

Peaceful Paths, Inc.

Financial Statements And Independent Auditors' Reports

June 30, 2015

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Kattell and Company, P.L.

Serving the Nonprofit Community

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Peaceful Paths, Inc.
Gainesville, Florida

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Peaceful Paths, Inc. (the Corporation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Report on Summarized Comparative Information. We have previously audited the Corporation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 April 12, 2016 on our consideration of the Corporation'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 the Corporation's internal control over financial reporting and compliance.

Kattell and Company, P.L.

April

12,

2016

"Not everything that counts can be counted, and not everything that can be counted counts."

-Albert Einstein

Statement of Financial Position
June 30, 2015
(with summarized financial information for 2014)
Peaceful Paths, Inc.

	<u>2015</u>	<u>2014</u>
Assets		
Cash	\$ 318,071	\$ 42,590
Gift Cards	7,450	--
Contributions Receivable – United Way	58,090	55,383
Grants Receivable	164,154	129,744
Prepaid Expense	--	30,036
Fixed Assets:		
Land	938,102	938,102
Buildings and Improvements	4,683,510	1,690,917
Vehicles	35,391	32,147
Furniture and Equipment	169,438	175,308
Construction in Progress	--	240,929
Less: Accumulated Depreciation	(812,796)	(757,176)
Net Fixed Assets	5,013,645	2,320,227
Security Deposit	100	100
Total Assets	\$ 5,561,510	\$ 2,578,080
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 265,475	\$ 24,106
Accrued Payroll	7,929	3,912
Retirement Payable	30,144	--
Line of Credit	50,000	--
Compensated Absences	69,030	46,801
Mortgage Payable	225,445	231,631
Total Liabilities	648,023	306,450
Net Assets:		
Unrestricted:		
Investment in Property and Equipment	4,788,200	2,088,596
Other Unrestricted Net Assets	35,251	95,705
Total Unrestricted	4,823,451	2,184,301
Temporarily Restricted	90,036	87,329
Total Net Assets	4,913,487	2,271,630
Total Liabilities and Net Assets	\$ 5,561,510	\$ 2,578,080

See accompanying notes.

Statement of Activities
For Year Ended June 30, 2015
(with summarized financial information for 2014)
Peaceful Paths, Inc.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Revenue:				
Government Grants:				
Federal	\$ 709,165	\$ --	\$ 709,165	\$ 648,506
State:				
Capital Grant	2,775,971	--	2,775,971	224,029
Other	319,327	--	319,327	241,621
Local	107,184	--	107,184	99,524
Contributions:				
In Kind:				
Fixed Assets	--	--	--	10,925
Goods	81,335	--	81,335	90,111
Space	1,800	--	1,800	2,700
Volunteer Services	4,155	--	4,155	--
United Way	8,570	58,090	66,660	69,084
Other Contributions	294,383	--	294,383	243,028
Annual Event, Net	28,311	--	28,311	14,353
Rental Income, Net	26,727	--	26,727	28,090
Other Revenue	41	--	41	278
Net assets released from restrictions	55,383	(55,383)	--	--
Total Revenues	4,412,352	2,707	4,415,059	1,672,249
Expenses:				
Program:				
Shelter	671,990	--	671,990	561,757
Transition House	98,533	--	98,533	99,475
Outreach Office	756,828	--	756,828	674,322
Total Program	1,527,351	--	1,527,351	1,335,554
Management and General	167,603	--	167,603	116,256
Fundraising	78,248	--	78,248	76,298
Total Expenses	1,773,202	--	1,773,202	1,528,108
Change in Net Assets	2,639,150	2,707	2,641,857	144,141
Net Assets, Beginning	2,184,301	87,329	2,271,630	2,127,489
Net Assets, End	\$ 4,823,451	\$ 90,036	\$ 4,913,487	\$ 2,271,630

See accompanying notes.

Statement of Functional Expenses
For Year Ended June 30, 2015
(with summarized financial information for 2014)
Peaceful Paths, Inc.

