

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

**Combined Financial Statements, Supplementary Financial Information
and Reports as Required by the Comptroller General of the
United States and the Uniform Guidance**

**June 30, 2017 and 2016
(With Independent Auditor's Report Thereon)**

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

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Independent Auditor’s Report on Combined Financial Statements and Supplementary Financial Information

The Board of Directors
Agency for Community Treatment Services, Inc. and Affiliates:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Agency for Community Treatment Services, Inc. and Affiliates (the “Organization”), which comprise the combined statements of financial position as of June 30, 2017 and 2016, and the related combined statements of unrestricted support and revenue, expenses and other changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended, the related combined statement of functional expenses for the year ended June 30, 2017, and the related notes to the combined financial statements.

Management’s Responsibility for the Combined 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 combined 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 Organization’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 Organization’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.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Agency for Community Treatment Services, Inc. and Affiliates as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended, and their functional expenses for the year ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Agency for Community Treatment Services, Inc. and Affiliates' 2016 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated September 15, 2016. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information appearing on pages 26 through 32 and the accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the State of Florida Auditor General*, are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 2, 2017, on our consideration of Agency for Community Treatment Services, Inc. and Affiliates' 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 Agency for Community Treatment Services, Inc. and Affiliates' internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

October 2, 2017
Tampa, Florida

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Combined Statements of Financial Position

June 30, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents (Note 9)	\$ 639,020	655,756
Certificates of deposit (Note 9)	417,045	414,968
Accounts receivable:		
Funding contracts (Note 9)	2,702,235	2,724,020
First and third party	157,210	120,713
Current portion of gifted facilities (Note 3)	106,943	103,119
Inventories	37,469	41,030
Prepaid expenses	<u>346,063</u>	<u>178,960</u>
Total current assets	4,405,985	4,238,566
Property and equipment, net (Notes 2, 4, 5 and 13)	8,044,782	8,145,286
Gifted facilities, less current portion (Note 3)	648,320	755,266
Other assets	<u>145,590</u>	<u>136,372</u>
	<u>\$ 13,244,677</u>	<u>13,275,490</u>

Liabilities and Net Assets	<u>2017</u>	<u>2016</u>
Current liabilities:		
Short-term mortgage note payable (Note 14)	\$ -	137,500
Current installments under capital lease obligations (Note 6)	118,754	106,541
Current installments of long-term debt (Note 4)	302,604	264,259
Accounts payable	761,183	768,698
Accrued salaries and payroll related expenses	507,081	422,238
Other accrued expenses	325	50
	<u>1,689,947</u>	<u>1,699,286</u>
Total current liabilities	1,689,947	1,699,286
Capital lease obligations, excluding current installments (Note 6)	203,562	301,674
Long-term debt, net of unamortized issuance costs, excluding current installments (Note 4)	2,560,119	2,320,429
Deferred payment mortgages (Note 5)	995,743	995,743
	<u>5,449,371</u>	<u>5,317,132</u>
Total liabilities	5,449,371	5,317,132
Net assets:		
Unrestricted:		
Undesignated	3,176,043	3,218,333
Net investment in property and equipment	2,969,619	2,640,458
	<u>6,145,662</u>	<u>5,858,791</u>
Temporarily restricted (Note 7)	1,649,644	2,099,567
	<u>7,795,306</u>	<u>7,958,358</u>
Total net assets	7,795,306	7,958,358
Commitments and contingencies (Notes 6 and 8)		
	<u>\$ 13,244,677</u>	<u>13,275,490</u>

