

**DEVEREUX COMMUNITY BASED CARE, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**DEVEREUX COMMUNITY BASED CARE, INC.**  
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**JUNE 30, 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
Devereux Community Based Care, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of Devereux Community Based Care, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2015 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.

### *Auditors' 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.

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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Devereux Community Based Care, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Section 215.97, Florida Statutes, Florida Single Audit Act, 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 Schedule of Expenditures of Federal Awards and State Financial Assistance 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 November 20, 2015 on our consideration of Devereux Community Based Care, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Devereux Community Based Care, Inc.'s internal control over financial reporting and compliance.

*James Moore + Co., P.L.*

Gainesville, Florida  
November 20, 2015

**DEVEREUX COMMUNITY BASED CARE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

<u>ASSETS</u>	<b>2015</b>	<b>2014</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 615,740	\$ 1,469,620
Grants and contracts receivable	1,322,059	144,024
Prepaid expenses	92,079	76,688
Total current assets	2,029,878	1,690,332
<b>Furniture and equipment, net</b>	36,477	63,835
<b>Deposits</b>	16,365	22,775
<b>Restricted cash and cash equivalents - Client trust funds</b>	276,417	84,484
<b>Other non-current assets</b>	50,000	50,000
<b>Total Assets</b>	\$ 2,409,137	\$ 1,911,426
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,260,861	\$ 1,085,242
Accrued expenses	407,548	355,843
Due to The Devereux Foundation	211,683	210,504
Deferred revenue	856	41,226
Total current liabilities	1,880,948	1,692,815
<b>Client trust funds</b>	276,417	84,484
<b>Total liabilities</b>	2,157,365	1,777,299
<b>Unrestricted net assets</b>		
Operations	215,295	70,292
Invested in capital assets	36,477	63,835
Total unrestricted net assets	251,772	134,127
<b>Total Liabilities and Net Assets</b>	\$ 2,409,137	\$ 1,911,426

The accompanying notes to the financial statements  
are an integral part of these statements.

**DEVEREUX COMMUNITY BASED CARE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>Revenues</b>	
Grants and contracts	\$ 27,891,279
Donations	2,673
Other	168,410
Total revenues	<u>28,062,362</u>
<b>Expenses</b>	
Program services	26,109,224
Management and general	1,835,493
Total expenses	<u>27,944,717</u>
<b>Increase in unrestricted net assets</b>	<u>117,645</u>
<b>Net assets, unrestricted, beginning of period</b>	134,127
<b>Net assets, unrestricted, end of period</b>	<u><u>\$ 251,772</u></u>

The accompanying notes to the financial statements  
are an integral part of this statement.

**DEVEREUX COMMUNITY BASED CARE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Bank Charges	\$ -	\$ 18,441	\$ 18,441
Depreciation & Amortization	-	27,358	27,358
Employee Benefits	1,022,660	132,359	1,155,019
Food Service	4,822	342	5,164
Insurance	-	49,902	49,902
Occupancy	1,144,209	127,499	1,271,708
Office	45,282	4,287	49,569
Other	3,379	40,518	43,897
Public Relations & Advertising	28,294	9,981	38,275
Purchased Services:			
Foster Care	1,569,649	-	1,569,649
Case management	3,594,516	-	3,594,516
Adoptions	5,162,872	-	5,162,872
Outpatient	810,968	-	810,968
Independent Living	674,619	-	674,619
Residential & Group Care	5,484,854	-	5,484,854
Administrative	121,246	556,217	677,463
Other	1,505,751	84,001	1,589,752
Salaries & Wages	4,521,730	770,692	5,292,422
Supplies	82,522	1,843	84,365
Transportation	12,705	-	12,705
Travel	319,146	12,053	331,199
Total expenses	<u>\$ 26,109,224</u>	<u>\$ 1,835,493</u>	<u>\$ 27,944,717</u>

The accompanying notes to the financial statements  
are an integral part of this statement.

**DEVEREUX COMMUNITY BASED CARE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>Cash flows from operating activities</b>	
Increase in unrestricted net assets	\$ 117,645
Adjustments to reconcile increase in unrestricted net assets to net cash used in operating activities:	
Depreciation	27,358
Change in assets and liabilities:	
Grants and contracts receivable	(1,178,035)
Prepaid expenses	(15,391)
Deposits	6,410
Deferred revenues	(40,370)
Accounts payable	175,619
Accrued expenses	51,705
Due to The Devereux Foundation	1,179
Client trust funds	191,933
Total adjustments	<u>(779,592)</u>
Net cash used in operating activities	<u>(661,947)</u>
<b>Net decrease in cash and cash equivalents</b>	(661,947)
<b>Cash and cash equivalents, beginning of period</b>	1,554,104
<b>Cash and cash equivalents, end of period</b> (Including \$276,417 reported in restricted accounts)	<u><u>\$ 892,157</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.



