

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

FINANCIAL REPORT

Years Ended June 30, 2016 and 2015

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying combined financial statements of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc. (nonprofit organizations) which comprise the combined statements of financial position as of June 30, 2016 and 2015 and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Independent Auditor's Report
(Continued)

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc. as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of state earnings, income statement by business unit, schedule of bed-day availability payments, schedule of related party transaction adjustments, schedule of source and expenditure of city grant funds and related notes are presented for additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of financial awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and Chapter 10.650, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October , 2016, on our consideration of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc.'s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc.'s internal control over financial reporting and compliance.

Smook, Davis + Nixon LLP

Jacksonville, Florida
October 26, 2016

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

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

ASSETS	2016				2015			
	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total
Current Assets:								
Cash and cash equivalents	1,575,393	5,361		1,580,754	981,513	117,161		1,098,674
Patient accounts receivable, net	113,036			113,036	65,319			65,319
Public support receivable	1,621,288			1,621,288	1,028,069			1,028,069
Prepaid expenses and other current assets	299,164			299,164	287,421			287,421
Deposits	1,003			1,003	1,003			1,003
Total current assets	<u>3,609,884</u>	<u>5,361</u>	<u>0</u>	<u>3,615,245</u>	<u>2,363,325</u>	<u>117,161</u>	<u>0</u>	<u>2,480,486</u>
Land, buildings and equipment	<u>6,893,772</u>	<u>447,818</u>		<u>7,341,590</u>	<u>6,606,310</u>	<u>457,199</u>		<u>7,063,509</u>
Total assets	<u>10,503,656</u>	<u>453,179</u>	<u>0</u>	<u>10,956,835</u>	<u>8,969,635</u>	<u>574,360</u>	<u>0</u>	<u>9,543,995</u>
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Accounts payable	246,066			246,066	194,376			194,376
Salary and wages payable	228,630			228,630	162,339			162,339
Accrued leave time payable	252,164			252,164	234,613			234,613
Payroll taxes and benefits payable	20,655			20,655	18,837			18,837
Third party payable	33,000			33,000	33,000			33,000
Other	49,472			49,472	47,177			47,177
Total current liabilities	<u>829,987</u>	<u>0</u>	<u>0</u>	<u>829,987</u>	<u>690,342</u>	<u>0</u>	<u>0</u>	<u>690,342</u>
Long-term debt, non-current portion	<u>252,675</u>	<u>0</u>	<u>0</u>	<u>252,675</u>	<u>252,675</u>	<u>0</u>	<u>0</u>	<u>252,675</u>
Net Assets:								
Unrestricted	8,823,276	453,179		9,276,455	7,832,122	574,360		8,406,482
Temporarily restricted	597,718			597,718	194,496			194,496
Total net assets	<u>9,420,994</u>	<u>453,179</u>	<u>0</u>	<u>9,874,173</u>	<u>8,026,618</u>	<u>574,360</u>	<u>0</u>	<u>8,600,978</u>
Total liabilities and net assets	<u>10,503,656</u>	<u>453,179</u>	<u>0</u>	<u>10,956,835</u>	<u>8,969,635</u>	<u>574,360</u>	<u>0</u>	<u>9,543,995</u>

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

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

COMBINED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2016 and 2015

	2016				2015			
	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total
CHANGES IN UNRESTRICTED NET ASSETS:								
Revenues, Gains and Other Support:								
Public Support:								
State ADM grants	7,494,373			7,494,373	6,821,292			6,821,292
Other state and federal grants	1,195,052			1,195,052	1,021,956			1,021,956
Local government grants	2,996,789			2,996,789	1,942,695			1,942,695
Contributions	162,199			162,199	278,977			278,977
Total Public Support	11,848,413	0	0	11,848,413	10,064,920	0	0	10,064,920
Revenues:								
Net patient service revenue	278,684			278,684	207,456			207,456
Interest income	36	212		248	232	45		277
Other revenue	485,180	24,000	(24,000)	485,180	543,583	101,670	(101,670)	543,583
Net assets released from restrictions	452,271		(135,972)	316,299	2,978			2,978
Total Revenues	1,216,171	24,212	(159,972)	1,080,411	754,249	101,715	(101,670)	754,294
Total Unrestricted Revenues, Gains and Other Support	13,064,584	24,212	(159,972)	12,928,824	10,819,169	101,715	(101,670)	10,819,214
Expenses and Losses:								
Program Services:								
Assessment	271,564			271,564	252,900			252,900
Detoxification	1,839,438			1,839,438	1,757,783			1,757,783
Outpatient	1,907,447	145,353	(159,972)	1,892,828	1,142,710	87,051	(101,670)	1,128,091
Research	1,168,209			1,168,209	881,989			881,989
Residential II	2,022,929			2,022,929	2,027,212			2,027,212
Room/Board with Supervision	140,202			140,202	203,896			203,896
Prevention	175,383			175,383	301,719			301,719
Intervention	118,836			118,836	131,385			131,385
Case Management	102,936			102,936	87,703			87,703
Non-ADM services	1,090,372	40		1,090,412	946,327	40		946,367
	8,837,316	145,393	(159,972)	8,822,737	7,733,624	87,091	(101,670)	7,719,045
Supporting Services:								
Clinical support	472,402			472,402	467,624			467,624
Operations support	966,239			966,239	858,250			858,250
Administration	1,797,473			1,797,473	1,655,622			1,655,622
	3,236,114	0	0	3,236,114	2,981,496	0	0	2,981,496
Total Expenses and Losses	12,073,430	145,393	(159,972)	12,058,851	10,715,120	87,091	(101,670)	10,700,541
Increase (decrease) in unrestricted net assets	991,154	(121,181)	0	869,973	104,049	14,624	0	118,673
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:								
Contributions	855,493		(135,972)	719,521	0			0
Net Assets released from restrictions	(452,271)		135,972	(316,299)	(2,978)			(2,978)
Increase (decrease) in temporarily restricted net assets	403,222	0	0	403,222	(2,978)	0	0	(2,978)
Increase (decrease) in total net assets	1,394,376	(121,181)	0	1,273,195	101,071	14,624	0	115,695
Total net assets, beginning of year	8,026,618	574,360	0	8,600,978	7,925,547	559,736	0	8,485,283
Total net assets, end of year	9,420,994	453,179	0	9,874,173	8,026,618	574,360	0	8,600,978