	Shelter	Transition House	Outreach Office	Management and General	Fund Raising	2015 Total	2014 Total
Salaries	\$ 340,163	\$ 46,480	\$ 414,937	\$ 89,769	\$ 41,242	\$ 932,591	\$ 844,244
Payroll Taxes	20,085	2,250	35,738	6,959	3,627	68,659	84,214
Benefits	30,729	4,530	49,854	39,982	5,472	130,567	48,661
Grants to Other Organizations	--	--	2,000	--	--	2,000	5,160
Rent	--	--	6,625	--	--	6,625	7,481
Utilities	22,709	10,307	7,591	1,357	919	42,883	37,774
Insurance	7,847	4,742	7,847	3,105	975	24,516	20,249
Communications	12,700	2,645	5,899	680	875	22,799	22,473
Professional Services	2,164	952	66,396	11,646	--	81,158	86,210
Special Events	--	--	--	--	15,090	15,090	12,644
Advertising	--	--	530	--	2,583	3,113	11,570
Dues & Subscriptions	1,494	1,408	2,204	1,449	1,074	7,629	7,104
Library	--	--	--	--	--	--	122
Mortgage Interest	12,667	--	--	--	--	12,667	15,444
Depreciation Expense	20,339	10,218	33,029	1,101	660	65,347	72,669
Postage	168	123	682	184	571	1,728	1,526
Printing	1,002	181	946	273	642	3,044	7,458
Bank Service Charges	344	217	1,132	155	95	1,943	1,421
Supplies	78,548	2,959	12,950	7,122	2,394	103,973	30,165
Taxes & Licenses	145	--	81	--	350	576	656
Training	--	--	--	--	--	--	7,224
Travel	319	819	10,133	641	1,080	12,992	13,315
Equipment, Repairs,	60,114	3,235	16,462	714	357	80,882	33,028
Miscellaneous	--	--	--	2,466	242	2,708	--
Client Expense	19,785	7,467	35,170	--	--	62,422	61,784
In-Kind Assistance:							
Volunteer Legal Services	--	--	4,155	--	--	4,155	--
Client Assistance	40,668	--	40,667	--	--	81,335	92,812
Donated Space	--	--	1,800	--	--	1,800	2,700
Total Expenses	\$ 671,990	\$ 98,533	\$ 756,828	\$ 167,603	\$ 78,248	1,773,202	1,528,108
Costs of Donor Benefits – Annual Event (Note 11)						23,210	17,772
Direct Costs of Rental						21,427	20,204
Total Functional Expenses						\$ 1,817,839	\$ 1,566,084

See accompanying notes.

Statement of Cash Flows
For the Year Ended June 30, 2015
(with summarized financial information for 2014)
Peaceful Paths, Inc.

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 2,641,857	\$ 144,141
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	73,399	80,731
State Facilities Grant	(2,775,971)	(224,029)
Donations of Fixed Assets	--	(10,925)
Changes In:		
Gift Cards	(7,450)	--
Receivables	(37,117)	(1,121)
Prepaid Expense	30,036	(30,036)
Accounts Payable	241,369	119
Accrued Payroll and Retirement	34,161	(29,757)
Compensated Absences	22,229	5,187
Net Cash Provided By (Used in) Operating Activities	222,513	(65,690)
Cash Flows from Investing Activities:		
State Facilities Grant	2,775,971	224,029
Purchase of Fixed Assets	(2,766,817)	(227,267)
Net Cash Flows (Used in) Investing Activities	9,154	(3,238)
Cash Flows from Financing Activities:		
Proceeds from Line of Credit	100,000	--
Payments on Line of Credit	(50,000)	--
Payments on Long Term Debt	(6,186)	(4,981)
Net Cash Provided By (Used in) Financing Activities	43,814	(4,981)
Net Change in Cash	275,481	(73,909)
Cash, Beginning	42,590	116,499
Cash, End	\$ 318,071	\$ 42,590
Interest Paid	<u>\$ 13,157</u>	<u>\$ 15,445</u>

See accompanying notes.

Notes to Financial Statements

June 30, 2015

Peaceful Paths, Inc.

NOTE 1 – NATURE OF ENTITY AND TAX STATUS

Peaceful Paths, Inc. (the Corporation) is a not-for-profit corporation organized under the Florida Not-For-Profit Corporation Act. The Corporation is operated to provide a domestic violence network that serves survivors of domestic violence in Alachua, Bradford and Union counties. The Corporation provides a wide range of services including an emergency shelter, transitional housing, crisis hotline, counseling and support groups, education and training and other necessary services for victims of domestic abuse.