**DEVEREUX COMMUNITY BASED CARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

(1) **Summary of Significant Accounting Policies:**

(a) **General**—Devereux Community Based Care, Inc., a Florida not-for-profit corporation (the Organization), was formed on September 5, 2012 and started operations on November 1, 2013. The Organization has been operating under a contract with the Florida Department of Children and Families (DCF) to administer, integrate, coordinate, and assure the delivery of child protection services, emergency shelter, in-home protective services, relative care placements, foster care, foster care supervision, intensive residential treatment, independent living, family reunification, and adoption and appropriate related services in Indian River, Martin, Okeechobee and St. Lucie counties.

(b) **Basis of financial reporting**—The Organization's financial statements have been prepared on the accrual basis. The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets*—Net assets that are not subject to donor-imposed restrictions.

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

*Permanently restricted net assets*—Net assets subject to donor-imposed stipulations that will not be met by either actions of the Organization or the passage of time.

The Organization has no permanently or temporarily restricted net assets at June 30, 2015 and 2014, and all support and revenue is considered unrestricted for the year ended June 30, 2015.

(c) **Contributions**—Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 financial statements as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Contributed property and equipment is recorded at fair value at the date of donation.

(d) **Cash and cash equivalents**—The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(e) **Restricted cash and cash equivalents**—Restricted cash and cash equivalents include Social Security client trust funds held by the Organization for current needs for children receiving protection, shelter and supervision services. These funds are required to be maintained in a separate bank account.

(f) **Income taxes**—The Organization is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

**DEVEREUX COMMUNITY BASED CARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

(1) **Summary of Significant Accounting Policies:** (Continued)

The Organization files income tax returns in the U.S. federal jurisdiction. The Organization's income tax return for the past year is subject to examination by tax authorities, and may change upon examination. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

(g) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

(h) **Property and equipment**—Property and equipment acquired by the Organization is considered to be owned by the Organization. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State of Florida has a reversionary interest in those assets purchased with its funds that have a cost of \$1,000 or more and an estimated useful life of at least one year. The Federal Government has a reversionary interest in those assets purchased with its funds that have a cost of \$5,000 or more and an estimated useful life of at least one year.

Property and equipment with a value greater than \$1,000 and an estimated useful life of at least one year is recorded at cost when purchased or at estimated fair value when contributed. Depreciation is computed using the straight-line method over the estimate useful life of the assets, ranging from three to seven years. Repairs and maintenance are expensed as incurred.

(i) **Grants and contracts receivable**—Grants and contracts receivable are stated at the amount management expects to collect from balances at year-end. Based on management's assessment of the current relationship and credit worthiness of entities having balances with the Organization, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

(j) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(k) **Donated services and materials**—Contributed services that qualify as specialized services and donated items are recorded at their estimated fair value at the date of receipt. Volunteer services provided to the Organization to carry out its mission do not meet the criteria used to record donated services; therefore, they have not been recorded in the financial statements.

(l) **Subsequent events**—The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 20, 2015, the date the financial statements were available to be issued.

**DEVEREUX COMMUNITY BASED CARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

(2) **Contingencies:**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although Devereux Community Based Care, Inc. expects such amounts, if any, to be immaterial.

(3) **Concentration of Credit Risk:**

Significant concentrations of credit risk for all financial instruments owned by the Organization for the year ended June 30, 2015, are as follows:

(a) **Cash in bank**—The Organization has demand deposits with a regional bank amounting to \$1,032,979 and \$1,645,947 at June 30, 2015 and 2014, respectively. Uninsured balances totaled \$782,979 and \$1,395,947 at June 30, 2015 and 2014, respectively. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Organization’s deposits may not be returned. The Organization has no policy requiring collateral to support these deposits although amounts are federally insured up to FDIC limits.

(4) **Line of Credit:**

The Organization has a line of credit with The Devereux Foundation, a related party, which allows borrowings up to \$500,000, with an interest rate equal to the one-month London Interbank Offered Rate (LIBOR) (0.18% and 0.15% at June 30, 2015 and 2014, respectively) plus a margin of 1.00%. There were no advances on this line at June 30, 2015 and 2014.

