipulations that may or will be met by actions of the Center and/or the passage of time.

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.

Notes to Financial Statements
For the year ended June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition of Grant Proceeds

Contributions and grants received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. The Center records all other donor-restricted support as increases in temporarily restricted net assets. When a 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 statement of activities as net assets released from restriction.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of assets other than cash are recorded at their estimated fair value at the date received. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Fair Value of Financial Instruments

All financial instruments, if any, 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 Center 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.

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.

Notes to Financial Statements
For the year ended June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less. At June 30, 2014, there were no cash equivalents.

Restricted Cash

Restricted cash consists of cash held in escrow by the lender for the purpose of paying contractors in a timely manner from funds advanced under construction loans by LISC, Phoenix Development of NE Florida and the City of Jacksonville under the Neighborhood Stabilization Program.

Federal Income Taxes

The Center has been determined to be exempt from income taxes under Internal Revenue Code §501(c)(3). Effective January 1, 2010, the Center adopted FASB ASC 740-10, "*Accounting for Uncertainty in Income Taxes*", ("ASC 740-10"). ASC 740-10 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as de-recognition, interest, penalties and disclosures required.

The Internal Revenue Code provides for taxation of certain unrelated business income. The Center has no material taxable unrelated business income for the year ended June 30, 2014. In addition, all significant state and federal tax returns filed prior to November 15, 2011 are closed for examination.

Use of Estimates and Rounding

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Also, certain 2014 amounts have been rounded to whole dollars for financial statement purposes. As such, the impact of this use of rounding is immaterial.

Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. Gifts and contributions are recorded at fair value.

Support and Revenue

The Center's major sources of support are: State of Florida Department of Children and Families, City of Jacksonville, Jacksonville Children's Commission, and United Way. Support is recognized when contractual services are provided or according to scheduled commitments. The main source of revenue comes from Medicaid for billable services, which is recognized when earned.

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.

Notes to Financial Statements
For the year ended June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Center follows the practice of capitalizing at cost all expenditures for property and equipment in excess of \$500. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, five years for equipment, seven years for furniture and fixtures, and forty years for buildings and improvements.

Functional Expenses

Expenses are charged to program, administrative and general based on a combination of specific identification and allocation by management.

NOTE 3: DUE FROM NORTHWEST HOUSING INITIATIVE, INC.

The amount represents advances to Northwest Housing Initiative, Inc. to establish escrow and operating bank accounts and to pay various construction and operating costs of its low-income apartment facilities. Repayment is not expected within the next 12 months.

NOTE 4: MEDICAID ACCOUNTS RECEIVABLE

Medicaid claims receivable are net of an allowance for doubtful collections based upon the Center's analysis of claims outstanding at June 30, 2014. The Medicaid receivable balance as of June 30, 2014 is \$23,567.

NOTE 5: OTHER ASSETS

The amount represents an investment in foreign currency cost of \$4,584 with a fair market value of \$3,600 at June 30, 2014.

NOTE 6: DONATED MATERIALS PROPERTY AND SERVICES

The Center also received various services from volunteers throughout the year. Volunteer services primarily relate to board member services. These services have not been recorded in the financial statements as an in-kind contribution.

NOTE 7: COMPENSATED ABSENCES

The Center's employees earn a vested right to compensation for unused vacation and personal absences time. Accordingly, the Center has made an accrual for compensated absences that have been earned but not taken in the amount of \$112,777.

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.

Notes to Financial Statements
For the year ended June 30, 2014

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2014</u>
Building	\$ 643,553
Furniture	34,279
Equipment	<u>87,800</u>
Total fixed assets	765,632
Less: Accumulated depreciation	<u>(236,562)</u>
Fixed assets, net	<u>\$ 529,070</u>

Depreciation is computed using the straight-line method with asset lives of three, five and thirty years. For the years ended June 30, 2014, depreciation expense was \$14,184.

NOTE 9: 401(K) RETIREMENT PLAN

The Center maintains a 401(k) qualified retirement plan for most of its employees with over three months of service and who are at least 19 years old. The plan provides for participants to have a 100 % vested interest in their contributions at all times and become fully vested in employer matching contributions after six years of service. Participants may contribute a minimum of 2% or a maximum of 50% pretax compensation during the plan year, which ends on December 31. The amount and extent of employer matching contribution is at the discretion of the Center's board of directors. The Center made a matching contribution to the plan of \$3,182 for fiscal year ended June 30, 2014.

NOTE 10: GRANT MATCHING REQUIREMENT

The Center's grant contract with the State of Florida Department of Children and Families (DH686) for the year ended June 30, 2014 required a matching of state funds of \$128,874. The Center satisfied the matching requirement with the following grant support:

	<u>2014</u>
City of Jacksonville Community Service Grant	\$ 251,276
Jacksonville Children's Commission Grant	142,493
United Way Allocations	28,934
Other	<u>12,770</u>
Total matching grant support	<u>\$ 435,473</u>

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.