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

**Combined Statements of Unrestricted Support and Revenue, Expenses
and Other Changes in Unrestricted Net Assets**

Years Ended June 30, 2017 and 2016

	2017	2016
Operating support and revenue:		
Public support:		
Contributions	\$ 6,108	4,868
In-kind contributions (Note 10)	1,394,140	1,396,148
	1,400,248	1,401,016
Revenue:		
Reimbursement of direct and indirect costs of providing services by:		
Governmental and other agencies (Note 9)	20,867,094	20,204,868
Medicaid	185,797	211,801
First and third party fees	31,911	60,724
Drug laboratory processing fees	157,251	106,647
Rental income	341,279	297,375
Food stamps	34,910	17,438
Interest income	3,037	1,708
Other income	196,690	190,826
	21,817,969	21,091,387
Net assets released from restrictions:		
Expiration of time restrictions on capital assets	346,801	317,675
Expiration of time restrictions on gifted facility leases	133,791	133,790
	480,592	451,465
Total operating support and revenue	23,698,809	22,943,868
Operating expenses:		
Program services	20,577,247	19,330,120
Supporting services	2,837,416	2,768,111
Total operating expenses	23,414,663	22,098,231
Increase in unrestricted net assets from operations	284,146	845,637
Other changes:		
Donated capital additions	2,735	47,824
Loss on sale of equipment	(10)	(295)
Forgiveness of debt	-	76,000
Increase in unrestricted net assets	\$ 286,871	969,166

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Combined Statements of Changes in Net Assets

Years Ended June 30, 2017 and 2016

	2017	2016
Unrestricted net assets:		
Unrestricted operating support and revenue	\$ 23,218,217	22,492,403
Unrestricted operating expenses	(23,414,663)	(22,098,231)
Net assets released from restrictions	480,592	451,465
Donated capital additions	2,735	47,824
Loss on sale of equipment	(10)	(295)
Forgiveness of debt	-	76,000
Increase in unrestricted net assets	286,871	969,166
Temporarily restricted net assets:		
Contributions	30,669	74,251
Net assets released from restrictions	(480,592)	(451,465)
Decrease in temporarily restricted net assets	(449,923)	(377,214)
Increase (decrease) in net assets	(163,052)	591,952
Net assets at beginning of year	7,958,358	7,366,406
Net assets at end of year	\$ 7,795,306	7,958,358

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Combined Statement of Functional Expenses

**Year Ended June 30, 2017
(With Comparative Totals for 2016)**

	Program Services										Supporting Services	Total Expenses	
	Adult Substance Abuse	Children's Substance Abuse	Adult Mental Health	Juvenile Justice	Jail Diversion	Child Welfare	Housing	Drug Testing	Special Projects	Total Program Services	General & Administrative	2017	2016
Salaries	\$ 2,910,954	2,202,691	352,568	776,987	221,332	675,939	1,530,147	125,324	250	8,796,192	1,310,243	10,106,435	9,208,164
Payroll taxes and employee benefits	498,488	398,100	61,069	139,989	40,604	131,456	266,737	24,181	22	1,560,646	272,779	1,833,425	1,663,444
Total salaries and related expenses	3,409,442	2,600,791	413,637	916,976	261,936	807,395	1,796,884	149,505	272	10,356,838	1,583,022	11,939,860	10,871,608
Professional services	330,079	360,260	27,845	19,145	3,998	12,255	103,986	5,097	-	862,665	147,398	1,010,063	895,203
Occupancy	615,074	587,736	151,692	66,551	28,890	76,737	1,695,999	14,411	-	3,237,090	90,721	3,327,811	3,327,158
Travel	11,660	38,845	2,633	6,142	4,433	3,971	35,742	-	-	103,426	34,093	137,519	133,622
Equipment costs	77,418	35,099	27,743	6,923	3,973	15,984	82,134	3,268	-	252,542	94,500	347,042	336,804
Food	591,263	349,251	85,727	10,269	-	49,342	97,085	-	-	1,182,937	17,122	1,200,059	1,094,037
Medical and pharmacy	57,326	11,152	3,965	1,564	-	656	73,428	(19,761)	283,814	412,144	-	412,144	441,792
Subcontractors	58,197	101,723	19,378	202,866	138,046	3,938	-	37,304	-	561,452	115,041	676,493	728,631
Insurance	125,240	102,009	21,310	20,846	5,919	23,069	133,659	7,176	35	439,263	95,424	534,687	553,265
Operating supplies and expenses	201,360	227,325	30,435	65,736	11,927	69,961	162,331	164,156	350	933,581	370,994	1,304,575	1,197,888
In-kind expenses (Note 10)	114,970	1,203,532	71,668	-	-	-	3,970	-	-	1,394,140	-	1,394,140	1,396,148
Interest	25,141	35,466	2,411	8,227	-	1,958	13,860	2,499	-	89,562	112,824	202,386	209,947
Other	2,611	31	3,449	30	73	93	21,857	2,250	-	30,394	32,748	63,142	90,602
Total expenses before depreciation and amortization	5,619,781	5,653,220	861,893	1,325,275	459,195	1,065,359	4,220,935	365,905	284,471	19,856,034	2,693,887	22,549,921	21,276,705
Depreciation and amortization	220,671	189,216	29,509	58,788	311	7,173	214,367	1,178	-	721,213	143,529	864,742	821,526
Total expenses before allocation of general and administrative expenses	5,840,452	5,842,436	891,402	1,384,063	459,506	1,072,532	4,435,302	367,083	284,471	20,577,247	2,837,416	23,414,663	22,098,231
Allocation of general and administrative expenses	805,345	805,619	122,916	190,850	63,362	147,892	611,588	50,617	39,227	2,837,416	(2,837,416)	-	-
Total expenses	\$ 6,645,797	6,648,055	1,014,318	1,574,913	522,868	1,220,424	5,046,890	417,700	323,698	23,414,663	-	23,414,663	22,098,231