(5) **Furniture and Equipment:**

Furniture and equipment consist of the following as of June 30, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Furniture and equipment	\$ 82,073	\$ 82,073
Accumulated depreciation	(45,596)	(18,238)
Net furniture and equipment	\$ 36,477	\$ 63,835

Depreciation expense for the year ended June 30, 2015 was \$27,358.

(6) **Other Assets – Child Welfare Trust:**

The Child Welfare Trust (the “Trust”) was formed by limited partners and is a risk pool formed to provide assets to meet the obligations of the prepaid mental health program. Each partner made an initial contribution to the Trust at the time they began participating in the partnership. The Organization made an initial contribution of \$50,000 in the year ended June 30, 2014 and is included in other non-current assets on the accompanying statement of financial position. The Organization shares in this risk pool based on their respective ownership percentage. The Organization may be required to fund the risk pool on an annual basis based on the medical loss ratio. Quarterly, the general partner makes a determination whether the assets held in the risk pool are sufficient to meet the obligations of the prepaid mental health program in the Organization’s service areas. If funding of the risk pool is required, the Organization may be required to utilize unrestricted funds as it is not a chargeable expense under the grant agreement with the State of Florida, Department of Children and Families as discussed in Note 1(a). Since the

**DEVEREUX COMMUNITY BASED CARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

(6) **Other Assets – Child Welfare Trust:** (Continued)

Organization has no ability to influence the operating or financial policies of the Trust, the cost method is used to account for its ownership in the Trust. Under the cost method, the Organization records income only to the extent of distributions received. During the year ended June 30, 2015, the Organization was not required to make any additional contributions to the Trust and there were no distributions received from the Trust.

(7) **Significant Funding Source:**

The Organization receives approximately 46% of its funding from the U.S. Department of Health and Human Services that is passed through the State of Florida Department of Children and Families and approximately 49% of its funding directly from the State of Florida Department of Children and Families. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the Organization’s programs and activities.

(8) **Operating Leases:**

The Organization leases certain office space under operating leases expiring in various years through 2019. Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of June 30, 2015, for each of the next five years and in the aggregate are:

Year Ending June 30,	Amount
2016	\$ 854,759
2017	583,302
2018	431,899
2019	141,742
2020	-
Thereafter	-
Total	\$ 2,011,702

Total rent expense for the year ended June 30, 2015, was approximately \$950,000.

(9) **Related Party Transactions:**

The Organization is affiliated with The Devereux Foundation, a not-for-profit corporation, designated by the Internal Revenue Service as an educational facility and health care organization, with a nationwide network of behavioral health treatment centers for children, adolescents, and adults with complex emotional, psychiatric, and developmental disabilities; including individuals with autism spectrum disorders. The Organization entered into an agreement with The Devereux Foundation in which The Devereux Foundation provides certain administrative services for the Organization. Fees under this agreement amounted to \$677,462 in 2015. The Devereux Foundation also appoints a simple majority of the Organization’s Board of Directors, with the remaining seats filled by individuals from the local community. However, major decisions of the Board require supermajority approval, defined as two-thirds of the directors. Accordingly, The Devereux Foundation does not control the Board of the Organization and, because it also has no direct economic or controlling interest, the Organization is not consolidated into The Devereux Foundation’s consolidated financial statements.

**DEVEREUX COMMUNITY BASED CARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

(10) **Litigation:**

The Organization is subject to certain claims and contracts arising in the normal course of its activities. After consultation with legal counsel, management believes these matters will be resolved without a material adverse effect on the Organization's future financial position or results from operations.