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

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Program Services										Supporting Services				Total	
	Assessment	Detox-ification	Out-patient	Research	Residential	Room & Board with Supervision	Prevention	Intervention	Case Management	Non-ADM	Total Program Services	Clinical Support	Operations Support	Admin-istration		Total Supporting Services
Salaries	152,562	1,244,797	876,984	782,238	1,031,555	67,781	120,577	58,947	46,597	235,911	4,617,949	333,599	508,592	813,616	1,655,807	6,273,756
Fringe benefits	36,852	249,179	194,877	119,995	242,456	16,651	18,034	13,558	10,277	46,015	947,894	46,709	119,625	176,101	342,435	1,290,329
Contract or Temp employees	5,443	2,880	34,811	23,832	5,380	734		2,245	1,865		77,190	698			698	77,888
Total salaries and fringe benefits	194,857	1,496,856	1,106,672	926,065	1,279,391	85,166	138,611	74,750	58,739	281,926	5,643,033	381,006	628,217	989,717	1,998,940	7,641,973
Building occupancy	8,727	49,029	16,564	7,478	225,681	11,572	18,443	2,986	2,111	206,851	549,442	22,522	74,048	86,820	183,390	732,832
Professional services	33,939	629	109,249	160,331	12,584	48	1,200	9,667	5,411	11,237	344,295		25,818	274,948	300,766	645,061
Travel	6,010	572	41,713	27,564	3,872	9	6,702	2,610	2,250		91,302	27	5,497	18,839	24,363	115,665
Equipment costs	1,469	5,826	7,788	1,022	8,928	423	1,835	541	411	19,609	47,852	4,761	7,921	9,069	21,751	69,603
Food Services	17	80,552	512	280	151,187	15,745		23	29	163,490	411,835		13,580	17,643	31,223	443,058
Medical/pharmacy	21,124	65,334	563,786	4,047	9,096	825		25,923	31,983	2,087	724,205	58,144		3,779	61,923	786,128
Insurance	666	9,074	1,646	712	26,000	1,069	3,960	170	77	62,898	106,272	3,005	12,044	75,156	90,205	196,477
Interest											0		39	358	397	397
Operating supplies and expenses	3,613	61,215	30,010	38,164	163,176	15,534	4,144	1,767	1,637	227,593	546,853	2,250	170,363	101,554	274,167	821,020
Other expenses	345	1,894	2,406	2,546	5,463	220	488	150	130	6,904	20,546	314	3,621	110,180	114,115	134,661
Depreciation	797	68,457	12,482		137,551	9,591		249	158	107,817	337,102	373	25,091	109,410	134,874	471,976
Total direct expenses	76,707	342,582	786,156	242,144	743,538	55,036	36,772	44,086	44,197	808,486	3,179,704	91,396	338,022	807,756	1,237,174	4,416,878
Total program expenses	271,564	1,839,438	1,892,828	1,168,209	2,022,929	140,202	175,383	118,836	102,936	1,090,412	8,822,737	472,402	966,239	1,797,473	3,236,114	12,058,851
Clinical support	15,299	103,405	107,462	50,220	114,166	7,926		6,695	5,799	61,430	472,402	(472,402)			(472,402)	0
Operations support	21,845	247,093	153,440	93,973	272,808	18,939	14,108	9,559	8,280	126,194	966,239		(966,239)		(966,239)	0
Administration	55,235	373,321	387,967	237,609	412,171	28,614	35,672	24,171	20,937	221,776	1,797,473			(1,797,473)	(1,797,473)	0
Total expenses	363,943	2,563,257	2,541,697	1,550,011	2,822,074	195,681	225,163	159,261	137,952	1,499,812	12,058,851	0	0	0	0	12,058,851

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

GATEWAY COMMUNITY SERVICES, INC.
AND GATEWAY COMMUNITY SERVICES FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

	Program Services										Supporting Services				Total	
	Assessment	Detox-ification	Out-patient	Research	Residential	Room & Board with Supervision	Prevention	Intervention	Case Management	Non-ADM	Total Program Services	Clinical Support	Operations Support	Admin-istration		Total Supporting Services
Salaries	150,653	1,156,249	743,475	563,451	984,353	95,405	223,985	82,788	56,810	197,552	4,254,721	323,072	445,452	723,331	1,491,855	5,746,576
Fringe benefits	34,932	219,440	165,294	84,849	233,327	23,513	40,422	18,685	12,657	41,177	874,296	42,045	109,188	166,026	317,259	1,191,555
Contract or Temp employees	715		990	24,092	11,860	2,429	100	210	84		40,480	5,693			5,693	46,173
Total salaries and fringe benefits	186,300	1,375,689	909,759	672,392	1,229,540	121,347	264,507	101,683	69,551	238,729	5,169,497	370,810	554,640	889,357	1,814,807	6,984,304
Building occupancy	15,696	47,765	40,085	3,392	263,960	19,254	20,778	7,662	4,946	200,119	623,657	23,480	67,695	113,603	204,778	828,435
Professional services	30,617	1,505	38,205	155,238	12,310	264	800	8,691	3,335	12,717	263,682		25,491	242,763	268,254	531,936
Travel	4,793	2,259	31,817	5,515	4,079	263	5,508	3,222	2,401	245	60,102		5,256	7,290	12,546	72,648
Equipment costs	1,625	5,430	7,421	311	8,482	517	1,528	850	569	20,773	47,506	4,157	5,676	7,645	17,478	64,984
Food Services	30	78,007	399	13	152,410	22,216		34	30	162,145	415,284		10,309	16,384	26,693	441,977
Medical/pharmacy	5,964	121,080	45,922	17,891	9,996	1,176	34	4,466	3,448	664	210,641	58,001		4,453	62,454	273,095
Insurance	3,441	22,039	21,286	7,390	46,920	5,196	4,320	2,201	1,611	39,338	153,742	4,752	25,219	35,436	65,407	219,149
Interest											0		681	40	721	721
Operating supplies and expenses	2,141	38,363	14,288	18,736	162,386	21,298	3,518	1,445	1,078	167,379	430,632	5,521	145,303	72,282	223,106	653,738
Other expenses	1,119	1,434	3,123	531	5,390	316	726	442	247	5,293	18,621	25	4,350	98,845	103,220	121,841
Depreciation	1,174	64,212	15,786	580	131,739	12,049		689	487	98,965	325,681	878	13,630	167,524	182,032	507,713
Total direct expenses	66,600	382,094	218,332	209,597	797,672	82,549	37,212	29,702	18,152	707,638	2,549,548	96,814	303,610	766,265	1,166,689	3,716,237
Total program expenses	252,900	1,757,783	1,128,091	881,989	2,027,212	203,896	301,719	131,385	87,703	946,367	7,719,045	467,624	858,250	1,655,622	2,981,496	10,700,541
Clinical support	16,576	115,209	74,895	38,330	132,868	13,364		8,611	5,748	62,023	467,624	(467,624)			(467,624)	0
Operations support	19,320	234,860	87,297	67,379	270,858	27,243	23,050	10,037	6,700	111,506	858,250		(858,250)		(858,250)	0
Administration	54,141	376,308	244,632	188,818	433,987	43,651	64,592	28,127	18,776	202,590	1,655,622			(1,655,622)	(1,655,622)	0
Total expenses	342,937	2,484,160	1,534,915	1,176,516	2,864,925	288,154	389,361	178,160	118,927	1,322,486	10,700,541	0	0	0	0	10,700,541