The Corporation is exempt from income taxes according to provisions of Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business taxable income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, the Corporation has been classified by the Internal Revenue Service as an organization that is not a private foundation and qualifies for the charitable contribution deduction. The Corporation is operated exclusively for charitable, scientific and educational purposes. The Corporation holds no uncertain tax positions and, therefore, has no policy for evaluating them.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared using the accrual basis of accounting and in accordance with standards applicable to voluntary health and welfare organizations.

Cash

Cash consists of cash on hand, checking and savings deposits in financial institutions with a maturity of three months or less.

Receivables

Grants receivable consist of amounts earned but not received at year end. Contributions receivable consists primarily of amounts due from United Way for the pledged allocation and donor designations to be received during the next fiscal year. Amounts are deemed fully collectable and no allowance for doubtful accounts has been recorded.

Fixed Assets

Fixed assets are recorded at cost when purchased or at their fair value when contributed. Depreciation is provided on a straight-line basis over the estimated useful lives of five to 39 years. The Corporation capitalizes fixed asset purchases with a useful life of greater than one year and a value of at least \$2,500.

Management reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is measured by comparing the carrying amount of the assets to the sum of expected future cash flows (undiscounted and without interest charges) resulting from use of the asset and its eventual disposition. The Corporation has not recognized any impairment on its fixed assets.

Net Assets

The Corporation's net assets, the excess of assets over liabilities, are reported in three mutually exclusive classes:

Permanently Restricted – Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which do not expire by passage of time or cannot be fulfilled by actions of the Corporation. The Corporation has not received any permanently restricted contributions.

Temporarily Restricted – Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which expire by passage of time or are fulfilled by actions of the Corporation.

Unrestricted – Those net assets that are neither permanently or temporarily restricted.

Notes to Financial Statements

June 30, 2015

Peaceful Paths, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Revenue Recognition

Government Grants. Government grants consisted of fixed price and cost reimbursement contracts. Revenues for fixed price contracts are recognized in accordance with allowable billings. Revenues for cost reimbursement contracts are recognized when the Corporation incurs allowable costs.

Contributions. Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions are recorded at their estimated fair values. The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. However, contributions that are restricted by a donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the contributions are recognized.

Contributed Services. Contributions of services are recognized when received if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services not recorded because they do not meet the revenue recognition criteria were valued at \$37,000 and 23,000 for the years ending June 30, 2015 and 2014, respectively.

Expense Allocation and Classifications

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The Corporation assigns most expenses directly to the benefited function. The Corporation uses a reasonable method of allocating expenses relating to more than one functional category. Program services include the direct expenses of providing the services as well as an allocation of the director's salary and staff support expenses. Fundraising expenses include an allocation of salaries and supporting expenses as well as direct costs of special fundraising events. Functions are further described as follows:

- Shelter – program provides safe emergency shelter to victims in immediate danger. Shelter services include but are not limited to, providing emergency food, clothing, personal and household products, safety planning, transportation, medical care and individualized service plans for survivors whose stay extends beyond 72 hours.
- Transition House – program provides long term, low income housing and supportive services to women and their children who are survivors of domestic violence and find themselves homeless.
- Outreach Office – programs seek to build a cooperative network to supply information, resources, education and training, support groups and victim advocates.
- Management and General – all expenses required to conduct the affairs of the Corporation which are not allocable to other functional areas.
- Fundraising – fund-raising and public relations efforts.

Use of Estimates

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

Advertising Costs

Advertising costs are expensed when incurred.

Notes to Financial Statements

June 30, 2015

Peaceful Paths, Inc.

NOTE 3 – EMPLOYEE RETIREMENT PLANS

Certain employees have the option to voluntarily defer a portion of their biweekly salaries through the purchase of individual tax-sheltered annuity contracts under IRC Section 403(b). The Corporation made no contributions to the plan.

In 2007, the Board approved a contribution of 5% of salary to the retirement account of the executive director. As of June 30, 2015, no amounts had been contributed; however, the Organization recorded a liability of \$30,144, as the ultimate funding of this liability is likely. Subsequent to June 30, 2015, funds became available and the Organization made a payment against this liability of \$11,269. This liability is displayed on the Statement of Financial Position as Retirement Payable.