**DEVEREUX COMMUNITY BASED CARE, INC.**

**ADDITIONAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2015**

**DEVEREUX COMMUNITY BASED CARE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor, Pass-Through Grantor, State Grantor Program Title	CFDA/ CSFA Number	Grantor's Contract Number	Expenditures
<b>FEDERAL AWARDS</b>			
<b><u>U. S. Department of Health and Human Services:</u></b>			
Passed through State of Florida			
Department of Children and Families:			
Promoting Safe and Stable Families	93.556	ZJK85	\$ 501,267
Temporary Assistance for Needy Families	93.558	ZJK85	2,485,878
Grants to States for Access and Visitation Programs	93.597	ZJK85	33,327
Chafee Education and Training Vouchers Program (ETV)	93.599	ZJK85	6,484
Adoption Incentive Payments	93.603	ZJK85	109,354
Child Welfare Services Program - State Grants	93.645	ZJK85	369,734
Foster Care-Title IV-E	93.658	ZJK85	5,085,283
Adoption Assistance	93.659	ZJK85	2,920,417
Social Services Block Grant	93.667	ZJK85	1,205,089
Child Abuse and Neglect State Grants	93.669	ZJK85	4,008
Chafee Foster Care Independence Program	93.674	ZJK85	143,665
Medical Assistance Program	93.778	ZJK85	79,035
<b>Total Expenditures of Federal Awards</b>			<u>12,943,541</u>
<b>STATE FINANCIAL ASSISTANCE</b>			
<b><u>State of Florida, Department of Children and Families:</u></b>			
Sexually Exploited Children	60.138	ZJK85	888,173
Out of Home Supports	60.074	ZJK85	445,261
In Home Supports	60.075	ZJK85	335,427
Independent Living	60.112	ZJK85	415,831
<b>Total Expenditures of State Financial Assistance</b>			<u>2,084,692</u>
<b>TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<u>15,028,233</u>
<b>STATE MATCHING OF FEDERAL AWARDS</b>			
<b><u>State of Florida, Department of Children and Families:</u></b>			
Promoting Safe and Stable Families	93.556	ZJK85	15,203
Temporary Assistance for Needy Families	93.558	ZJK85	2,341,397
Chafee Education and Training Vouchers Program (ETV)	93.599	ZJK85	5,856
Child Welfare Services Program - State Grants	93.645	ZJK85	123,245
Foster Care-Title IV-E	93.658	ZJK85	6,911,168
Adoption Assistance	93.659	ZJK85	2,962,032
Chafee Foster Care Independence Program	93.674	ZJK85	35,919
Medical Assistance Program	93.778	ZJK85	133,132
Block Grants for Community Mental Health Services	93.958	ZJK85	253,301
State Department of Children and Families	93.XXX	ZJK85	80,287
<b>Total Expenditures of State Matching of Federal Awards</b>			<u>12,861,540</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS</b>			<u>\$ 27,889,773</u>

**DEVEREUX COMMUNITY BASED CARE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(Continued)

**Note (1): Basis of Accounting**

The Schedule of Expenditures of Federal Awards and State Financial Assistance is prepared on the accrual basis of accounting. None of the Federal awards or State financial assistance expended by the Organization were in the form of noncash assistance, there was no insurance in effect during the year related to Federal awards, nor were there any loans or loan guarantees outstanding at year-end.

**Note (2): Service Provided Contracts**

Only expenses incurred in accordance with the contract terms are reported as expenditures on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

**Note (3): Pass-Through Awards**

Devereux Community Based Care, Inc. receives certain Federal awards from pass-through awards of the State of Florida. The total amount of such pass-through awards is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

**Note (4): Sub-recipients**

Of the expenses presented in the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, Devereux Community Based Care, Inc. provided Federal and state awards under Contract ZJK85 to sub-recipients as follows:

Federal Awards:

<u>U.S. Department of Health and Human Services</u>			
Promoting Safe and Stable Families	93.556	\$	474,000
Temporary Assistance for Needy Families	93.558		1,547,482
Grants to States for Access and Visitation Programs	93.597		33,327
Child Welfare Services Program - State Grants	93.645		162,701
Foster Care-Title IV-E	93.658		4,900,416
Adoption Assistance	93.659		735,107
Social Services Block Grant	93.667		557,325
Child Abuse and Neglect State Grants	93.669		4,036
Block Grants for Community Mental Health Services	93.958		164,161
Total			8,578,555

State Financial Assistance:

<u>State of Florida, Department of Children and Families</u>			
Out of Home	60.074		225,292
In Home	60.075		259,971
Sexually Exploited Children	60.138		825,027
Total			1,310,290
Total Federal Awards and State Financial Assistance		\$	9,888,845