Notes to Financial Statements
For the year ended June 30, 2014

NOTE 11: GRANT RECEIVABLES

The following schedule shows the changes in the grants receivable and deferred revenue accounts from June 30, 2013 to June 30, 2014:

	<u>Receivable</u> <u>June 30, 2013</u>	<u>Received</u>	<u>Earned</u>	<u>Receivable</u> <u>June 30, 2014</u>
Children's Commission				
7592-57	\$ -	\$ 97,493	\$ 97,493	\$ -
7592-58	-	45,000	45,000	-
Total Children's Commission	<u>-</u>	<u>142,493</u>	<u>142,493</u>	<u>-</u>
City of Jacksonville:				
7592-54	3,346	13,384	10,038	-
7592-55	15,149	131,612	116,463	-
7592-56	4,630	40,444	35,814	-
7592-59	-	20,075	30,112	10,037
7592-60	-	13,567	57,872	44,305
7592-61	-	-	977	977
Total City of Jacksonville	<u>23,125</u>	<u>219,082</u>	<u>251,276</u>	<u>55,320</u>
United Way	<u>-</u>	<u>28,934</u>	<u>28,934</u>	<u>-</u>
Total United Way	<u>-</u>	<u>28,934</u>	<u>28,934</u>	<u>-</u>
LSF Health Systems - Children	34,256	216,524	214,075	31,806
LSF Health Systems - Adult	<u>186,064</u>	<u>1,049,824</u>	<u>979,162</u>	<u>115,402</u>
Total LSF Health Systems	<u>220,319</u>	<u>1,266,348</u>	<u>1,193,237</u>	<u>147,208</u>
Grand Total	<u>\$ 243,444</u>	<u>\$ 1,656,857</u>	<u>\$ 1,615,940</u>	<u>\$ 202,528</u>

NOTE 12: COMMITMENTS AND CONTINGENCIES

Concentrations of Credit Risk

Financial instruments which potentially subject the Center to a concentration of credit risk consist principally of cash and receivables. Cash balances are exposed to credit risk since the Center periodically maintains balances in excess of federally insured limits. The Center does not believe it is exposed to any significant credit risk on these deposits.

Concentration of Revenue

The Center receives substantially all of its support and revenue from state and local funding sources, passed through the City of Jacksonville, the Jacksonville Children's Commission and LSF Health Systems, in the form of performance and budget based contracts. A reduction in the level of future support from the federal, state or local government agencies could have a substantial effect on the Center's programs and activities. The percentage of revenue that was derived from governmental sources was 98% for the year ended June, 30, 2014.

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Notes to Financial Statements
For the year ended June 30, 2014

NOTE 12: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concentration of Receivables

At June 30, 2014, amounts owed to the Center from two governmental sources totaled 100% of total grants receivable.

Operating Leases

As of June 30, 2014 the Center is obligated under four noncancellable lease agreements for its offices and rehabilitative facilities that have varying expiration dates. The lease for the main administrative offices expires September 30, 2017. The remaining three location's lease terms vary from renewing annually in March to expiring September 30, 2016. The Center also leases three copy machines under non-cancellable lease agreements that expire July 31, 2017. The lease expense for the offices and rehabilitative facilities was \$100,828 for the year ended June 30, 2014.

Future minimum lease payments under non-cancelable operating leases with initial lease terms in excess of one year consisted of the following:

Years ended June 30,	
2015	\$ 79,089
2016	71,657
2017	61,651
2018	-
2019	-
	<u>\$ 212,397</u>

Litigation

In the ordinary course of business, the Center maybe involved in legal proceedings. Based upon the Center's evaluation of the information presently available, management believes that the ultimate resolution of any such proceedings will not have a material adverse effect on the Center's financial position, liquidity or results of operations.

NOTE 13: NOTES PAYABLE/RELATED PARTY TRANSACTION

The Center borrowed \$30,000 from a board member on August 30, 2013. The note is non-interest bearing and matured on October 31, 2013. The loan was designated \$11,000 to be repaid in monthly installments of \$330 and the remaining \$19,000 as a balloon note. Prior to maturity, both parties agreed to extend certain loan repayment terms. While, the loan was repaid in September 2014, the balance as of June 30, 2014 is \$30,000.

NOTE 14: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is October 29, 2014, which is the date on which the financial statements were available to be issued.