See accompanying independent auditor's report and notes to combined financial statements.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Combined Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (163,052)	591,952
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	864,742	821,526
Donated capital additions	(2,735)	(47,824)
Loss on sale of equipment	10	295
Forgiveness of debt	-	(76,000)
Decrease (increase) in accounts receivable	(14,712)	(670,297)
Decrease in gifted facilities	103,122	101,691
Decrease (increase) in inventories	3,561	(13,753)
Decrease (increase) in prepaid expenses and other assets	(176,321)	25,300
Increase (decrease) in accounts payable	(7,515)	94,688
Increase in accrued expenses	85,118	87,028
	692,218	914,606
Net cash provided by operating activities	692,218	914,606
Cash flows from investing activities (Note 15):		
Reinvested interest earned on certificates of deposit	(2,077)	(122)
Purchases of property and equipment	(173,743)	(695,487)
Proceeds from sale of equipment	-	1,450
	(175,820)	(694,159)
Net cash used in investing activities	(175,820)	(694,159)
Cash flows from financing activities (Note 15):		
Principal payments on short-term mortgage note payable	(137,500)	-
Principal payments on long-term debt	(285,386)	(257,884)
Principal payments on capital lease obligations	(110,248)	(93,141)
	(533,134)	(351,025)
Net cash used in financing activities	(533,134)	(351,025)
Net decrease in cash and cash equivalents	(16,736)	(130,578)
Cash and cash equivalents at beginning of year	655,756	786,334
Cash and cash equivalents at end of year	\$ 639,020	655,756
Supplemental cash flow information:		
Cash paid for interest	\$ 202,730	210,275

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2017 and 2016

(1) Description of Organization and Summary of Significant Accounting Policies

(a) Description of Organization

Agency for Community Treatment Services, Inc. (“ACTS” or the “Agency”) was incorporated as a Florida not-for-profit organization in 1978. The mission of ACTS is to increase public awareness of substance abuse and its effects and to provide and manage a range of prevention, intervention, treatment, psychosocial and supportive services related to substance abuse and mental health. In addition to substance abuse and mental health services, ACTS administers program services related to child welfare, the homeless, juvenile offenders and others. ACTS provides these services throughout central and south Florida. ACTS Affordable Housing, Inc., an affiliate of ACTS, began operations in 2010, providing maintenance services to the Agency’s affordable housing programs. Flagship Manor, LLC, ACTS Affordable Housing, LLC, and ACTS Jersey Gardens GP, LLC were formed in 2015, 2016, and 2017, respectively, to develop multi-unit housing facilities for persons with special needs.