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

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

COMBINED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	2016				2015			
	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total	Gateway Community Services, Inc.	Gateway Community Services Foundation, Inc.	Elimination	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in total net assets	1,394,376	(121,181)		1,273,195	101,071	14,624		115,695
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:								
Depreciation and amortization	462,595	9,381		471,976	498,332	9,381		507,713
Gain on sale of land, building and equipment				0		(77,670)		(77,670)
Patient accounts and public support receivable	(640,936)			(640,936)	230,939			230,939
Prepaid expenses and other assets	(11,743)			(11,743)	(139,699)			(139,699)
Accounts payable and accrued expenses	139,645			139,645	(16,541)			(16,541)
Net cash provided by (used in) operating activities	<u>1,343,937</u>	<u>(111,800)</u>	<u>0</u>	<u>1,232,137</u>	<u>674,102</u>	<u>(53,665)</u>	<u>0</u>	<u>620,437</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of land, building and equipment	(750,057)			(750,057)	(873,440)			(873,440)
Proceeds from sale of land, building and equipment				0		127,671		127,671
Net cash provided by (used in) investing activities	<u>(750,057)</u>	<u>0</u>	<u>0</u>	<u>(750,057)</u>	<u>(873,440)</u>	<u>127,671</u>	<u>0</u>	<u>(745,769)</u>
Increase (decrease) in cash and cash equivalents	593,880	(111,800)	0	482,080	(199,338)	74,006	0	(125,332)
Cash and cash equivalents, beginning of year	<u>981,513</u>	<u>117,161</u>	<u>0</u>	<u>1,098,674</u>	<u>1,180,851</u>	<u>43,155</u>	<u>0</u>	<u>1,224,006</u>
Cash and cash equivalents, end of year	<u><u>1,575,393</u></u>	<u><u>5,361</u></u>	<u><u>0</u></u>	<u><u>1,580,754</u></u>	<u><u>981,513</u></u>	<u><u>117,161</u></u>	<u><u>0</u></u>	<u><u>1,098,674</u></u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities:

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

Basis of Combination:

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

Financial Statement Presentation:

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

Unrestricted Net Assets:

Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets:

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

Functional Expense Allocation:

The costs related to the administration of the Organization's programs have been detailed in the statement of functional expenses, and are summarized on a program basis in the statement of activities. Personnel and operating expenses which are associated with a specific program are charged directly to that program.

Personnel and operating expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Administrative expenses represent indirect costs of administering these programs.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Cash and Cash Equivalents:

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

The City of Jacksonville requires a separate bank demand and/or time deposit account for all city funds. The amount of city cash maintained as of June 30, 2016 and 2015 was \$4,770 and \$9,871, respectively.

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 26, 2016, the date the financial statements were available to be issued.

Land, Building and Equipment:

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

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

Periodically, management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Impairment is measured by comparing the carrying amount of the asset to the sum of expected future cash flows (undiscounted and without interest charges) resulting from use of the asset and its eventual disposition. Management believes that there are no impairment losses on long-lived assets as of June 30, 2016 and 2015.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Concentrations of Credit Risk:

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

Public Support:

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

Contributions:

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

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Conditional promises to give are recognized when they become unconditional, that is, when the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value.

The Organization has conditional promises of \$780,000 at June 30, 2016, representing challenge grants to match support raised for its capital campaign.

Contributed Services:

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

Net Patient Service Revenue:

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. (Continued)

Financial Statement Estimates:

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

Income Taxes:

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

The Organization applies generally accepted accounting principles related to income tax uncertainties. The Organization has determined that there were no unrecognized tax benefits for the years ended June 30, 2016 and 2015. The Organization files tax returns in the U.S. federal and state jurisdictions. Tax years that remain subject to examination by major tax jurisdictions are 2013 and forward.

Note 2. Patient Accounts Receivable

The Organization records receivables for services with private insurance and other receivables. A summary of these receivables at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Private insurance	314,591	288,712
Other	13,858	20,457
	328,449	309,169
Less allowance for doubtful accounts	215,413	243,850
	<u>113,036</u>	<u>65,319</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Land, Building and Equipment

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

	2016	2015
Land	984,965	984,965
Building and leasehold improvements	9,680,535	9,545,682
Equipment and furniture	1,983,812	1,760,171
Construction in progress	584,753	193,190
	13,234,065	12,484,008
Less accumulated depreciation	(5,892,475)	(5,420,499)
Land, building and equipment	7,341,590	7,063,509

Depreciation expense for the year ended June 30, 2016 and 2015 was \$471,976 and \$507,713, respectively.

Note 4. Long-Term Debt

Long-term debt obligations are as follows:

	2016	2015
Duval County Finance Authority Note	69,791	69,791
Jacksonville Housing Authority Note	182,884	182,884
	252,675	252,675
Less current portion	0	0
	252,675	252,675

DCFA Note:

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

JHA Note:

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

Interest related to the debt instruments that were charged to expense was \$0 during the years ended June 30, 2016 and 2015.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Operating Leases

The Organization leases buildings and various equipment under non-cancelable operating leases expiring in various years through 2020. Total rental expense under operating leases was approximately \$148,986 and \$148,399 for the years ended June 30, 2016 and 2015, respectively.

As of June 30, 2016, future minimum lease payments under non-cancellable operating leases are as follows:

Year ended June 30, 2017	41,216
2018	35,180
2019	19,012
2020	9,082
2021 and thereafter	0
	<u>104,490</u>

Note 6. Dependency on Governmental Support

The Organization receives a substantial amount of support from federal, state and local governmental agencies. A reduction in the level of future support from the state or local governmental agencies could have a substantial effect on the Organization's programs and activities. The ADM program accounted for approximately 56% and 63% , respectively, of the Organization's revenues for the years ended June 30, 2016 and 2015.

Note 7. Employee Retirement Plan

Effective September 1, 1993, the Organization established a defined contribution retirement plan, which covers all employees meeting certain eligibility requirements. In accordance with the agreement with the retirement fund, employee and employer contributions are a percentage of the participating employees' salary. The Organization's contributions are limited to a percentage of the employee contributions as determined by the Board of Directors on an annual basis. There were no contributions made by the Organization for 2016 and 2015.