Supplemental Information

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Statement of Activities by Department
For the year ended June 30, 2014

	Adult Case Mgmt	Children	Full Service Schools	United Way	Adult Outpatient
Support and Revenue:					
Support - Grants:					
LSF Health Systems	\$ 460,799	\$ 216,351	\$ -	\$ -	\$ 141,572
City of Jacksonville	26,499	-	-	-	13,651
Jacksonville Children's Commission	-	97,493	45,000	-	-
United Way	-	-	-	28,934	-
Total grants	<u>487,298</u>	<u>313,844</u>	<u>45,000</u>	<u>28,934</u>	<u>155,223</u>
Support-Other:					
DUI - Substance Abuse	-	-	-	-	20,170
Housing management fee	-	-	-	-	-
Total support	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,170</u>
Revenue:					
Medicaid	421,532	340,559	-	12,860	192,846
Other	1,133	1,128	-	-	179
Total revenue	<u>422,664</u>	<u>341,686</u>	<u>-</u>	<u>12,860</u>	<u>193,025</u>
Total unrestricted support and revenue	<u>\$ 909,962</u>	<u>\$ 655,530</u>	<u>\$ 45,000</u>	<u>\$ 41,794</u>	<u>\$ 368,418</u>
Personnel Services:					
Salaries	\$ 472,032	\$ 475,812	\$ 36,686	\$ 28,848	\$ 84,196
Payroll taxes	45,104	43,476	3,179	2,622	8,079
Fringe benefits	74,854	70,217	6,726	5,483	17,716
	<u>591,991</u>	<u>589,505</u>	<u>46,591</u>	<u>36,953</u>	<u>109,990</u>
Building Occupancy:					
Rent	36,073	-	-	906	24,404
Utilities	5,631	8,954	-	600	2,600
Repairs and maintenance	7,224	12,650	300	927	1,871
Mortgage interest	-	-	-	-	-
	<u>48,928</u>	<u>21,603</u>	<u>300</u>	<u>2,433</u>	<u>28,874</u>
Professional Services:					
Psychiatrist	41,750	60,183	-	-	8,250
Consultants and sub-contractors	-	383	-	-	7,170
Grant administration fees	22,085	7,763	-	-	5,380
Accounting and auditing	-	-	-	-	-
Legal	112	-	-	-	-
Transcription service	6,250	6,712	-	-	1,099
	<u>70,197</u>	<u>75,040</u>	<u>-</u>	<u>-</u>	<u>21,899</u>
Other Operating Expenses:					
Travel	17,135	911	611	-	2,611
Equipment costs	3,778	4,269	300	447	899
Insurance	3,990	3,006	975	975	2,424
Postage	735	-	-	-	275
Telephone	5,764	601	340	500	1,131
Printing and supplies	2,094	9,375	284	349	648
Advertising	-	1,988	-	-	-
Dues and subscriptions	87	-	-	-	-
Training	1,050	150	-	-	-
Client services	93,420	2,301	50	-	14,358
Other	2,314	3,944	38	-	2,031
	<u>130,368</u>	<u>26,545</u>	<u>2,598</u>	<u>2,271</u>	<u>24,377</u>
Total expenses before depreciation	<u>841,484</u>	<u>712,694</u>	<u>49,489</u>	<u>41,658</u>	<u>185,141</u>
Depreciation	-	-	-	-	-
Increase (decrease) in net assets	<u>\$ 68,478</u>	<u>\$ (57,164)</u>	<u>\$ (4,489)</u>	<u>\$ 137</u>	<u>\$ 183,277</u>

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Statement of Activities by Department
For the year ended June 30, 2014