Funding is provided by the State of Florida Department of Children and Families, Central Florida Behavioral Health Network, Inc., the U.S. Department of Housing and Urban Development, the U.S. Department of Health and Human Services, Eckerd, Inc., Child Net, Inc., the Veteran’s Administration, Hillsborough County, the State of Florida Department of Juvenile Justice, City of Tampa, Managed Care Medicaid Plans, commercial insurance plans, and program service fees and contributions.

(b) Principles of Combination

The combined financial statements include the financial statements of Agency for Community Treatment Services, Inc., ACTS Affordable Housing, Inc., ACTS Affordable Housing, LLC, Flagship Manor, LLC, and Jersey Gardens GP, LLC (collectively, “ACTS”). All significant inter-organizational balances and transactions have been eliminated in combination.

(c) Basis of Accounting

These combined financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on ACTS as a whole and to present net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Unrestricted net assets* consist of unrestricted amounts that are available for use in carrying out the operations of ACTS.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements - Continued

(1) Description of Organization and Summary of Significant Accounting Policies - Continued

(c) Basis of Accounting - Continued

- *Temporarily restricted net assets* represent those amounts which are not available until future periods or are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of unrestricted support and revenue, expenses and other changes in unrestricted net assets as net assets released from restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

(d) Comparative Financial Information

The combined statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's combined financial statements for the year ended June 30, 2016, from which the summarized information was derived.

(e) Cash Equivalents

For purposes of the statements of cash flows, ACTS considers all highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents.

(f) Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. ACTS provides for losses on accounts receivable using the allowance method. The allowance is based on uncollected funds from billings to patients, insurance companies, Medicaid or governmental agencies for services provided to patients. Funding contracts receivable represents uncollected funds from various grants and contracts for services provided to patients. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Agency's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements - Continued

(1) Description of Organization and Summary of Significant Accounting Policies - Continued

(g) Inventories

Inventories consist of pharmacy and drug testing supplies and are stated at the lower of cost or market using the first-in, first-out method.

(h) Property and Equipment

Property and equipment with a cost in excess of \$1,000 are capitalized, if purchased, or at estimated market value at date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, except for leasehold improvements, which are amortized over the shorter of the lease term or the useful life of the leased asset. Equipment held under capital leases is amortized straight-line over the estimated useful life of the leased asset.

Property acquired with governmental funds is considered to be owned by ACTS while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as the ownership of any proceeds therefrom is subject to applicable regulations.

(i) Income Taxes

ACTS has been recognized as exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code (the "Code"). Therefore, no provision for income taxes has been presented in these combined financial statements. ACTS has not reported any unrelated business income; however, such status is subject to final determination upon examination, if any, of the related income tax returns by the appropriate taxing authorities.

The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax filings for tax years after 2013 remain subject to examination by federal and state taxing authorities.

(j) Functional Expense Allocations

The costs of providing ACTS' various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs, such as salaries and other expenses which benefit more than one program are allocated among the programs and supporting services benefitted. Administrative expenses are allocated to the various programs based on each program's total modified direct expenses.

(k) Donated Materials, Facilities and Services

Donated materials are reflected in the accompanying combined financial statements at their estimated fair market value at date of receipt. Donated facilities represent the estimated fair rental value of facilities leased by ACTS under original lease terms of less than one year. Donations of services are recorded as support at their estimated fair value if the services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements - Continued

(1) Description of Organization and Summary of Significant Accounting Policies - Continued

(l) Estimates in Combined Financial Statements

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(m) Fair Value of Financial Instruments

The fair values of the Agency's financial instruments which include cash, funding contracts receivable, patient accounts receivable, other receivables, accounts payable, and long-term debt approximate their carrying amounts as presented in the accompanying combined statements of financial position.

(n) Subsequent Events

ACTS has evaluated subsequent events through October 2, 2017, the date the combined financial statements were available for issuance.