Note 8. Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:

	2016	2015
New outpatient building	<u>313,321</u>	<u>0</u>
Depreciation expense on donated building	<u>2,978</u>	<u>2,978</u>
	<u>316,299</u>	<u>2,978</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
New outpatient building	406,200	0
Donated land and building	<u>191,518</u>	<u>194,496</u>
Total	<u><u>597,718</u></u>	<u><u>194,496</u></u>

Note 10. Related Party

Gateway Community Services Foundation, Inc. was formed for the purpose of providing financial and other support services to the Organization. Expenses for both 2016 and 2015 include \$24,000 paid to the Foundation in building rent. In addition, the Foundation made a contribution to Gateway of \$135,972 and \$77,670 at June 30, 2016 and 2015, respectively. Both the building rent and contribution have been eliminated in the combined financial statements.

Note 11. Fair Value Measurements

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

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

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

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

The carrying amounts reflected in the statements of financial position for cash and cash equivalents, patient and public receivables, prepaid expenses and other current assets, accounts payable, accrued expenses and deferred revenue approximates fair value due to the relative terms and/or short maturity of these financial instruments. The fair value of long-term debt at June 30, 2016 and 2015 approximates carrying value due to the imputed interest rates in effect.

SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2016

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Accrued Revenue at June 30, 2015	Cash Received	Disburse- ments/ Expenses	Accrued Revenue at June 30, 2016
FEDERAL PROGRAMS:							
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Passed through LSF Health Systems							
Block Grants for Prevention and Treatment of Substance Abuse	93.959	NE002	2,499,420	227,561	227,561		0
Block Grants for Prevention and Treatment of Substance Abuse	93.959	LS002	2,573,562		2,290,351	2,573,562	283,211
Passed through Florida Alcohol and Drug Abuse Association							
Block Grants for Prevention and Treatment of Substance Abuse	93.959		79,681		50,708	79,681	28,973
				<u>227,561</u>	<u>2,568,620</u>	<u>2,653,243</u>	<u>312,184</u>
Passed through LSF Health Systems							
Block Grant for Community Mental Health	93.958	LS002	7,012	0	6,240	7,012	772
Passed through LSF Health Systems							
Temporary Assistance for Needy Families	93.558	NE002	210,603	16,180	16,180		0
Temporary Assistance for Needy Families	93.558	LS002	228,835		194,985	228,835	33,850
				<u>16,180</u>	<u>211,165</u>	<u>228,835</u>	<u>33,850</u>
Passed through the City of Jacksonville, Florida							
HIV Emergency Relief Project Grants	93.914	9479-35	88,099	28,985	106,946	77,961	0
HIV Emergency Relief Project Grants	93.914	9479-43	88,099		24,882	37,062	12,180
				<u>28,985</u>	<u>131,828</u>	<u>115,023</u>	<u>12,180</u>
Passed through Northeast Florida Healthy Start Coalition							
Maternal and Child Health Services Block Grant to the States	93.994		159,498	22,682	119,209	126,885	30,358
Passed through the University of Miami							
Drug Abuse and Addiction Research Programs	93.279	CTN-0051-XBOT	339,122	84,786	123,474	38,688	0
Drug Abuse and Addiction Research Programs	93.279	CTN-0051-XBOT	258,315		225,131	276,527	51,396
Drug Abuse and Addiction Research Programs	93.279	5U10DA013720-15	21,223	7,290	10,896	3,606	0
				<u>92,076</u>	<u>359,501</u>	<u>318,821</u>	<u>51,396</u>

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

For the Year Ended June 30, 2016

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Accrued Revenue at June 30, 2015	Cash Received	Disburse- ments/ Expenses	Accrued Revenue at June 30, 2016
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	1 H79-TI024370-03	500,000	43,856	169,541	125,685	0
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	1 H79-TI024370-04	500,000		337,361	389,881	52,520
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	1H79-TI025676-01	400,000	22,371	92,024	69,653	0
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	1H79-TI025676-02	400,000		253,080	294,619	41,539
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	1H79-TI025523-01	524,000		234,132	266,369	32,237
				<u>66,227</u>	<u>1,086,138</u>	<u>1,146,207</u>	<u>126,296</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:							
Passed through the City of Jacksonville, Florida Housing Opportunities for Persons with AIDS	14.241	9479-34 (FLH14F001)	65,969	4,863	18,167	13,304	0
Housing Opportunities for Persons with AIDS	14.241	9479-42 (FLH15F001)	75,000		39,139	49,583	10,444
				<u>4,863</u>	<u>57,306</u>	<u>62,887</u>	<u>10,444</u>
U.S. DEPARTMENT OF AGRICULTURE:							
Passed through the Florida Department of Education School Breakfast Program	10.553	01-0364		1,882	14,801	14,752	1,833
Passed through the Florida Department of Education National School Lunch Program	10.555	01-0364		1,881	28,241	28,193	1,833
Total Expenditures of Federal Awards				<u>462,337</u>	<u>4,583,049</u>	<u>4,701,858</u>	<u>581,146</u>

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

For the Year Ended June 30, 2016

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Accrued Revenue at June 30, 2015	Cash Received	Disburse- ments/ Expenses	Accrued Revenue at June 30, 2016
STATE PROJECTS:							
FLORIDA DEPARTMENT OF JUVENILE JUSTICE:							
Passed through First Coast Management Services, Inc.							
Mental Health Services	80.011	X1521		7,875	7,875		0
Mental Health Services	80.011	X1521			87,890	99,510	11,620
				<u>7,875</u>	<u>95,765</u>	<u>99,510</u>	<u>11,620</u>
FLORIDA ALCOHOL AND DRUG ABUSE ASSOCIATION:							
Naltrexone	22.022		819,563	0	521,557	819,563	298,006
FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES							
Passed through LSF Health Systems							
Forensic Services and Competency Restoration Training	60.114	LS002			157	157	0
Total Expenditures of State Projects				<u>7,875</u>	<u>617,479</u>	<u>919,230</u>	<u>309,626</u>
GENERAL STATE FUNDING:							
Passed through LSF Health Systems							
Block Grants for Prevention and Treatment of Substance Abuse		NE002	4,366,052	398,861	398,861		0
Block Grants for Prevention and Treatment of Substance Abuse		LS002	4,683,549		4,050,790	4,551,686	500,896
Block Grants for Prevention and Treatment of Substance Abuse		LS002			118,472	133,121	14,649
							0
Passed through Clay County Behavioral Health Center, Inc.							
Substance Abuse Treatment and Aftercare Services for Adults		59-2219-317			2,958	9,222	6,264
Passed through Northeast Florida Healthy Start Coalition							
Healthy Start/Azalea Project							0
Florida Medicaid Program				43,387	108,045	86,491	21,833
Veterans Administration Revenue				1,913	8,258	6,345	0
Department of Juvenile Justice							
Mental Health and/or Substance Abuse Treatment Services		10121			13,052	13,052	0
Total Expenditures of General State Funding				<u>444,161</u>	<u>4,700,436</u>	<u>4,799,917</u>	<u>543,642</u>