	Adult Forensic Services	Ryan White HIV	PAC Waiver Medicaid	Total Program Services	Mgmt. and General	Total
Support and Revenue:						
Support - Grants:						
LSF Health Systems	\$ 374,517	\$ -	\$ -	\$ 1,193,237	\$ -	\$ 1,193,237
City of Jacksonville	-	211,125	-	251,276	-	251,276
Jacksonville Children's Commission	-	-	-	142,493	-	142,493
United Way	-	-	-	28,934	-	28,934
Total grants	<u>374,517</u>	<u>211,125</u>	<u>-</u>	<u>1,615,940</u>	<u>-</u>	<u>1,615,940</u>
Support-Other:						
DUI - Substance Abuse	-	-	-	20,170	-	20,170
Housing management fee	-	-	-	-	12,770	12,770
Total support	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,170</u>	<u>12,770</u>	<u>32,940</u>
Revenue:						
Medicaid	10,967	4,497	17,600	1,000,860	-	1,000,860
Other	4,524	-	-	6,963	23,579	30,542
Total revenue	<u>15,491</u>	<u>4,497</u>	<u>17,600</u>	<u>1,007,823</u>	<u>23,579</u>	<u>1,031,402</u>
Total unrestricted support and revenue	<u>\$ 390,008</u>	<u>\$ 215,622</u>	<u>\$ 17,600</u>	<u>\$ 2,643,933</u>	<u>\$ 36,350</u>	<u>\$ 2,680,283</u>
Personnel Services:						
Salaries	\$ 23,427	\$ 165,285	\$ 2,737	\$ 1,289,023	\$ 132,503	\$ 1,421,526
Payroll taxes	2,858	13,988	393	119,700	12,332	132,032
Fringe benefits	4,810	19,078	893	199,777	28,212	227,989
	<u>31,095</u>	<u>198,351</u>	<u>4,024</u>	<u>1,608,500</u>	<u>173,047</u>	<u>1,781,547</u>
Building Occupancy:						
Rent	3,644	14,328	-	79,354	21,473	100,828
Utilities	788	2,620	1,300	22,493	2,791	25,284
Repairs and maintenance	807	2,696	1,116	27,590	5,454	33,043
Mortgage interest	-	-	-	-	(15)	(15)
	<u>5,238</u>	<u>19,644</u>	<u>2,416</u>	<u>129,437</u>	<u>29,703</u>	<u>159,140</u>
Professional Services:						
Psychiatrist	-	5,000	-	115,183	-	115,183
Consultants and sub-contractors	242,385	-	-	249,938	1,667	251,605
Grant administration fees	14,232	-	-	49,459	2,008	51,467
Accounting and auditing	-	-	-	-	5,525	5,525
Legal	55	-	-	168	1,985	2,153
Transcription service	759	-	-	14,819	-	14,819
	<u>257,431</u>	<u>5,000</u>	<u>-</u>	<u>429,567</u>	<u>11,185</u>	<u>440,753</u>
Other Operating Expenses:						
Travel	1,745	1,286	-	24,298	1,222	25,520
Equipment costs	1,444	1,050	447	12,634	1,483	14,117
Insurance	975	2,604	975	15,923	4,314	20,237
Postage	-	451	-	1,461	609	2,070
Telephone	972	1,600	557	11,466	4,807	16,273
Printing and supplies	246	2,506	349	15,851	3,921	19,772
Advertising	-	-	-	1,988	-	1,988
Dues and subscriptions	43	-	-	130	2,140	2,270
Training	150	-	-	1,350	200	1,550
Client services	8,062	940	-	119,132	-	119,132
Other	5	553	-	8,885	32,415	41,301
	<u>13,641</u>	<u>10,990</u>	<u>2,328</u>	<u>213,118</u>	<u>51,112</u>	<u>264,230</u>
Total expenses before depreciation	<u>307,405</u>	<u>233,984</u>	<u>8,768</u>	<u>2,380,623</u>	<u>265,047</u>	<u>2,645,670</u>
Depreciation	-	-	-	-	14,184	14,184
Increase (decrease) in net assets	<u>\$ 82,602</u>	<u>\$ (18,363)</u>	<u>\$ 8,832</u>	<u>\$ 263,310</u>	<u>\$ (242,882)</u>	<u>\$ 20,429</u>

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Schedules of Source and Expenditures of Jacksonville Children's
Commission Grant Funds Per Ordinance Code Chapter 118-208(e)
For the year ended June 30, 2014

Appropriations from the City of Jacksonville Children's Commission grants are included in the operating fund. An analysis of the Grant accounts for the years ended June 30, 2014 is as follows:

City of Jacksonville Children's Commission Grant Funding For Fiscal Year 2013/2014 Audit

	City FY 2013-2014 Grant #7592-57
<u>Receipt of City Funds (JCC)</u>	
Amount of Award (per City Budget Ordinance)	\$ 97,493
Actual Funds Rec'd from City Last Audit Period	-
Actual Amount Rec'd this Audit Period	<u>(97,493)</u>
Amount Remaining to be Distributed	<u>\$ -</u>

Expenditure of City Funds (JCC)

City FY 2013-2014 Grant # 7592-57 - \$97,493

<u>Item</u>	<u>Budgeted</u>	Actual (7/01/13 - 9/30/13)	Actual (10/01/13 - 6/30/14)	Total Actual	Remaining Balance
Salaries & wages (employees)	\$ 63,500	\$ 19,669	\$ 43,831	\$ 63,500	\$ -
FICA	4,858	1,300	3,558	4,858	-
Life & health insurance	6,000	900	5,100	6,000	-
Worker's compensation	2,100	104	1,996	2,100	-
Allocated management & general	5,635	-	5,635	5,635	-
Consumerable program supplies	2,000	-	2,000	2,000	-
Insurance - insurance other	-	-	-	-	-
Local mileage reimbursement	200	-	200	200	-
Office expenses - supplies	1,200	-	1,200	1,200	-
Office expenses - telephone	-	-	-	-	-
Program consultants and contractual	<u>12,000</u>	<u>2,400</u>	<u>9,600</u>	<u>12,000</u>	<u>-</u>
Total	<u>\$ 97,493</u>	<u>\$ 24,373</u>	<u>\$ 73,120</u>	<u>\$ 97,493</u>	<u>\$ -</u>

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Schedules of Source and Expenditures of Jacksonville Children's
Commission Grant Funds Per Ordinance Code Chapter 118-208(e)
For the year ended June 30, 2014