NOTE 4 – FIXED ASSETS – SECURITY INTEREST

The Corporation received capital grants from the State of Florida Department of Children and Families to pay for the majority of the purchase and renovation costs of the Corporation's administrative and campus facilities. In turn, the Corporation has provided security interests in the properties. The security interests will be amortized and vacated over a 20-year period. The terms of the grant require the Corporation to refund the state for its unamortized interest if the Corporation disposes of the property prior to the expiration of the 20 year period.

	<u>Admin</u>	<u>Campus</u>
Net Book Value at June 30, 2015	\$ 966,791	\$ 2,999,168
Amortization Period	2007 - 2027	2015 - 2035

NOTE 5 – LONG-TERM DEBT

In November 2014, the Corporation modified its shelter facility's mortgage. The note has a 5 year term, fixed interest at 4.75%, and a balloon payment due June 30, 2020. The following is a summary of payments due:

<u>Year Ended</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 6,694	\$ 10,693	\$ 17,387
2017	7,019	10,368	17,387
2018	7,360	10,027	17,387
2019	7,717	9,670	17,387
2020	196,656	4,696	201,352
Total	\$ 225,446	\$ 45,454	\$ 270,900

NOTE 6 – LINE OF CREDIT

The Corporation has a \$50,000 line of credit with Heritage Bank. The line of credit is secured by personal property and bears an interest rate at the bank's prime rate plus 1%, which was 5% at June 30, 2015. The Corporation did not take any draws against the line during the year ending June 30, 2014.

NOTE 7 – NET ASSETS

Investment in Property and Equipment represents the difference between Net Fixed Assets and Mortgage Payable. The Corporation has no permanently restricted net assets. Temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Contributions to be received in the subsequent year	\$ 58,090	\$ 55,383
Unexpended purpose restricted contributions:		
Individual Development Accounts	31,946	31,946
Total Temporarily Restricted Net Assets	\$ 90,036	\$ 87,329

Notes to Financial Statements
June 30, 2015
Peaceful Paths, Inc.

NOTE 8 – CONCENTRATION OF REVENUE SOURCES

The Corporation receives substantial support under annual contracts with the Florida Department of Children and Families and the Florida Coalition Against Domestic Violence. These contracts must be renegotiated at the end of each contract term. The following displays amounts received for the fiscal years ended June 30:

	<u>2015</u>	<u>2014</u>
Florida Coalition Against Domestic Violence	\$ 593,566	\$ 523,633
Florida Department of Children and Families	\$ 2,917,077	\$ 295,918

NOTE 9 – CONTINGENCIES

Several of the Corporation's contracts are structured on a cost-reimbursement basis subject to final approval by the grantor. Revenues recognized on such contracts could possibly be reduced by the amount of any disallowed costs.

NOTE 10 – LEASE

The Corporation rents space for client services in other counties. These leases are month to month. Lease expense was \$6,625 and \$7,481, for the years ending June 30, 2015 and 2014, respectively.

NOTE 11 – ANNUAL EVENT

The Corporation holds its annual fundraising event, Guest Chef, in the spring of each year. Net revenues consist of the following:

Revenue:	<u>2015</u>	<u>2014</u>
Sponsorships & Cash Contributions	\$ 22,702	\$ 10,535
In-kind Contributions	15,644	10,925
Ticket Sales	2,900	3,020
Silent Auction Proceeds	10,275	7,645
Total Revenue	<u>51,521</u>	<u>32,125</u>
Direct Donor Benefits – Deducted from Gross Revenues	<u>(23,210)</u>	<u>(17,772)</u>
Special Event, Net – Reported on the Statement of Activities	28,311	14,353
Related Development Expenses:	<u>(2,312)</u>	<u>(823)</u>
Net Proceeds	<u>\$ 25,999</u>	<u>\$ 13,530</u>

NOTE 12 – RELATED PARTY TRANSACTIONS

The Corporation purchased approximately \$85,000 of goods and services from a company owned by a member of the Board of Directors for the year ending June 30, 2015, and approximately \$76,000 for the year ending June 30, 2014.