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

For the Year Ended June 30, 2016

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	CFDA CSFA Number	Contract Number	Program or Award Amount	Accrued Revenue at June 30, 2015	Cash Received	Disburse- ments/ Expenses	Accrued Revenue at June 30, 2016
LOCAL ASSISTANCE:							
CITY MENTAL HEALTH AND WELFARE:							
Passed through the City of Jacksonville, Florida							
Alcohol Trust Fund		9479-33	399,989	33,183	108,430	75,247	0
Alcohol Trust Fund		9479-39	399,988		260,717	333,061	72,344
Residential, Homeless, and Transitional Living		9479-31	372,400	34,239	91,440	57,201	0
Residential, Homeless, and Transitional Living		9479-37	372,400		254,014	310,342	56,328
Residential, Homeless, and Transitional Living		9479-30	245,802	18,783	68,895	50,112	0
Residential, Homeless, and Transitional Living		9479-38	245,802		171,926	197,784	25,858
Residential, Homeless, and Transitional Living		9479-40	35,987		15,912	21,010	5,098
Keep Kids Drug Free					16,000	16,000	0
Title XX Day Care					41,514	41,514	0
Duval County Teen and Truancy Court		TIO-24146		5,939	26,109	20,170	0
Passed through the Jacksonville Children's Commission							
Criminal Justice Mental Health and Substance Abuse Reinvestment Grant Program		9479-36	142,791	18,930	125,882	106,952	0
Criminal Justice Mental Health and Substance Abuse Reinvestment Grant Program		9479-36	142,791			19,073	19,073
				<u>111,074</u>	<u>1,180,839</u>	<u>1,248,466</u>	<u>178,701</u>
LOCAL GRANTS:							
Buffalo Valley Research Evaluation				1,667	1,667	0	0
Operation New Hope				955	9,525	10,880	2,310
I.M. Sulzbacher Center for the Homeless						5,863	5,863
				<u>2,622</u>	<u>11,192</u>	<u>16,743</u>	<u>8,173</u>
Total Expenditures of Local Assistance				<u>113,696</u>	<u>1,192,031</u>	<u>1,265,209</u>	<u>186,874</u>
Total Expenditures of Federal Awards and State Financial Assistance and Local Assistance				<u>1,028,069</u>	<u>11,092,995</u>	<u>11,686,214</u>	<u>1,621,288</u>

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

NOTES TO SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS

For The Year Ended June 30, 2016

1. BASIS OF ACCOUNTING

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

The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, *Cost Principles, Audit, and Administrative Requirements for Federal Awards and Department of Financial Services' State Projects Compliance Supplement*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Type A programs are those federal programs and state projects with expenditures greater than or equal to \$750,000 and \$275,722, respectively. All other programs are considered Type B.

2. PASS-THROUGH AWARDS

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

3. TRANSFERS TO SUBRECIPIENTS

The Organization transferred \$22,157 from contract number 1H79-TI024370-03 and \$123,878 from contract number 1H79-TI024370-04 for the fiscal year ended June 30, 2016 to an unrelated third party.

4. MANAGING ENTITY

The Organization paid LSF Health Systems ("managing entity") a fee as part of contract number LS002. The managing entity has a contract with the Florida Department of Children and Family Services in which a 3.8% fee is assessed on the expenditures incurred by the subrecipients. The schedule of awards reflects the net of the fee as the cash was not received from the managing entity.

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

SCHEDULE OF STATE EARNINGS

For the Year Ended June 30, 2016

	<u>2016</u>
1. Total Expenditures	12,073,430
2. Less Other State and Federal Funds	(3,213,020)
3. Less Non-Match SAMH Funds	(4,218,806)
4. Less Unallowable Costs per 65E-14, F.A.C.	<u>(8,093)</u>
5. Total Allowable Expenditures (Sum of lines 1, 2, 3, and 4)	<u><u>4,633,511</u></u>
6. Maximum Available Earnings (Line 5 times 75%)	3,475,133
7. Amount of State Funds Requiring Match	<u>3,274,309</u>
8. Amount Due to Department (Subtract line 7 from 6. If negative, the amount of the difference is due the department up to the amount of line 7.)	<u><u>200,824</u></u>

GATEWAY COMMUNITY SERVICES, INC.

INCOME STATEMENT BY BUSINESS UNIT

For the Year Ended June 30, 2016

	Adult Detox	Adult Outpatient Services at Stocken St.	Adult Residential	Adolescent Detox	Adolescent Outpatient Services	Adolescent Residential	Prevention	Research
REVENUES								
Juvenile Justice Revenue						55,997		
State Revenue	1,153,888	1,285,555	2,130,032	777,127	269,244	1,417,819	328,330	
City and County Revenue	408,308	200,221	119,659		184,268		16,000	
First/Third Party Revenue	76,412	1,080,342	70,416		100,116	44,426		1,470,390
Other Revenue		9,259	75,225		105			
Total revenues	1,638,608	2,575,377	2,395,332	777,127	553,733	1,518,242	344,330	1,470,390
EXPENSES								
Salaries	827,471	786,194	564,838	417,326	338,597	534,498	120,577	782,238
Fringe benefits	155,710	170,367	138,755	93,469	83,385	120,352	18,034	119,995
Contract or Temp employees		22,574	6,114	2,880	11,750			23,832
Total salaries and fringe benefits	983,181	979,135	709,707	513,675	433,732	654,850	138,611	926,065
Building occupancy	46,884	33,960	96,433	2,145	20,272	140,820	18,443	7,478
Professional services	629	74,862	400		83,404	12,232	1,200	160,331
Travel	430	39,918	79	142	12,664	3,802	6,702	27,565
Equipment costs	4,804	6,887	3,525	1,022	3,322	5,826	1,835	1,022
Food Services	77,084	582	131,208	3,468		35,724		280
Medical/pharmacy	54,633	569,205	6,872	10,701	5,257	3,049		4,047
Insurance	9,074	876	8,909		1,683	18,160	3,960	712
Interest								
Operating supplies and expenses	40,147	27,599	129,451	21,068	7,149	49,259	4,144	38,164
Other expenses	1,618	2,306	1,834	276	727	3,849	488	2,546
Depreciation	67,626	2,396	79,928	831	1,909	67,214		
Total direct expenses	302,929	758,591	458,639	39,653	136,387	339,935	36,772	242,145
Total program expenses	1,286,110	1,737,726	1,168,346	553,328	570,119	994,785	175,383	1,168,210
Operating surplus/(deficit) before overhead	352,498	837,651	1,226,986	223,799	(16,386)	523,457	168,947	302,180
OVERHEAD								
Administrative Support	261,590	353,446	238,450	111,731	115,960	202,335	35,672	237,609
Clinical Support	72,457	97,900	66,048	30,948	32,119	56,044		50,220
Maintenance Support	103,458	139,787	94,306	44,189	45,862	80,023	14,108	93,973
Food Services Support	69,683		63,519	29,763		53,899		
Total overhead	507,188	591,133	462,323	216,631	193,941	392,301	49,780	381,802
Operating surplus/(deficit) after overhead	(154,690)	246,518	764,663	7,168	(210,327)	131,156	119,167	(79,622)

