

DEVEREUX COMMUNITY BASED CARE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

DEVEREUX COMMUNITY BASED CARE, INC.
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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, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 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 23, 2016 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 Marx + Co., P.L.

Gainesville, Florida
November 23, 2016

DEVEREUX COMMUNITY BASED CARE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 2,385,467	\$ 615,740
Grants and contracts receivable	-	1,322,059
Prepaid expenses	123,440	92,079
Total current assets	2,508,907	2,029,878
Furniture and equipment, net	37,719	36,477
Deposits	-	16,365
Restricted cash and cash equivalents - Client trust funds	189,537	276,417
Other non-current assets	50,000	50,000
Total Assets	\$ 2,786,163	\$ 2,409,137
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 1,360,277	\$ 1,260,861
Accrued expenses	455,512	407,548
Due to The Devereux Foundation	379,495	211,683
Deferred revenue	44,903	856
Total current liabilities	2,240,187	1,880,948
Client trust funds	189,537	276,417
Total liabilities	2,429,724	2,157,365
Unrestricted net assets		
Operations	318,720	215,295
Invested in capital assets	37,719	36,477
Total unrestricted net assets	356,439	251,772
Total Liabilities and Net Assets	\$ 2,786,163	\$ 2,409,137

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

DEVEREUX COMMUNITY BASED CARE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Revenues		
Grants and contracts	\$ 27,991,067	\$ 27,891,279
Donations	5,775	2,673
Other	202,944	168,410
Total revenues	28,199,786	28,062,362
Expenses		
Program services	26,278,619	26,109,224
Management and general	1,816,500	1,835,493
Total expenses	28,095,119	27,944,717
Increase in unrestricted net assets	104,667	117,645
Net assets , unrestricted, beginning of period	251,772	134,127
Net assets , unrestricted, end of period	\$ 356,439	\$ 251,772

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, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Bank Charges	\$ -	\$ 20,285	\$ 20,285
Depreciation & Amortization	366	32,454	32,820
Employee Benefits	1,366,541	208,884	1,575,425
Food Service	4,043	33	4,076
Insurance	-	62,111	62,111
Occupancy	1,096,298	137,792	1,234,090
Office	41,492	2,241	43,733
Other	120	15,431	15,551
Public Relations & Advertising	39,237	8,309	47,546
Purchased Services:			
Foster Care	1,724,865	-	1,724,865
Case Management	3,642,688	-	3,642,688
Adoptions	5,699,636	-	5,699,636
Outpatient	855,700	-	855,700
Independent Living	636,397	-	636,397
Residential & Group Care	5,406,624	-	5,406,624
Administrative	122,269	529,224	651,493
Other	840,421	69,669	910,090
Salaries & Wages	4,444,549	714,114	5,158,663
Supplies	80,056	1,884	81,940
Transportation	36,446	1,722	38,168
Travel	240,871	12,347	253,218
Total expenses	<u>\$ 26,278,619</u>	<u>\$ 1,816,500</u>	<u>\$ 28,095,119</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, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 104,667	\$ 117,645
Adjustments to reconcile increase in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation	32,820	27,358
Change in assets and liabilities:		
Grants and contracts receivable	1,322,059	(1,178,035)
Prepaid expenses	(31,361)	(15,391)
Deposits	16,365	6,410
Deferred revenues	44,047	(40,370)
Accounts payable	99,416	175,618
Accrued expenses	47,964	51,706
Due to The Devereux Foundation	167,812	1,179
Client trust funds	(86,880)	191,933
Total adjustments	1,612,242	(779,592)
Net cash provided by (used in) operating activities	1,716,909	(661,947)
Cash flows from investing activities		
Purchases of property and equipment	(34,062)	-
Net increase (decrease) in cash and cash equivalents	1,682,847	(661,947)
Cash and cash equivalents, beginning of period	892,157	1,554,104
Cash and cash equivalents, end of period		
(Including \$189,537 and \$276,417 reported in restricted accounts at June 30, 2016 and 2015, respectively)	\$ 2,575,004	\$ 892,157

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

DEVEREUX COMMUNITY BASED CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(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, 2016 and 2015, and all support and revenue is considered unrestricted for the years ended June 30, 2016 and 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, 2016 AND 2015

(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 23, 2016, the date the financial statements were available to be issued.

DEVEREUX COMMUNITY BASED CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

(m) **Recently issued accounting pronouncements**—The Financial Accounting Standards Board (FASB) issued new or modifications to, or interpretations of, existing accounting guidance during the year ended June 30, 2016. The Organization has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements below, does not believe that any other new or modified principles will have a material impact on the Organization's reported financial position or operations in the near term.