NOTE 13 – SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

NOTE 14 – SUBSEQUENT EVENTS

The Corporation has evaluated events and transactions for potential recognition or disclosure through April 12, 2016, which is the date the financial statements were available to be issued.

Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2015
Peaceful Paths, Inc.

FEDERAL AWARDS:	CFDA/ CSFA Number	Contract Number	Expenditures
U.S. Department of Housing and Urban Development:			
Passed through State Department of Children and Families:			
Emergency Solutions Grant Program	14.231	CFZ14	\$ 25,000
Emergency Solutions Grant Program	14.231	CFZ17	39,651
Emergency Solutions Grant Program	14.231	CFZ33	76,454
Program Total			141,105
Supportive Housing Program	14.235	FL0108L4H081205	23,824
Supportive Housing Program	14.235	FL0108L4H081306	64,536
Supportive Housing Program	14.235	FL0108L4H081202	11,791
Supportive Housing Program	14.235	FL0108L4H081303	5,838
Program Total			105,989
Rapid Re-housing	14.257	FL0489L4H081300	9,003
U.S. Department of Justice:			
Passed through State Office of Attorney General:			
Crime Victim Assistance	16.575	V13066	41,371
Crime Victim Assistance	16.575	V048-V14066	120,902
Program Total			162,273
Passed through the Florida Coalition Against Domestic Violence:			
Violence Against Women Formula Grants - <i>Recovery</i>	16.588	15-2217	90,000
Violence Against Women Formula Grants - <i>Recovery</i>	16.588	N/A	1,034
Program Total			91,034
U.S. Department of Health and Human Services:			
Passed through the Florida Coalition Against Domestic Violence:			
Temporary Assistance for Needy Families	93.558	15-2217	146,108
Temporary Assistance for Needy Families	93.558	N/A	600
Program Total			146,708
Family Violence Prevention and Services	93.671	15-2217	46,465
Family Violence Prevention and Services	93.671	N/A	212
Program Total			46,677
Department of Homeland Security:			
Passed through United Way of North Central Florida:			
Emergency Food and Shelter National Board Program	97.024	N/A	6,376
Total Expenditures of Federal Awards			\$ 709,165
STATE FINANCIAL ASSISTANCE			
State Department of Children and Families:			
Fixed Capital Outlay Grants and Aids	N/A	N/A	\$ 2,775,933
Florida Coalition Against Domestic Violence:			
General Revenue Project	15-2217	N/A	194,646
Domestic Violence Trust Fund Project	15-2217	N/A	94,500
Prevention Project	15-2217	N/A	20,000
Total Expenditures of State Financial Assistance			\$ 3,085,079

Note 1 – Awards expended consist of expenses determined in accordance with generally accepted accounting principles and billings on fixed price contracts, if any.

Note 2 – The Corporation did not pass any funds to a sub-recipient.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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MANAGEMENT LETTER

To the Board of Directors,
Peaceful Path, Inc.
Gainesville, FL

Report on the Financial Statements. We have audited the financial statements of the Peaceful Path, Inc. as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated April 12, 2016.

Auditors' 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 April 12, 2016, should be considered in conjunction with this management letter.

Other Matters. 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 did not have any such findings.

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 management, and is not intended to be and should not be used by anyone other than these specified parties.

Kattell and Company, P.L.

April 12, 2016
Gainesville, Florida

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

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,
Peaceful Path, Inc.
Gainesville, FL

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Peaceful Paths, Inc. (Corporation) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's financial statements, and have issued our report thereon dated April 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is 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 were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kattell and Company, P.L.

April 12, 2016

"Not everything that counts can be counted, and not everything that can be counted counts."

- Albert Einstein

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Independent Auditors' 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 the Florida Single Audit Act

Board of Directors
Peaceful Paths, Inc.
Gainesville, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the compliance of Peaceful Paths, Inc. (the Corporation) 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 Service's *State Projects Compliance Supplement*, that could have a direct and material effect on each of the Corporation's major federal programs and state projects for the year ended June 30, 2015. The Corporation'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.

Auditors' Responsibility. Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Florida Single Audit Act. Those standards, OMB Circular A-133, and the Florida Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program and State Project. In our opinion, the Corporation 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, 2015.

Other Matters. The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and the Florida Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major federal program and state project is not modified with respect to these matters.