	City FY 2013-2014 Grant <u>#7592-58</u>
<u>Receipt of City Funds (JCC)</u>	
Amount of Award (per City Budget Ordinance)	\$ 45,000
Actual Funds Rec'd from City Last Audit Period	-
Actual Amount Rec'd this Audit Period	<u>(45,000)</u>
Amount Remaining to be Distributed	<u>\$ -</u>

Expenditure of City Funds (JCC)

City FY 2013-2014 Grant # 7592-58 - \$45,000

<u>Item</u>	<u>Budgeted</u>	Actual (7/01/13 - 9/30/13)	Actual (10/01/13 - 6/30/14)	Total Actual	Remaining Balance
Salaries & wages (employees)	\$ 34,055	\$ 8,303	\$ 25,752	\$ 34,055	\$ -
FICA	2,605	640	1,965	2,605	-
Life & health insurance	3,000	1,097	1,903	3,000	-
Worker's compensation	-	-	-	-	-
Allocated management & general	4,040	985	3,055	4,040	-
Consumerable program supplies	50	-	50	50	-
Insurance - insurance other	600	175	425	600	-
Local mileage reimbursement	300	-	300	300	-
Office expenses - supplies	100	-	100	100	-
Office expenses - telephone	150	50	100	150	-
Program consultants and contractual	100	-	100	100	-
Total	<u>\$ 45,000</u>	<u>\$ 11,250</u>	<u>\$ 33,750</u>	<u>\$ 45,000</u>	<u>\$ -</u>

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Schedules of Source and Expenditures of City of Jacksonville
Grant Funds Per Ordinance Code Chapter 118-208(e)
For the year ended June 30, 2014

Appropriations from the City of Jacksonville grants are included in the operating fund. An analysis of the Grant accounts for the years ended June 30, 2014 is as follows:

City of Jacksonville Grant Funding For Fiscal Year 2012/2013 Audit

<u>Receipt of City Funds</u>	City FY 2012-2013 Grant #7592-54
Amount of Award (per City Budget Ordinance)	\$ 40,150
Actual Funds Rec'd from City Last Audit Period	(26,766)
Actual Amount Rec'd this Audit Period	<u>(13,384)</u>
Amount Remaining to be Distributed	<u>\$ -</u>

Expenditure of City Funds

City FY 2012-2013 Grant # 7592-54 - \$40,150

<u>Item</u>	<u>Budgeted</u>	Actual (7/01/13 - 9/30/13)	Actual (10/01/13 - 6/30/14)	Total Actual	Remaining Balance
Salaries & wages (employees)	\$ 40,150	\$ 10,038	\$ -	\$ 10,038	\$ -
Fringe benefits	-	-	-	-	-
Equipment	-	-	-	-	-
Travel	-	-	-	-	-
Office expense	-	-	-	-	-
Sub-contractors	-	-	-	-	-
Other - rent, utilities	-	-	-	-	-
Total	<u>\$ 40,150</u>	<u>\$ 10,038</u>	<u>\$ -</u>	<u>\$ 10,038</u>	<u>\$ -</u>

City FY 2012-2013 Grant # 7592-54 - \$40,150

<u>Item</u>	<u>Budgeted</u>	Actual (7/01/12 - 9/30/12)	Actual (10/01/12 - 6/30/13)	Total Actual	Remaining Balance
Salaries & wages (employees)	\$ 40,150	\$ -	\$ 30,112	\$ 30,112	\$ 10,038
Fringe benefits	-	-	-	-	-
Equipment	-	-	-	-	-
Travel	-	-	-	-	-
Office expense	-	-	-	-	-
Sub-contractors	-	-	-	-	-
Other - rent, utilities	-	-	-	-	-
Total	<u>\$ 40,150</u>	<u>\$ -</u>	<u>\$ 30,112</u>	<u>\$ 30,112</u>	<u>\$ 10,038</u>

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Schedules of Source and Expenditures of City of Jacksonville
Grant Funds Per Ordinance Code Chapter 118-208(e)
For the year ended June 30, 2014

City of Jacksonville Grant Funding For Fiscal Year 2013/2014 Audit

	City FY 2013-2014 Grant #7592-55
<u>Receipt of City Funds</u>	
Amount of Award (per City Budget Ordinance)	\$ 173,205
Actual Funds Rec'd from City Last Audit Period	(41,593)
Actual Amount Rec'd this Audit Period	<u>(131,612)</u>
Amount Remaining to be Distributed	<u>\$ -</u>