In May 2014, the FASB issued Accounting Standards Update 2014-09: Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The new standard (as amended) is effective for fiscal years beginning after December 15, 2018 and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In February 2016, the FASB issued Accounting Standards Update 2016-02: Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2019 and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August 2016, the FASB issued Accounting Standards Update 2016-14: Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities, including net asset classification requirements and the information presented about an entity's liquidity, financial performance, and cash flows. The new standard is effective for fiscal years beginning after December 15, 2017 and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

(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, 2016, are as follows:

(a) **Cash in bank**—The Organization has demand deposits with a regional bank amounting to \$2,687,218 and \$1,032,979 at June 30, 2016 and 2015, respectively. Uninsured balances totaled \$2,437,218 and \$782,979 at June 30, 2016 and 2015, 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.

DEVEREUX COMMUNITY BASED CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(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) (0.47% and 0.18% at June 30, 2016 and 2015, respectively) plus a margin of 1.00%. There were no advances on this line at June 30, 2016 and 2015.

(5) **Furniture and Equipment:**

Furniture and equipment consist of the following as of June 30, 2016 and 2015:

	2016	2015
Furniture and equipment	\$ 116,135	\$ 82,073
Accumulated depreciation	(78,416)	(45,596)
Net furniture and equipment	\$ 37,719	\$ 36,477

Depreciation expense for the years ended June 30, 2016 and 2015 was \$32,820 and \$27,358, respectively.

(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 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 years ended June 30, 2016 and 2015, the Organization was not required to make any additional contributions to the Trust. For the year ended June 30, 2016, the Organization received a distribution from the trust of \$16,000 and is included in other revenue in the accompanying financial statements.

(7) **Significant Funding Source:**

The Organization receives approximately 55% 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 45% 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.

DEVEREUX COMMUNITY BASED CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(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, 2016, for each of the next five years and in the aggregate are:

Year Ending June 30,	Amount
2017	\$ 550,342
2018	431,899
2019	141,742
2020	-
2021	-
Thereafter	-
Total	\$ 1,123,983

Total rent expense for the years ended June 30, 2016 and 2015, was approximately \$960,000 and \$950,000, respectively.

(9) **Related Party Transactions:**

The Organization is affiliated with The Devereux Foundation d/b/a Devereux Advanced Behavioral Health (Devereux), 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 Devereux in which Devereux provides certain administrative services for the Organization. Fees under this agreement amounted to \$651,493 and \$677,462 in 2016 and 2015, respectively. Devereux 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, Devereux 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 Devereux's consolidated financial statements. At June 30, 2016 and 2015, the Organization owed Devereux \$379,595 and \$211,683, respectively for unpaid fees under the administrative services agreement and other reimbursable expenses. These are reflected as Due to The Devereux Foundation in the accompanying statements of financial position.

(10) **Retirement Plan:**

The Organization, through its affiliation with Devereux, participates in several employee benefit plans administered by Devereux, including a defined contribution retirement plan covering all eligible employees, which is administered by TIAA. To be eligible for an employer contribution, an employee must have completed two years of service, work a minimum of 1,000 hours annually, and be active at the end of the plan year (December 31). Contributions to the plan are generally based on 5% of the employee's compensation, plus a match of employee contributions up to 2% of compensation. These contributions are credited to individual annuity contracts owned by each participant and are charged to expense when earned. Contribution expense was \$168,682 and \$9,235 in 2016 and 2015, respectively.

DEVEREUX COMMUNITY BASED CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(11) **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, 2016

**DEVEREUX COMMUNITY BASED CARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor, Pass-Through Grantor, State Grantor Program Title	CFDA/ CSFA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
FEDERAL AWARDS				
<u>U. S. Department of Health and Human Services:</u>				
Passed through State of Florida				
Department of Children and Families: Promoting Safe and Stable Families	93.556	ZJK85	\$ 474,522	\$ 507,225
Temporary Assistance for Needy Families	93.558	ZJK85	781,206	2,110,197
Grants to States for Access and Visitation Programs	93.597	ZJK85	-	33,327
Chafee Education and Training Vouchers Program (ETV)	93.599	ZJK85	-	29,579
Adoption and Legal Guardianship Incentive Payments	93.603	ZJK85	-	172,098
Stephanie Tubbs Jones Child Welfare Services Program	93.645	ZJK85	252,788	670,247
Foster Care-Title IV-E	93.658	ZJK85	3,204,524	6,985,699
Adoption Assistance	93.659	ZJK85	406,057	3,497,106
Social Services Block Grant	93.667	ZJK85	704,078	1,223,654
Child Abuse and Neglect State Grants	93.669	ZJK85	3,767	3,767
Chafee Foster Care Independence Program	93.674	ZJK85	-	143,665
Medical Assistance Program	93.778	ZJK85	-	79,035
Total Expenditures of Federal Awards			5,826,942	15,455,599
STATE FINANCIAL ASSISTANCE				
<u>State of Florida, Department of Children and Families:</u>				
Sexually Exploited Children	60.138	ZJK85	-	55,750
Out of Home Supports	60.074	ZJK85	227,650	271,558
In Home Supports	60.075	ZJK85	428,011	519,414
Independent Living	60.112	ZJK85	-	495,780
Total Expenditures of State Financial Assistance			655,661	1,342,502
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			6,482,603	16,798,101
STATE MATCHING OF FEDERAL AWARDS				
<u>State of Florida, Department of Children and Families:</u>				
Promoting Safe and Stable Families	93.556	ZJK85	6,287	17,187
Temporary Assistance for Needy Families	93.558	ZJK85	782,219	2,132,611
Chafee Education and Training Vouchers Program (ETV)	93.599	ZJK85	-	7,434
Stephanie Tubbs Jones Child Welfare Services Program	93.645	ZJK85	84,261	223,415
Foster Care-Title IV-E	93.658	ZJK85	2,786,365	5,517,388
Adoption Assistance	93.659	ZJK85	473,596	2,832,188
Chafee Foster Care Independence Program	93.674	ZJK85	-	35,919
Medical Assistance Program	93.778	ZJK85	-	79,034
Block Grants for Community Mental Health Services	93.958	ZJK85	219,738	253,301
State Department of Children and Families	93.XXX	ZJK85	-	123,089
Total Expenditures of State Matching of Federal Awards			4,352,466	11,221,566
TOTAL EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS			\$ 10,835,069	\$ 28,019,667