(2) Property and Equipment

Property and equipment consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Land	\$ 2,020,863	1,794,938	-
Buildings and improvements	10,545,555	10,147,666	10 - 40 years
Vehicles	707,494	704,759	5 - 10 years
Leasehold improvements	2,054,015	2,057,425	5 - 15 years
Equipment and furniture	<u>2,195,509</u>	<u>2,181,867</u>	4 - 5 years
	17,523,436	16,886,655	
Less accumulated depreciation and amortization	<u>9,478,654</u>	<u>8,741,369</u>	
	<u>\$ 8,044,782</u>	<u>8,145,286</u>	

Depreciation expense for the years ended June 30, 2017 and 2016 was \$854,246 and \$810,314, respectively.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements - Continued

(3) Gifted Facilities

Gifted facilities represent the present value of the excess of the aggregate fair rental value of building leases over below market rent payments due under two leases with original lease terms in excess of one year. In 2000, ACTS executed a lease for 18,650 square feet in the Drew Park area of Tampa, Florida for approximately \$5 per square foot. In June 2015, the Drew Park lease was extended to June 2025. In 2006, ACTS executed a 10-year lease for 14,715 square feet in Mulberry, Florida at no cost from the State of Florida Department of Children and Families. In June 2011, the Mulberry lease was extended to June 2021.

Recognition of the fair values of these leases is summarized as follows:

	<u>Drew Park Facility</u>	<u>Mulberry Facility</u>	<u>Total</u>
Balances at June 30, 2015	\$ 678,193	281,883	960,076
Recognition of annual fair value of gifted building leases	23,763	8,336	32,099
Recognition of rent expense for the year ended June 30, 2016	<u>(82,123)</u>	<u>(51,667)</u>	<u>(133,790)</u>
Balances at June 30, 2016	619,833	238,552	858,385
Recognition of annual fair value of gifted building leases	23,731	6,938	30,669
Recognition of rent expense for the year ended June 30, 2017	<u>(82,123)</u>	<u>(51,668)</u>	<u>(133,791)</u>
Balances at June 30, 2017	561,441	193,822	755,263
Current portion of gifted facilities	<u>60,771</u>	<u>46,172</u>	<u>106,943</u>
Gifted facilities, less current portion	<u>\$ 500,670</u>	<u>147,650</u>	<u>648,320</u>

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements - Continued

(4) Long-Term Debt

Long-term debt consists of the following at June 30, 2017 and 2016:

	2017	2016
4.95% mortgage note payable to a commercial bank due in monthly installments of \$21,834, including interest, through February 2027; secured by real property; net of unamortized issuance costs of \$15,549 and \$17,172.	\$ 2,002,973	2,160,125
4% construction mortgage note payable to a commercial bank due in monthly installments of \$5,654, including interest, through January 2020; secured by real property; net of unamortized issuance costs of \$2,467 and \$3,453.	161,004	220,992
Mortgage note payable to Florida Community Loan Fund, Inc., modified in June 2014, due in monthly installments of \$5,481, including interest at 5.5% through June 2020; secured by real property.	177,978	232,082
4.62% mortgage note payable to a commercial bank due in monthly installments of \$3,555, including interest, through January 2027; secured by real property.	538,784	-
Total long-term debt	2,880,739	2,613,199
Less current installments	302,604	264,259
Less unamortized debt issuance costs	18,016	28,511
Long-term debt, excluding current installments	\$ 2,560,119	2,320,429

ACTS has a revolving line of credit with BB&T that allows ACTS to borrow up to \$900,000 at the greater of the bank's prime rate (4.25% at June 30, 2017) or 4%. The line matures in April 2018 and is secured by all of the Agency's accounts receivable and depository accounts.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements - Continued

(4) Long-Term Debt - Continued

The 4.95% mortgage note payable agreement with BB&T includes covenants that require ACTS to maintain certain financial ratios and restrict the ability of ACTS to, among other things, incur additional debt. ACTS was not in compliance with one of these covenants at June 30, 2017, however, ACTS obtained a waiver from BB&T so the non-compliance had no effect on the classification of the outstanding debt. The 4.95% mortgage note payable also includes prepayment penalties of 5% in the first year after the date of the note, then decreasing by one percent each year thereafter and then finally 1% in years five through seven.