Expenditure of City Funds

City FY 2013-2014 Grant # 7592-55 - \$173,205

<u>Item</u>	<u>Budgeted</u>	Actual (7/01/13 - 9/30/13)	Actual (10/01/13 - 6/30/14)	Total Actual	Remaining Balance
Salaries & wages (employees)	\$ 128,458	\$ 31,409	\$ 55,036	\$ 86,444	\$ -
Fringe benefits	27,060	6,592	11,650	18,242	-
Equipment	-	-	-	-	-
Travel	1,693	-	526	526	-
Office expense	2,334	-	2,334	2,334	-
Sub-contractors	-	-	-	-	-
Other - rent, utilities, transportation	13,660	4,006	4,911	8,917	-
Total	<u>\$ 173,205</u>	<u>\$ 42,006</u>	<u>\$ 74,457</u>	<u>\$ 116,463</u>	<u>\$ -</u>

City FY 2013-2014 Grant # 7592-55 - \$173,205

<u>Item</u>	<u>Budgeted</u>	Actual (7/01/12 - 9/30/12)	Actual (10/01/12 - 6/30/13)	Total Actual	Remaining Balance
Salaries & wages (employees)	\$ 128,458	\$ -	\$ 42,014	\$ 42,014	\$ 86,444
Fringe benefits	27,060	-	8,818	8,818	18,242
Equipment	-	-	-	-	-
Travel	1,693	-	1,167	1,167	526
Office expense	2,334	-	-	-	2,334
Sub-contractors	-	-	-	-	-
Other - rent, utilities, transportation	13,660	-	4,743	4,743	8,917
Total	<u>\$ 173,205</u>	<u>\$ -</u>	<u>\$ 56,742</u>	<u>\$ 56,742</u>	<u>\$ 116,463</u>

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Schedules of Source and Expenditures of City of Jacksonville
Grant Funds Per Ordinance Code Chapter 118-208(e)
For the year ended June 30, 2014

	City FY 2013-2014 Grant #7592-56
<u>Receipt of City Funds</u>	
Amount of Award (per City Budget Ordinance)	\$ 48,700
Actual Funds Rec'd from City Last Audit Period	(8,256)
Actual Amount Rec'd this Audit Period	<u>(40,444)</u>
Amount Remaining to be Distributed	<u>\$ -</u>

Expenditure of City Funds

City FY 2013-2014 Grant # 7592-56 - \$48,700

<u>Item</u>	<u>Budgeted</u>	Actual (7/01/13 - 9/30/13)	Actual (10/01/13 - 6/30/14)	Total Actual	Remaining Balance
Salaries & wages (employees)	\$ 32,063	\$ 8,220	\$ 16,669	\$ 24,889	\$ -
Fringe benefits	6,730	1,726	3,497	5,224	-
Equipment	-	-	-	-	-
Travel	65	-	65	65	-
Office expense	300	-	300	300	-
Sub-contractors	5,000	2,000	-	2,000	-
Other - rent, utilities	4,542	1,326	2,011	3,337	-
Total	<u>\$ 48,700</u>	<u>\$ 13,273</u>	<u>\$ 22,541</u>	<u>\$ 35,814</u>	<u>\$ -</u>

City FY 2013-2014 Grant # 7592-56 - \$48,700

<u>Item</u>	<u>Budgeted</u>	Actual (7/01/12 - 9/30/12)	Actual (10/01/12 - 6/30/13)	Total Actual	Remaining Balance
Salaries & wages (employees)	\$ 32,063	\$ -	\$ 7,174	\$ 7,174	\$ 24,889
Fringe benefits	6,730	-	1,506	1,506	5,224
Equipment	-	-	-	-	-
Travel	65	-	-	-	65
Office expense	300	-	-	-	300
Sub-contractors	5,000	-	3,000	3,000	2,000
Other - rent, utilities	4,542	-	1,205	1,205	3,337
Total	<u>\$ 48,700</u>	<u>\$ -</u>	<u>\$ 12,886</u>	<u>\$ 12,886</u>	<u>\$ 35,814</u>

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Schedules of Source and Expenditures of City of Jacksonville
Grant Funds Per Ordinance Code Chapter 118-208(e)
For the year ended June 30, 2014

	City FY 2013-2014 Grant <u>#7592-59</u>
<u>Receipt of City Funds</u>	
Amount of Award (per City Budget Ordinance)	\$ 40,150
Actual Funds Rec'd from City Last Audit Period	-
Actual Amount Rec'd this Audit Period	<u>(20,075)</u>
Amount Remaining to be Distributed	<u>\$ 20,075</u>

Expenditure of City Funds

City FY 2013-2014 Grant # 7592-59 - \$40,150

<u>Item</u>	<u>Budgeted</u>	Actual (7/01/13 - 9/30/13)	Actual (10/01/13 - 6/30/14)	Total Actual	Remaining Balance
Salaries & wages (employees)	\$ 40,150	\$ -	\$ 30,112	\$ 30,112	\$ 10,038
Fringe benefits	-	-	-	-	-
Equipment	-	-	-	-	-
Travel	-	-	-	-	-
Office expense	-	-	-	-	-
Sub-contractors	-	-	-	-	-
Other - rent, utilities	-	-	-	-	-
Total	<u>\$ 40,150</u>	<u>\$ -</u>	<u>\$ 30,112</u>	<u>\$ 30,112</u>	<u>\$ 10,038</u>