Alumni House	Adult Mental Health	Independence Village	Apartments	Administration Support	Clinical Support	Maintenance Operations Support	Food Services Operations Support	Total
								55,997
33,023	99,355							7,494,373
615,439		21,010						1,564,905
6,344	1,175							2,849,621
170,385		140,589	75,028	1,026,019	1,264	500	4,536	1,502,910
825,191	100,530	161,599	75,028	1,026,019	1,264	500	4,536	13,467,806
183,986	10,299	51,924		813,616	333,599	349,258	159,334	6,273,755
35,557	1,811	10,459		176,101	46,709	79,640	39,985	1,290,329
	10,041				698			77,889
219,543	22,151	62,383		989,717	381,006	428,898	199,319	7,641,973
137,640	156	54,692	14,519	86,820	22,522	57,162	16,886	756,832
		2,374	3,316	274,948		25,718	100	645,061
5,547				18,839	27	1,597	3,900	115,665
19,609				9,069	4,761	6,702	1,219	69,603
163,489				17,643			13,580	443,058
1,499	68,355	587		3,779	58,144			786,128
29,511		24,235	9,152	75,156	3,005	9,764	2,280	196,477
				358		39		397
98,234	2,280	117,584	11,774	101,554	2,250	159,231	11,132	821,020
5,593		339	930	110,180	314	3,414	207	134,621
29,551		78,266		109,410	373	18,370	6,721	462,595
490,673	70,791	278,077	39,691	807,756	91,396	281,997	56,025	4,431,457
710,216	92,942	340,460	39,691	1,797,473	472,402	710,895	255,344	12,073,430
114,975	7,588	(178,861)	35,337	(771,454)	(471,138)	(710,395)	(250,808)	1,394,376
144,455	18,904	69,248	8,073	(1,797,473)				0
40,012	5,236	19,181	2,237		(472,402)			0
57,131	7,476	27,387	3,195			(710,895)		0
38,480							(255,344)	0
280,078	31,616	115,816	13,505	(1,797,473)	(472,402)	(710,895)	(255,344)	0
(165,103)	(24,028)	(294,677)	21,832	1,026,019	1,264	500	4,536	1,394,376

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



AUDIT SCHEDULE

Schedule of Bed-Day Availability Payments
For Fiscal Year Ending June 30, 2016

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

Schedule not applicable in fiscal year 2016

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



AUDIT SCHEDULE

**Schedule of Related Party Transaction Adjustments
 for the Fiscal Year Ending June 30, 2016**

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

Schedule not applicable in fiscal year 2016

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2016

Contract #	Contract Period	Total Budget	Receipts/Expenditures		Balance Remaining 2016
Alcohol Trust Fund					
9479-33	10/1/14-9/30/15		10/1/14-6/30/15	7/1/15-9/30/15	
Receipts:		399,989	291,361	108,431	197
Expenditures:					
Salaries which do not include those prohibited by 118.301 {vi, vii}		342,198	281,011	61,187	
Payroll taxes and benefits					
FICA & Med. Tax.		11,533	8,997	2,536	
Health Insurance		8,735	7,421	1,314	
Dental		210	150	60	
Workers Comp		4,468	3,321	1,147	
Group Life		420	327	93	
Occupancy expenses					
Utilities		6,125	4,200	1,728	
Insurance Property & Gen. Liab.		1,600	1,348	252	
Direct client expenses					
Food		24,700	17,769	6,931	
Total Expenditures		399,989	324,544	75,248	197
Alcohol Trust Fund					
9479-39	10/1/15-9/30/16			10/1/15-6/30/16	
Receipts:		399,989		260,717	139,272
Expenditures:					
Salaries which do not include those prohibited by 118.301 {vi, vii}		336,361		282,664	
Payroll taxes and benefits					
FICA & Med. Tax.		11,330		8,890	
Health Insurance		13,000		10,970	
Retirement		1			
Dental		240		200	
Workers Comp		5,352		2,953	
Group Life		505		396	
Occupancy expenses					
Utilities		4,200		3,642	
Insurance Property & Gen. Liab.		2,000		911	
Office Supplies					
Direct client expenses					
Food		27,000		22,435	
Total Expenditures		399,989	0	333,061	66,928

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2016

Contract #	Contract Period	Total Budget	Receipts/Expenditures		Balance Remaining 2016
Residential, Homeless, Detox and Transitional Living					
9479-31 (Prof 2)	10/1/14-9/30/15		10/1/14-6/30/15	7/1/15-9/30/15	
Receipts:		372,400	280,960	91,440	0
Expenditures:					
Salaries which do not include those prohibited by 118.301 {vi, vii}		156,610	124,746	31,864	
Payroll taxes and benefits		31,199	26,203	4,996	
Occupancy expenses					
Utilities		35,010	32,251	2,759	
Maint. & repairs		10,000	10,000		
Office expenses					
Office & other		8,490	8,490		
Postage		1		1	
Printing / Adv		1	1		
Other equip < 1000		1,400	525	875	
Direct client expenses					
Food		85,000	79,466	5,534	
Allocated management and general		44,689	33,517	11,172	
Total Expenditures		372,400	315,199	57,201	0
Residential, Homeless, Detox and Transitional Living					
9479-37	10/1/15-9/30/16			10/1/15-6/30/16	
Receipts:		372,400		254,014	118,386
Expenditures:					
Salaries which do not include those prohibited by 118.301 {vi, vii}		159,080		127,925	
Payroll taxes and benefits		34,714		26,027	
Occupancy expenses					
Utilities		42,416		31,689	
Maint. & repairs		10,000		10,000	
Office expenses					
Office & other		8,490		8,490	
Contract/Prof fees & service		900		900	
Background screenings		100			
Other equip < 1000		2,000		2,000	
Other bank charges		4,800		3,761	
Direct client expenses					
Food		68,000		68,000	
Client personal items		500		500	
Allocated management and general		41,400		31,050	
Total Expenditures		372,400	0	310,342	62,058