In fiscal 2017, ACTS adopted new authoritative GAAP guidance for the presentation of debt issuance costs and related amortization. Debt issuance costs are now reported on the combined statement of financial position as a direct deduction from the face amount of debt. Previously, such costs were shown as a deferred charge, and fiscal year 2016 amounts have been reclassified as deduction from debt, as shown in the table above. Accordingly, total fiscal year 2016 assets and liabilities have been retroactively reduced by the same amount.

ACTS continues to reflect amortization of debt issuance costs as interest expense, in accordance with the new guidance.

This change had no effect on previously-reported net assets or change in net assets.

The aggregate maturities of long-term debt for each of the five years subsequent to June 30, 2017 and thereafter are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 302,604
2019	317,733
2020	302,307
2021	212,837
2022	223,685
Thereafter	<u>1,521,573</u>
	<u>\$ 2,880,739</u>

(5) Deferred Payment Mortgages

In 2011, Pasco County provided financing through a \$300,000 deferred payment mortgage funded by the federal Community Development Block Grant Program. As a condition of the funding, ACTS must continue to provide services to persons earning less than 80% of the area median income, with substance abuse and mental health disorders at this location for a period of thirty years through June 2041.

In 1999, the City of Tampa provided financing through a \$110,000 deferred payment mortgage for projects funded by the HUD Supportive Housing Program. As a condition of the HUD funding, ACTS must continue to provide supportive housing or supportive services to homeless persons at this location for a period of twenty years through January 2019.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements - Continued

(5) Deferred Payment Mortgages - Continued

In 2000, the City of Tampa has provided financing through a \$35,300 deferred payment mortgage for projects funded by the HUD Community Development Block Grant (CDBG) Program. As a condition of the HUD funding, ACTS must continue to provide HUD services at this location for a period of twenty years through February 2020.

In 2012, ACTS assumed responsibility for deferred payment mortgage funded by the Hillsborough Achievement and Resource Center, Inc. provided through Hillsborough County. In 2015, the deferred payment mortgage was modified to increase the indebtedness to \$287,943, funded by the Neighborhood Stabilization Program. As a condition of the funding, ACTS must acquire and rehabilitate apartments which will be rented to persons earning less than 120% of the area median income, with 3 units being limited to persons earning less than 50% of the area median income. ACTS must provide affordable supportive housing for a period of fifteen years.

In 2014, ACTS assumed responsibility for a \$262,500 deferred payment mortgage funded by the Home Investment Partnership Program provided through the City of Tampa. As a condition of the funding, ACTS must provide three residential units which will be rented to persons with disabilities or mental illness and provide case management and support services. ACTS must provide affordable supportive housing and supporting services at this location through March 2024.

The City of Tampa has provided financing through a \$76,000 deferred payment mortgage for projects funded by the HUD Community Development Block Grant Program. As a condition of the HUD funding, ACTS must continue to provide HUD services at this location for a period of twenty years. In fiscal year 2016, the loan was forgiven upon satisfaction of that requirement.

(6) Leases

ACTS is obligated under capital leases for office equipment that expire over the next three years. ACTS also has several non-cancellable operating leases, primarily for office space, that expire over the next eight years. Security deposits related to such leases are included in other assets. Rental expense on all operating leases was approximately \$1,864,000 and \$1,815,000 in fiscal 2017 and 2016, respectively.

At June 30, 2017, the gross amount of office equipment and related accumulated amortization recorded under the capital leases were \$557,128 and \$276,488, respectively. At June 30, 2016, the gross amount of office equipment and related accumulated amortization recorded under the capital leases were \$532,779 and \$159,101, respectively. Amortization of assets held under the capital lease is included in depreciation expense.