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Schedules of Source and Expenditures of City of Jacksonville
Grant Funds Per Ordinance Code Chapter 118-208(e)
For the year ended June 30, 2014

<u>Receipt of City Funds</u>	Grant <u>#7592-60</u>
Amount of Award (per City Budget Ordinance)	\$ 173,205
Actual Funds Rec'd from City Last Audit Period	-
Actual Amount Rec'd this Audit Period	<u>(13,567)</u>
Amount Remaining to be Distributed	<u>\$ 159,638</u>

Expenditure of City Funds

City FY 2013-2014 Grant # 7592-60 - \$173,205

<u>Item</u>	<u>Budgeted</u>	Actual (7/01/13 - 9/30/13)	Actual (10/01/13 - 6/30/14)	Total Actual	Remaining Balance
Salaries & wages (employees)	\$ 124,073	\$ -	\$ 45,253	\$ 45,253	\$ 78,820
Fringe benefits	26,357	-	7,558	7,558	18,799
Equipment	400	-	-	-	400
Travel	4,035	-	388	388	3,647
Office expense	4,300	-	-	-	4,300
Sub-contractors	-	-	-	-	-
Other - rent, utilities	<u>14,040</u>	-	<u>4,673</u>	<u>4,673</u>	<u>9,367</u>
Total	<u>\$ 173,205</u>	<u>\$ -</u>	<u>\$ 57,872</u>	<u>\$ 57,872</u>	<u>\$ 115,333</u>

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Schedules of Source and Expenditures of City of Jacksonville
Grant Funds Per Ordinance Code Chapter 118-208(e)
For the year ended June 30, 2014

	City FY 2013-2014
	Grant
<u>Receipt of City Funds</u>	<u>#7592-61</u>
Amount of Award (per City Budget Ordinance)	\$ 48,201
Actual Funds Rec'd from City Last Audit Period	-
Actual Amount Rec'd this Audit Period	-
Amount Remaining to be Distributed	<u>\$ 48,201</u>

Expenditure of City Funds

City FY Grant # 7592-61 - \$48,201

<u>Item</u>	<u>Budgeted</u>	Actual (7/01/13 - 9/30/13)	Actual (10/01/13 - 6/30/14)	Total Actual	Remaining Balance
Mental health services	\$ 48,201	\$ -	\$ 977	\$ 977	\$ 47,224
Total	<u>\$ 48,201</u>	<u>\$ -</u>	<u>\$ 977</u>	<u>\$ 977</u>	<u>\$ 47,224</u>

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*

To the Board of Directors of
Northwest Behavioral Health 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 financial statements of Northwest Behavioral Health Services, Inc. ("the Center"), (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwest Behavioral Health Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwest Behavioral Health Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 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 Northwest Behavioral Health Services, Inc.'s 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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Darryl R. Jackson, CPA, P.A.
Jacksonville, Florida
October 29, 2014



DARRYL R. JACKSON, CPA, P.A.
Certified Public Accountant

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

To the Board of Directors of
Northwest Behavioral Health Services, Inc.
Jacksonville, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Northwest Behavioral Health Services, Inc.'s (a not-for-profit organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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 Northwest Behavioral Health Services, Inc.'s major federal programs and state projects for the year ended June 30, 2014. Northwest Behavioral Health Services, Inc.'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 Northwest Behavioral Health Services, Inc.'s major Federal programs and State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state project occurred. An audit includes examining, on a test basis, evidence about Northwest Behavioral Health Services, Inc.'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 Northwest Behavioral Health Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Northwest Behavioral Health Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Northwest Behavioral Health Services, Inc. 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 Northwest Behavioral Health Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 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* 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 Northwest Behavioral Health Services, Inc.'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 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Darryl R. Jackson, CPA, P.A.
Jacksonville, FL 32202
October 29, 2014

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Schedule of Expenditures of Federal Awards and State Projects
For the year ended June 30, 2014

<i>Federal/Grantor/PassThrough Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Grant Award No.</i>	<i>Pass Through Entity Id. No.</i>	<i>Federal Expenditures</i>
Federal contracts and grants:				
Department of Health and Human Services:				
Pass-Through Programs				
Passed -through State of Florida				
Temporary Assistance for Needy Families	93.558		DCF-DH686	\$ 18,291
Block Grant for Community Mental Health Services	93.958		DCF-DH686	<u>86,857</u>
<i>Total Community Development Block Grants/ Entitlement Grants</i>				<u>\$ 105,148</u>
<i>Total Passed-through State of Florida</i>				<u>\$ 105,148</u>
Passed -through City of Jacksonville				
City of Jacksonville - HIV Emergency Relief Project Grants				
Ryan White:				
Case Management	93.914	2H89GA00039-18-00	7592-55	116,463
Mental Health	93.914	2H89GA00039-18-00	7592-56	35,814
Case Management	93.914	2H89GA00039-20-00	7592-60	57,872
Mental Health	93.914	2H89GA00039-20-00	7592-61	<u>977</u>
<i>Total</i>				<u>\$ 211,126</u>
<i>Total Passed-through City of Jacksonville</i>				<u>\$ 211,126</u>
<i>Total Department of Health and Human Services</i>				<u>\$ 316,274</u>
<i>Total Expenditures of Federal Awards</i>				<u>\$ 316,274</u>