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2016

Contract #	Contract Period	Total Budget	Receipts/Expenditures		Balance Remaining 2016
Alumni House					
9479-30 (Prof 1)	10/1/14-9/30/15		10/1/14-6/30/15	7/1/15-9/30/15	
Receipts:		245,802	175,892	68,926	984
Expenditures:					
Salaries which do not include those prohibited by 118.301 {vi, vii}					
Payroll taxes and benefits					
Occupancy expenses					
Rent-occupancy		24,000	18,000	6,000	
Telephone		14,200	9,883	4,317	
Utilities		32,595	22,909	9,161	
Maint. & repairs		22,800	22,800		
Insurance prop. & gen.		13,800	10,438	3,362	
Other taxes & licenses		150	15	135	
Office expenses					
Supplies		7,500	7,500		
Contract./Prof fees & service		900	675	225	
Other equip < 1000		500	500		
Equipment expenses					
Lease & rental		19,790	15,353	4,437	
Vehicle expenses					
Fuel & Maint.		15,500	14,381	1,051	
Insurance		5,300	4,512	788	
Direct client expenses					
Food		61,933	47,386	14,156	
Medical supplies		500	500		
Allocated management and general		26,334	19,853	6,481	
Total Expenditures		245,802	194,705	50,113	984

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2016

Contract #	Contract Period	Total Budget	Receipts/Expenditures		Balance Remaining 2016
Alumni House					
9479-38	10/1/15-9/30/16		10/1/15-6/30/16		
Receipts:		245,802	171,926		73,876
Expenditures:					
Occupancy expenses					
Rent-occupancy		24,000	18,001		
Telephone		7,700	5,754		
Utilities		25,825	20,053		
Maint. & repairs		30,187	29,840		
Insurance Prop. & Gen.		20,480	16,237		
Other Taxes & Licenses		117	117		
Office expenses					
Supplies		5,050	5,050		
Contract./Prof fees & service		900	675		
Other equip < 1000		400	164		
Equipment expenses					
Lease & rental		16,452	14,232		
Vehicle expenses					
Fuel & Maint.		17,325	11,818		
Insurance		7,017	5,084		
Direct client expenses					
Food		63,549	50,534		
Medical supplies		500	500		
Allocated management and general		26,300	19,725		
Total Expenditures		245,802	0	197,784	48,018
Housing Opportunities for Persons with AIDS					
9479-34	10/1/14-9/30/15		10/1/14-6/30/15	7/1/15-9/30/15	
Receipts:		65,969	40,958	18,167	6,844
Expenditures:					
Support Services		61,352	42,358	12,150	
Administrative Costs		4,617	3,463	1,154	
Total Expenditures		65,969	45,821	13,304	6,844

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2016

Contract #	Contract Period	Total Budget	Receipts/Expenditures		Balance Remaining 2016
Housing Opportunities for Persons with AIDS					
9479-42	10/1/15-9/30/16			10/1/15-6/30/16	
Receipts:		75,000		39,128	35,872
Expenditures:					
Support Services		69,750		45,634	
Administrative Costs		5,250		3,938	
Total Expenditures		75,000	0	49,572	25,428
Ryan White - Title I					
9479-35	3/1/15-2/28/16		3/1/15-9/30/15	10/1/15-2/28/16	
Receipts:		137,888	64,541	73,263	84
Expenditures:					
Substance Abuse Services					
Outpatient		7,200	4,116	3,067	
Residential Level II		130,688	95,647	34,974	
Total Expenditures		137,888	99,763	38,041	84
Ryan White - Title I					
9479-43	3/1/16-2/28/17			3/1/16-6/30/16	
Receipts:		84,072		24,882	59,190
Expenditures:					
Substance Abuse Services					
Outpatient		3,569		0	
Residential		80,503		37,062	
Total Expenditures		84,072	0	37,062	47,010

GATEWAY COMMUNITY SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
For the Year Ended June 30, 2016

Contract #	Contract Period	Total Budget	Receipts/Expenditures		Balance Remaining 2016
Criminal Justice Reinvestment Grant					
9479-36	5/1/15-4/30/16		5/1/15-9/30/15	10/1/15-4/30/16	
Receipts:		142,791	47,583	78,516	16,692
Expenditures:					
Salaries and wages		96,000	36,051	59,059	
Payroll taxes and benefits		24,960	9,373	15,355	
Programmatic Supplies		1,800			
Office expenses		11,926	855	1,184	
Capital outlay		4,100			
Other Operating Expenses		4,005	1,304	2,918	
Total Expenditures		142,791	47,583	78,516	16,692
Criminal Justice Reinvestment Grant					
9479-36	5/1/16-4/30/17			5/1/16-6/30/16	
Receipts:		138,076			138,076
Expenditures:					
Salaries and wages		96,000		14,765	
Payroll taxes and benefits		24,960		3,839	
Programmatic Supplies		1,800			
Office expenses		7,211		322	
Professional Development		4,100			
Other Operating Expenses		4,005		147	
Total Expenditures		138,076	0	19,073	119,003

GATEWAY COMMUNITY SERVICES, INC.
 SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
 For the Year Ended June 30, 2016

Contract #	Contract Period	Total Budget	Receipts/Expenditures	Balance Remaining 2016
Independence Village Case Manager				
9479-40	10/1/15-9/30/16		10/1/15-6/30/16	
Receipts:		35,987	15,912	20,075
Expenditures:				
Salaries which do not include those prohibited by 118.301 {vi, vii}		27,000	15,213	
Payroll taxes and benefits		7,175	4,888	
Occupancy expenses				
Telephone		480	309	
Office expenses				
Office & other supplies		600	600	
Local Milage		432		
Background Screenings				
Direct client expenses				
Client Transportation		300		
Total Expenditures		35,987	0 21,010	14,977

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

NOTES TO SCHEDULE OF SOURCE AND EXPENDITURE OF CITY GRANT FUNDS

For The Year Ended June 30, 2016

BASIS OF ACCOUNTING

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

The information in this schedule is presented in accordance with the requirements of Ordinance Code Chapter 118.202(e) of the City of Jacksonville, Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CONTRACT 9479-33

The remaining expenditures balance of \$197 for contract number 9479-33 reflects expenditures not incurred by Gateway Community Services, Inc. (the "Organization") during the contract period and will not be billed to the City of Jacksonville (the "City").

CONTRACT 9479-39

The remaining expenditures balance of \$66,928 for contract number 9479-39 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$139,272 represents both funds to be received from the City for expenditures incurred as of June 30, 2016 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-31

There are no expenditures remaining for contract number 9479-31 during the contract period.