In fiscal 2015, ACTS entered into a license agreement with another non-profit organization to provide services for homeless, formerly homeless, low income and medically underserved residents at a health center in Hillsborough County. The licensing agreement may be terminated at any time with notice by either party. Licensing expense for use of the facility for the year ended June 30, 2017 and 2016 was approximately \$60,000. Licensing expense has been reflected in the accompanying combined statement of functional expenses as a component of occupancy expense.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements - Continued

(6) Leases - Continued

Future minimum lease payments under non-cancellable operating leases (with initial or remaining terms in excess of one year) and the present value of future minimum capital lease payments as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2018	\$ 154,396	194,700	349,096
2019	138,794	199,300	338,094
2020	92,832	204,100	296,932
2021	-	205,600	205,600
2022	-	173,600	173,600
Thereafter	-	747,900	747,900
Total minimum lease payments	386,022	<u>1,725,200</u>	<u>2,111,222</u>
Less amount representing interest	<u>63,706</u>		
Present value of capital lease obligation	322,316		
Less current installments under capital lease obligation	<u>118,754</u>		
Obligation under capital lease, excluding current installments	<u>\$ 203,562</u>		

(7) Temporary Restrictions on Net Assets

Temporary restrictions on net assets as of June 30, 2017 and 2016 relate to the following:

	<u>2017</u>	<u>2016</u>
Gifted facilities	\$ 755,263	858,385
Facilities and equipment subject to time restrictions	<u>894,381</u>	<u>1,241,182</u>
	<u>\$ 1,649,644</u>	<u>2,099,567</u>

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements - Continued

(8) Contingencies

The Organization has been notified of potential claims arising in the ordinary course of its operations. Management believes that any liability incurred in connection with these claims would be nominal in amount and limited to the deductible under the Organization's insurance policies.

The Organization routinely enters into grant agreements and contracts with governmental agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Organization's program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Organization's combined financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying combined financial statements.

(9) Funding and Credit Concentrations

Substantially all of the Organization's activities are supported by funds provided by the State of Florida, including pass-through awards received from Central Florida Behavioral Health Network, Inc., under performance and fixed-rate contracts. The Organization also receives direct federal support from the Department of Housing and Urban Development, and local support from Hillsborough County. At June 30, 2017, the Organization's receivables from three funding sources represented approximately 80% of funding contract receivables. Revenues from two local, state, and federal contract awards represented approximately 68% of total unrestricted support and revenue for the year ended June 30, 2017. At June 30, 2016, the Organization's receivables from two funding sources represented approximately 63% of funding contract receivables. Revenues from two local, state, and federal contract awards represented approximately 71% of total unrestricted support and revenue for the year ended June 30, 2016.

The Organization maintains several deposit accounts with what management believes to be a high credit quality financial institution. The total of these balances exceeded federal insurance limits by approximately \$1,184,000 and \$995,000 as of June 30, 2017 and 2016, respectively.

(10) In-Kind Contributions

The values of in-kind contributions included in the accompanying combined financial statements and the corresponding in-kind expenses for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Consultants	\$ 908,540	908,540
Counseling services	271,047	271,047
Facilities and landscaping	185,757	188,377
Food and dietary supplies	15,875	13,425
Clothing and other supplies	12,921	14,759
	\$ 1,394,140	1,396,148

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements - Continued

(11) Pension Plan

Effective January 1991 and most recently restated July 2015, the Organization adopted a 403(b) retirement plan (the "Plan") under which employees may contribute the maximum allowed by the Internal Revenue Code. Employees are eligible for matching contributions once they have completed one year of service. The Plan requires matching contributions of up to 5% of participants' compensation. Effective January 1, 2017, the Plan was amended to a modified three year vesting period for participants' rights to matching contributions. Previously, participants' rights to matching contributions vested over a five year period. Participants' rights to matching contributions will not have a reduction in their vested percentage due to this amendment. For the year ended June 30, 2017, retirement plan expense was approximately \$56,000. There was no retirement plan expense for the year ended June 30, 2016.

(12) Matching Requirements

The Organization receives a substantial portion of its support from various funding sources which required a local match. These funding sources include: the State of Florida Department of Children and Families, Central Florida Behavioral Health Network, Inc., and the U.S. Department of Housing and Urban Development (HUD) under the Supportive Housing Program. The Organization has satisfied all matching requirements through local grants and by incurring sufficient eligible expenses.

(13) Joint Ownership and Occupancy Agreement

Under a revised joint ownership and occupancy agreement, ACTS and Drug Abuse Comprehensive Coordinating Office, Inc. (DACCO), a nonprofit corporation, operate a facility at 3107 North 50th Street in Tampa, Florida. ACTS licenses the facility to another provider who provides mental health residential treatment services and DACCO operates a residential program for the Department of Corrections.