**DEVEREUX COMMUNITY BASED CARE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(Continued)

<u>Subrecipient Entity</u>	<u>Amount Provided To Sub-recipients</u>
4KIDS of South Florida, Inc.	\$ 292,387
A Kid's Place of Tampa	234,086
Abundant Life Ministries	115
Alpha House of Tampa, Inc.	14,399
Behavior Basics, Incorporated	402,575
Breakthrough Recovery Center, Inc.	22,269
Brighter Features, Inc.	175,780
Brookwood	34,200
Camelot Community Care, Inc.	455,934
Changing Tree Wellness Center, Inc.	3,465
Children's Home Society	3,116,776
Children's Place at Home Safe-Libra House	78,300
Dr .Brenda Garma	1,465
Dr. Berainard Hines	1,500
Dr. Cathy Colet	2,350
Exchange Club CASTLE	542,696
Father Flanagan's Boystown Florida, Inc.	628,203
Florida Mentor, Inc.	6,930
Florida Youth Ranch	117,420
Hands of Mercy Everywhere	62,520
Hibiscus Children's Center	2,000,500
LabCorp	8,785
Martin County Board of County Commissioners	48,527
Mental Health Association	13,038
New Horizons of the Treasure Coast	17,802
Place of Hope, Inc.	5,980
Quest Laboratories	2,604
Real Life Children's Ranch	457,232
St. Lucie County Drug Screening Lab	72,520
Substance Awareness Council of IRC, Inc.	108,800
The Devereux Foundation	872,375
Tradewinds d/b/a ADAP Counseling Services	52,009
Translations USA	27,238
Treasure Coast Counseling	8,065
	<u>\$ 9,888,845</u>

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

To the Board of Directors,  
Devereux Community Based Care, Inc.:

We have audited 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, the financial statements of Devereux Community Based Care, Inc., which comprise the statement of financial position as of June 30, 2015 and 2014 and the related statement of activities and cash flows for the year ended June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated November 20, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Devereux Community Based Care, 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 Devereux Community Based Care, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Devereux Community Based Care, Inc.'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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Devereux Community Based Care, 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*James Moore + Co., P.L.*

Gainesville, Florida  
November 20, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL, STATE OF FLORIDA**

To the Board of Directors,  
Devereux Community Based Care, Inc.:

**Report on Compliance for Each Major Federal Program and Major State Project**

We have audited Devereux Community Based Care, Inc.'s 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 *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 major state projects for the year ended June 30, 2015. Devereux Community Based Care, Inc.'s major federal programs and major state projects are identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Devereux Community Based Care, Inc.'s major federal programs and major 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, State of Florida*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General, State of Florida* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Devereux Community Based Care, 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 major state project. However, our audit does not provide a legal determination of Devereux Community Based Care, Inc.'s compliance.

### ***Opinion on Each Major Federal Program and Major State Project***

In our opinion, Devereux Community Based Care, 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 financial assistance projects for the year ended June 30, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed two instances of noncompliance with the compliance requirements referred to above that is required to be reported in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2015-001. Our opinion on each major federal program and major state project is not modified with respect to these matters.

Devereux Community Based Care, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Devereux Community Based Care, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of Devereux Community Based Care, 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 Devereux Community Based Care, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or major state project as a basis for designing the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and major state project and to test and report on internal control over compliance in accordance with 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 Devereux Community Based Care, 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 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified two deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2015-001 that we consider to be significant deficiencies.

Devereux Community Based Care, Inc.'s responses to the internal control over compliance findings identified in our audit are described in the accompanying management's response to audit findings. Devereux Community Based Care, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*James Munn + Co., P.L.*

Gainesville, Florida  
November 20, 2015

**DEVEREUX COMMUNITY BASED CARE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS  
PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Section I. Summary of Auditors' Results:**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs: CFDA 93.658, Foster Care – Title IV-E; CFDA No. 93.659, Adoption Assistance

Dollar threshold used to distinguish between type A and type B programs: \$388,306

Auditee qualified as low-risk auditee?  Yes  No

**State Financial Assistance**

Internal control over major projects:

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

**DEVEREUX COMMUNITY BASED CARE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS**  
**PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(Continued)

**Section I. Summary of Auditors' Results:** (Continued)

Type of auditors' report issued on compliance for major projects:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General, Chapter 10.650?	<u>X</u> Yes    ___ No
Identification of major project:	CSFA No. 60.138, Sexually Exploited Children; CSFA 60.074, Out of Home Supports
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000

**Section II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With *Government Auditing Standards*:**

There are no current year audit findings.

**Section III. Findings and Questioned Costs for Federal Awards:**

**2014-001:** Adoption Subsidy Payments – CFDA 93.659

**Condition:** During the year ended June 30, 2015, an adoption subsidy payment was made to an individual below the authorized amount for that individual.

**Criteria:** Adoption subsidy payments should be made to authorized individuals for the authorized amount.

**Cause:** This error in payment was a result of a technological error within the state information network system (FSFN).