CONTRACT 9479-37

The remaining expenditures balance of \$62,058 for contract number 9479-37 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$118,386 represents both funds to be received from the City for expenditures incurred as of June 30, 2016 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-30

The remaining expenditures balance of \$984 for contract number 9479-30 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

NOTES TO SCHEDULE OF SOURCE AND EXPENDITURE OF CITY GRANT FUNDS

CONTRACT 9479-38

The remaining expenditures balance of \$48,018 for contract number 9479-38 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$73,876 represents both funds to be received from the City for expenditures incurred as of June 30, 2016 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-34

The remaining expenditures balance of \$6,844 for contract number 9479-34 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

CONTRACT 9479-42

The remaining expenditures balance of \$25,428 for contract number 9479-42 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$35,872 represents both funds to be received from the City for expenditures incurred as of June 30, 2016 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

CONTRACT 9479-35

The remaining expenditures balance of \$84 for contract number 9479-35 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the City.

CONTRACT 9479-43

The remaining expenditures balance of \$47,010 for contract number 9479-43 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$59,190 represents both funds to be received from the City for expenditures incurred as of June 30, 2016 and funds to be disbursed by the City for expenses incurred during the remaining contract period.

NOTES TO SCHEDULE OF SOURCE AND EXPENDITURE OF CITY GRANT FUNDS

CONTRACT 9479-36

The remaining expenditures balance of \$16,692 for contract number 9479-36 reflects expenditures not incurred by the Organization during the contract period and will not be billed to the Jacksonville Children's Commission (JCC).

CONTRACT 9479-36, Amendment 2

The remaining expenditures balance of \$119,003 for contract number 9479-36, Amendment 2 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$138,076 represents both funds to be received from the Jacksonville Children's Commission for expenditures incurred as of June 30, 2016 and funds to be disbursed by the JCC for expenses incurred during the remaining contract period.

CONTRACT 9479-40

The remaining expenditures balance of \$14,977 for contract number 9479-40 reflects expenditures to be incurred by the Organization during the remaining contract period. The remaining balance of \$20,075 represents both funds to be received from the City for expenditures incurred as of June 30, 2016 and funds to be disbursed by the City for expenses incurred during the remaining contract period.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc. (the "Organizations") (nonprofit organizations), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements, and have issued our report thereon dated October 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organizations' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smoak, Davis & Nixon LLP

Jacksonville, Florida
October 26, 2016



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

INDEPENDENT AUDITOR'S REPORT
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Report on Compliance for Each Major Federal Program and State Project

We have audited Gateway Community Services, Inc.'s and Gateway Community Services Foundation, Inc.'s (the "Organizations") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Organizations' major Federal programs and State projects for the year ended June 30, 2016. The Organizations' 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 Federal and State statutes, regulations, and the terms and conditions of its Federal awards and State projects applicable to its Federal programs and State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organizations' major Federal programs and State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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")* 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 state project occurred. An audit includes examining, on a test basis, evidence about the Organizations' 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 Organizations' compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Organizations 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, 2016.



INDEPENDENT AUDITOR'S REPORT
REPORT ON COMPLIANCE FOR EACH FEDERAL MAJOR PROGRAM AND STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Report on Internal Control Over Compliance

Management of the Organizations 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 Organizations' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with 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 the Organizations' 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, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Smook, Davis + Nixon LLP

Jacksonville, Florida
October 26, 2016

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS

For the Year Ended June 30, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified				
Internal control over financial reporting:					
Material weakness(es) identified?	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="border-bottom: 1px solid black; width: 100px;"></td> <td style="text-align: center;">Yes</td> <td style="text-align: center; border-bottom: 1px solid black;">X</td> <td style="text-align: center;">No</td> </tr> </table>		Yes	X	No
	Yes	X	No		
Significant deficiency(ies) identified?	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="border-bottom: 1px solid black; width: 100px;"></td> <td style="text-align: center;">Yes</td> <td style="text-align: center; border-bottom: 1px solid black;">X</td> <td style="text-align: center;">None reported</td> </tr> </table>		Yes	X	None reported
	Yes	X	None reported		
Noncompliance material to financial statement noted?	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="border-bottom: 1px solid black; width: 100px;"></td> <td style="text-align: center;">Yes</td> <td style="text-align: center; border-bottom: 1px solid black;">X</td> <td style="text-align: center;">No</td> </tr> </table>		Yes	X	No
	Yes	X	No		

Federal Awards and State Projects

Internal control over major programs:					
Material weakness(es) identified?	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="border-bottom: 1px solid black; width: 100px;"></td> <td style="text-align: center;">Yes</td> <td style="text-align: center; border-bottom: 1px solid black;">X</td> <td style="text-align: center;">No</td> </tr> </table>		Yes	X	No
	Yes	X	No		
Significant deficiency(ies) identified?	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="border-bottom: 1px solid black; width: 100px;"></td> <td style="text-align: center;">Yes</td> <td style="text-align: center; border-bottom: 1px solid black;">X</td> <td style="text-align: center;">None reported</td> </tr> </table>		Yes	X	None reported
	Yes	X	None reported		
Type of auditor's report issued on compliance for major programs:	Unmodified				
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.656 <i>for nonprofit and for-program organizations</i> ?	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="border-bottom: 1px solid black; width: 100px;"></td> <td style="text-align: center;">Yes</td> <td style="text-align: center; border-bottom: 1px solid black;">X</td> <td style="text-align: center;">No</td> </tr> </table>		Yes	X	No
	Yes	X	No		

Identification of major programs:

Federal Program or Cluster	Federal CFDA No.
Block Grants for Prevention and Treatment of Substance Abuse	93.959
State Program	State CFSA No.
Naltrexone	22.022

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS

For the Year Ended June 30, 2016

SUMMARY OF AUDITOR'S RESULTS

Dollar threshold used to distinguish between Type A and Type B programs - Federal Programs:	\$750,000
Dollar threshold used to distinguish between Type A and Type B programs - State Programs:	\$275,722
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance (Not applicable for State projects)?	<u> X </u> Yes <u> </u> No

FINDINGS - FINANCIAL STATEMENTS

None

FINDINGS and QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

None

FINDINGS and QUESTIONED COSTS - MAJOR STATE PROJECTS

None

No management letter is required because there were no findings required to be reported in the management letter.

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal programs or State projects.



SMOAK, DAVIS & NIXON LLP
Certified Public Accountants
Providing Integrated Financial Solutions

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ROBERT T. LOVERICH, CPA, PA
JOHN W. GIEHRL, CPA, PA

October 26, 2016

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

During our audit of the combined financial statements of Gateway Community Services, Inc. and Gateway Community Services Foundation, Inc. for the year ending June 30, 2016, we noted no substantial management letter comments. Accordingly, we have not issued a management letter.

Very truly yours,

SMOAK, DAVIS & NIXON LLP

Robert T. Loverich
Certified Public Accountant