DEVEREUX COMMUNITY BASED CARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016
(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. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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): De Minimis Indirect Cost Rate Election

Devereux Community Based Care, Inc. does not elect to use the 10% de minimis indirect cost rate as covered in 200.414, *Indirect (F&A)* costs of the Uniform Guidance.

DEVEREUX COMMUNITY BASED CARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016
(Continued)

<u>Subrecipient Entity</u>	<u>Amount Provided To Sub-recipients</u>
4KIDS of South Florida, Inc.	\$ 158,432
A Kid's Place of Tampa Bay, Inc.	101,234
Advoserv - Carlton Palms	182,504
Alternate Care Group, Inc.	10,650
AMI Kids, Inc.	36,315
Attain, Inc.	163,760
Behavior Basics, Incorporated	440,845
Breakthrough Recovery Center, Inc.	14,777
Brighter Features, Inc.	472,520
Brookwood Florida, Inc.	21,660
Camelot Community Care, Inc.	497,382
Center for Drug Free Living, Inc.	300
Changing Tree Wellness Center, LLC	16,715
Children's Home Society	3,463,633
Children's Place at Home Safe	45,270
Choice, Inc.	16,565
Choices House	9,650
Covenant Kids Manor, Inc.	104,721
Eckerd Youth Alternatives	49,022
Everyday Blessings, Inc.	46,960
Exchange Club CASTLE	500,950
Father Flanagan's Boystown Florida, Inc.	631,022
Florida Baptist Children's Home	75,137
Florida Keys Children's Shelter	2,100
Florida Sheriffs Youth Ranches	260,420
Florida United Methodist Church	99,303
For Kidz Sake Programs, Inc.	42,470
Hands of Mercy Everywhere	106,788
Hibiscus Children's Center	1,885,015
LabCorp	4,981
Lifestream Behavioral Center	10,745
Martin County Board of County Commissioners	58,340
Mental Health Association	6,825
Miami Bridge Youth & Family Services, Inc.	2,550
Mount Bethel Human Services Corporation	61,592
New Horizons of the Treasure Coast	3,663
Our Mother's Home of Southwest Florida, Inc.	6,684
Place of Hope, Inc.	335,561
Quest Laboratories	6,861
Real Life Children's Ranch	506,121
Shanlis Counseling & Assessment, Inc.	16,200
St. Augustine Youth Services	14,424
St. Lucie County Drug Screening Lab	86,683
Substance Awareness Council of IRC, Inc.	100,724
Suncoast Mental Health Center	2,182
The Devereux Foundation	95,365
Tradewinds d/b/a ADAP Counseling Services	25,320
Translations USA	33,518
Treasure Coast Counseling Center, Inc.	610
	<u>\$ 10,835,069</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, 2016 and 2015 and the related statement of activities and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated November 23, 2016.

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.C.

Gainesville, Florida
November 23, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE 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) *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 years ended June 30, 2016 and 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major 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.

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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 major state projects for the year ended June 30, 2016.

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 and major state project as a basis for designing 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 the Uniform Guidance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

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

Gainesville, Florida
November 23, 2016

**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, 2016**

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 Uniform Guidance? Yes No

Identification of major programs: CFDA 93.658, Foster Care – Title IV-E

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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, 2016
(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?	___ Yes <u>X</u> No
Identification of major project:	CSFA. 60.075, In Home Supports; 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:

There are no current year audit findings.

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

There are no current year audit findings.

Section V. Prior Audit Findings for Federal Awards for the Year Ended June 30, 2015:

2014-001: Adoption Subsidy Payments – CFDA 93.659

Corrective action taken

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

Corrective action taken

Section VI. Prior Audit Findings for State Financial Assistance for the Year Ended June 30, 2015:

2015-001: 60.138 Sexually Exploited Children and 60.074 Out of Home Supports

Corrective action taken