**Effect:** The client has been underpaid.

**Context:** Sixty clients were tested, and one client's payment did not match the authorization amount. The error discovered was \$9. Extrapolated to the population of adoption subsidy payments, the amount was \$1,500.

**Recommendation:** Management should implement review procedures to ensure that all monthly payments made to individuals from grant funds are reviewed for accuracy to minimize the risk of the Organization charging an unallowable cost to the grant or underpaying a client.

**2015-001:** Foster Care Title IV-E – CFDA 93.658

**Condition:** During the year ended June 30, 2015, there were two subrecipients noted during subrecipient monitoring testing that were not appropriately monitored during the fiscal year. One was not evaluated for risk or monitored, and the other was evaluated as high risk but not monitored in accordance with Organization policies and procedures.

**Criteria:** All subrecipients should be evaluated for risk and monitored appropriately.



**DEVEREUX COMMUNITY BASED CARE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS**  
**PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(Continued)

**Cause:** There was complete turnover in the contracts management department during the fiscal year, which resulted in a lack of resources for monitoring.

**Effect:** Two subrecipients have not been through appropriate monitoring.

**Context:** From a total of 49 subrecipients a sample was selected for testing, and two were not appropriately monitored and/or evaluated as to risk of monitoring.

**Recommendation:** Management should implement control procedures to ensure that all new subrecipients are evaluated for risk of monitoring, and that all high risk subrecipients are monitored.

**Section IV. Findings and Questions Costs for State Financial Assistance:**

**2015-001: 60.138 Sexually Exploited Children and 60.074 Out of Home Supports.** See above for documentation finding.

**Section V. Prior Audit Findings and Corrective Action Plan for Federal Awards for the Year Ended June 30, 2014:**

**2014-001:** Adoption Subsidy Payments – CFDA 93.659

**Corrective action not taken:** See repeat finding 2014-001 above.

**Section VI. Prior Audit Findings and Corrective Action Plan for State Financial Assistance for the Year Ended June 30, 2014:**

There were no prior year audit findings.

**INDEPENDENT AUDITORS' MANAGEMENT LETTER IN ACCORDANCE  
WITH CHAPTER 10.650, RULES OF THE STATE OF FLORIDA OFFICE  
OF THE AUDITOR GENERAL**

To the Board of Directors  
Devereux Community Based Care, Inc.:

**Report on the Financial Statements**

We have audited the financial statements of the Devereux Community Based Care, Inc., as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 20, 2015.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.650, Rules of the Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance in accordance with OMB Circular A-133, and Chapter 10.650, Rules of the Florida Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 20, 2015, should be considered in conjunction with this management letter.

**Other Matter**

Section 10.654(1)(e), Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we are reporting the following finding:

**2015-002: Reporting to the Department of Children and Families (DCF)**

We noted during reporting testing that there was a difference of approximately \$60,000 between the amounts reported to the granting agency for reimbursement and the amounts recorded to the general ledger for expenditures. DCF requires monthly reconciliation between the general ledger

and Florida Safe Families Network (FSFN), which is used for reimbursement reporting. We recommend that the amounts be reconciled monthly to ensure that all expenditures charged to DCF are allowable and that expenditures are not reported more than once.

Devereux Community Based Care, Inc.'s responses to the findings identified in our audit are described in the accompanying management's response to audit findings. Devereux Community Based Care, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of this Letter**

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

*James Moore + Co., P.L.C.*

Gainesville, Florida  
November 20, 2015

## MANAGEMENT'S RESPONSE

### **Finding 2014-01: Adoption Subsidy Payments – CFDA 93.659**

#### **Corrective Action Plan:**

Management has implemented enhanced monitoring and reconciliation controls and processes with regards to adoption subsidy payments to mitigate against the risk of unauthorized payments. In addition, management is in the process of requesting the identified overpayments be repaid. Management previously met with DCF and informed them of this matter and continues to work with DCF on processes to detect any potential overpayments prior to payment actually being made.

### **2015-001: Foster Care Title IV-E – CFDA 93.658**

#### **Corrective Action Plan:**

Management currently has a process in place to monitor subrecipients. Management will ensure that the process of monitoring subrecipients is applied consistently to all subrecipients of the organization.

### **2015-002: Reporting to the Department of Children and Families (DCF)**

#### **Corrective Action Plan:**

Management has implemented a monthly reconciliation process between what is reported in the reimbursement report to the FSFN and in the general ledger for expenditures. This reconciliation process will mitigate against the risk of reporting potential non-allowable and duplicate expenditures to DCF.