The Corporation's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Corporation'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 the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Florida Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

Report on Internal Control Over Compliance - (concluded)

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 deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

The Corporation's response to the internal control over compliance findings identified in our audit are included in the attached corrective action plan. The Corrective Action Plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 the Florida Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Kattell and Company, P.L.

April 12, 2016

“Not everything that counts can be counted, and not everything that can be counted counts.”
- Albert Einstein

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
Peaceful Paths, Inc.

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None Reported
Noncompliance material to financial statements?	No

Federal Programs

Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	Yes
Type of auditors’ report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of Major Federal Programs:	
• Emergency Solutions Grant – CFDA #14.231	
• Crime Victim Assistance – CFDA #16.575	
• Violence Against Women Formula Grant – CFDA #16.588	
Other Disclosures:	
• Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
• Auditee qualified as low-risk?	No

State Projects

Internal control over major state projects:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	Yes
Type of auditors’ report issued on compliance for major state projects:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act?	Yes
Identification of Major State Projects:	
• Department of Children and Families Fixed Capital Outlay Grants and Aids	
Other Disclosures:	
• Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
• Auditee qualified as low-risk?	No

Continued on next page.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
Peaceful Paths, Inc.

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Finding Reference #	2015-001
Federal Program	Emergency Solutions Grant
CFDA No.	14.231
Compliance Requirement	Reporting
Type of Finding	Compliance and Significant Deficiency in Internal Control
Questioned Costs	\$0

Finding – The Organization did not accurately report matching dollars.

Context – The Organization received three Emergency Solutions Grants (ESG) during the year. The Organization used reporting templates from the recently completed ESG Contract# CFZ17 to begin reporting for ESG Contract# CFZ33; however, the Organization failed to update the match requirement in the reporting template. As a result, the Organization reported only \$39,651 of match dollars when it should have reported \$76,454.

Effect – We were able to determine that the Organization met its match; therefore there are no questioned costs. However, match dollars were not accurately reported.

Recommendation – The Organization should consider its controls over grant reporting. Specifically, the Organization should consider what review procedures may be added or modified to prevent, or detect and correct, similar human errors.

Section IV – State Award Findings and Questioned Costs

Finding Reference #	2015-002
State Program	Department of Children and Families Fixed Capital Outlay Grants and Aids
Compliance Requirement	Matching/Reporting
Type of Finding	Compliance and Internal Control
Questioned Costs	\$100,000

Finding – Reporting. “Certificate of Partial Payment for Grants and Aids Projects” (Certificates), the periodic reports of financial progress, did not report the full amount of match provided for the project.

Finding – Matching. The Organization provided match of \$1,405,224 instead of the amount listed on the Certificates of \$1,505,224.

Context – The Capital Improvement Grant Program Application provided for a match requirement of \$1,405,224. However, the Letter of Intent/Facility Program document (Letter of Intent) indicates a match requirement of \$1,505,224. It should be noted that mathematical inconsistencies in the Letter of Intent may indicate that a match of \$1,405,224 was intended. Finally, the Certificates reported a required match amount of \$1,505,224.

Effect – The Organization provided match of \$1,405,224. We have reported a questioned cost of \$100,000, the difference between the amount provided and \$1,505,224. In addition, the Organization failed to properly report on the Certificates all of the match it provided.

Recommendation – We have no recommendation as this grant has been closed.

Section V – Summary Schedule of Prior Audit Findings

Federal Single Audit. There were no findings reported for the year ended June 30, 2014. In addition, the findings reported for the year ended June 30, 2013, were listed as corrected in the Summary Schedule of Prior Audit Findings for the year ended June 30, 2014. Therefore, a Summary Schedule of Prior Audit Findings is not required to be included in this reporting package.

State Single Audit. A Florida Single Audit has not been performed in prior years; therefore, no summary schedule of prior audit findings is required.



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800-500-1119	352-377-5690	

Corrective Action Plan

Finding 15-1: We agree with this recommendation and have instituted procedures which reduce this risk.

Finding 15-2: We agree with this finding. Future grant match amounts will be double checked between the award letter and the invoice to ensure accuracy when they are transcribed to invoices. Match documentation will be provided to the funder as requested, and verified through by the Director of Finance.



Theresa Beachy
Executive Director