<i>State/Grantor/PassThrough Grantor/Program or Cluster Title</i>	<i>State CSFA Number</i>	<i>Pass Through Entity Id. No.</i>	<i>State Expenditures</i>
State contracts and grants:			
Department of Children and Families:			
Community Forensic Beds and Competency Restoration Train	60.114		DCF-DH686 \$ 370,135
Block Grant for Community Mental Health Services	93.558		DCF-DH686 <u>712,531</u>
<i>Total Community Development Block Grants/ Entitlement Grants</i>			<u>\$ 1,082,666</u>
<i>Total Expenditures from the State of Florida</i>			<u>\$ 1,082,666</u>

See accompanying notes.

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
Notes to Schedule of Expenditures of Federal Awards and State Projects
Year ended June 30, 2014

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the pass-through federal grant activity from the City of Jacksonville to Northwest Behavioral Health Services, Inc. under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Northwest Behavioral Health Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Northwest Behavioral Health 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 OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

REPORTING ENTITY

Northwest Behavioral Health Services, Inc. ("the Center") is a not-for-profit Florida Corporation under Chapter 617 of the Florida Statutes. The Corporation was organized to improve the quality of life in the neighborhood in a way that embraces economic diversity, makes businesses eager to invest, honors our history, and creates a thriving community for families.

As required by the grant agreements with the City of Jacksonville, detailed accounting records are maintained for each expenditure type. OMB Circular A-133 and Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" set forth the audit and reporting requirements applicable to recipients of federal financial assistance. As a result of applying the reporting entity criteria in GASB Statement No. 14, no other component units exist in which Northwest Behavioral Health Services, Inc. has any financial accountability and which would require inclusion in Northwest Behavioral Health Services, Inc.'s Schedule of Expenditures of Federal Awards.

NOTE 3: CONTINGENCIES

Grant monies received and disbursed by Northwest Behavioral Health Services, Inc. is for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowance of expenditures. Based upon experience, Northwest Behavioral Health Services, Inc. does not believe that such disallowances, if any, would have a material effect on the financial position of Northwest Behavioral Health Services, Inc.

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.
 Schedule of Findings and Questioned Costs (continued)
 Year ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

CFDA Number(s)	Name of Program or Cluster
Federal Programs:	
93.558	Temporary Assistance for Needy Families
93.914	HIV Emergency Relief Project Grants
93.958	Block Grant for Community Mental Health Services

CSFA Number(s)	Name of Program or Cluster
State Programs:	
60.114	Community Forensic Beds and Competency Restoration Training
93.558 (MOE)	Block Grant for Community Mental Health Services

	Yes	No
Auditee qualified as low-risk auditee? Federal	X	

B. FINDINGS - FINANCIAL STATEMENT

This section identifies reportable conditions, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

No management letter is required because there were no findings required to be reported in the management letter by the Auditor General Rule Section 10.656(3)(e).

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act by the Auditor General Rule 10.656(3)(d)6.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

No findings and questioned costs were identified.

D. FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS

No findings and questioned costs were identified

NORTHWEST BEHAVIORAL HEALTH SERVICES, INC.

Summary Schedule of Prior Audit Findings

Year ended June 30, 2014

No Summary Schedule of Prior Year Audit Findings is required because there were no prior audit findings related to Federal programs or State projects in accordance with the Auditor General Rule 10.656(3)(d)5.



DARRYL R. JACKSON, CPA, P.A.
Certified Public Accountant

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 29, 2014

To the Board of the Northwest
Behavioral Services, Inc.
2392 West Edgewood Avenue
Jacksonville, Florida 32254

We have audited the financial statements of Northwest Behavioral Health Services, Inc. (“the Center”) for the year ended June 30, 2014, and have issued our report thereon dated October 29, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated October 6, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Center are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no estimates that are particularly sensitive.

Disclosures. There are no disclosures that are particularly sensitive.

Corrected and Uncorrected Misstatements. Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole, and we do not disagree.

Our Working Relationship with Management

Difficulties Encountered in Performing the Audit. We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management. For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit

Management Representations. We have requested certain representations from management that are included in the management representation letter dated October 29, 2014.

Management Consultations with Other Independent Accountants. In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Consultations Prior to Engagement. We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management and the Board of Directors of the Center and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Darryl R. Jackson
Darryl R. Jackson, CPA, P.A.