During fiscal 2014, ACTS and DACCO amended this agreement in connection with capital improvements funded in disproportionate amounts. As a result, the amended agreement redefines ownership interests used to calculate each entity's share of sales proceeds upon the future sale of the property such that DACCO would be entitled to its original 50% share plus the unamortized balance of the fair value of their improvements made during fiscal 2014.

(14) Short-Term Mortgage Note Payable

In fiscal 2016, ACTS acquired land through its affiliate, Flagship Manor, LLC, for the purpose of developing a multi-unit housing complex. The purchase price was \$275,000 and involved a cash down payment of \$137,500 and a mortgage note payable of \$137,500 due in March 2017. The balance of the short-term mortgage note payable was \$0 and \$137,500 as of June 30, 2017 and 2016, respectively.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Combined Financial Statements - Continued

(15) Noncash Investing and Financing Activities

In fiscal 2017, ACTS financed the acquisition of a multi-unit housing complex in the amount of \$552,925 and financed the acquisition of equipment under a capital lease agreement in the amount of \$24,349. In fiscal 2016, ACTS financed \$137,500 of the purchase price for the multi-unit housing complex described in Note 14.

SUPPLEMENTARY FINANCIAL INFORMATION

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2017

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract Grant Number	Total Expenditures	Transfers to Subrecipients
U.S. Department of Housing and Urban Development				
Continuum of Care (COC) Program	14.267	FL0052L4H031508 FL0011L4H011508 FL0048L4H031506 FL0048L4H031405 FL0156L4H171508 FL0351L4H011506 FL0499L4H011502 FL0499L4H011401 FL0384L4H031504 FL0384L4H161403 FL0427L4H191502 FL0427L4H191402 FL0553L4H031500	\$ 55,379 120,690 62,420 37,616 153,003 185,825 1,065,908 742,465 113,034 93,857 201,177 82,966 95,632	- - - - - - - - - - - - -
Passed-through Tampa Hillsborough Homeless Initiative: Emergency Solutions Grants Program	14.231	F-ESG	22,692	-
Continuum of Care (COC) Program	14.267	FL0547L4H011500	162,066	-
Passed-through the City of Tampa: <i>CDBG - Entitlement Grants Cluster:</i> Community Development Block Grants/Entitlement Grants	14.218	N/A	<u>35,300</u>	<u>-</u>
Total CDBG - Entitlement Grants Cluster			35,300	-
Supportive Housing Program	14.235	N/A	110,000	-
Home Investment Partnerships Program	14.239	N/A	262,500	-
Housing Opportunities for Persons with AIDS	14.241	2016-751 2015-873	48,590 14,488	- -
Passed-through Pasco County, Florida: Community Development Block Grants/Entitlement Grants	14.218	N/A	300,000	-
Passed-through Hillsborough County, Florida: Neighborhood Stabilization Program	14.264	N/A	<u>287,943</u>	<u>-</u>
Subtotal - U.S. Department of Housing and Urban Development			4,253,551	-
U.S. Department of Health and Human Services				
Passed-through Central Florida Behavioral Health Network, Inc.: <i>TANF Cluster:</i> Temporary Assistance for Needy Families (TANF)	93.558	QB001-16	<u>207,702</u>	<u>-</u>
Total TANF Cluster			207,702	-
State Targeted Response to the Opioid Crisis Grants	93.788	QB001-16	20,993	-
Block Grants for Community Mental Health Services	93.958	QB001-16	80,606	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	QB001-16	5,157,753	-

(Continued)

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract Grant Number	Total Expenditures	Transfers to Subrecipients
U.S. Department of Health and Human Services				
Passed-through Tampa Family Health Centers: <i>Health Center Program Cluster:</i>				
Consolidated Health Centers	93.527	N/A H80CS00407	\$ 10,000 <u>82,500</u>	- -
Total Health Center Program Cluster			92,500	-
Passed-through Florida Alcohol and Drug Abuse Association: Block Grants for Prevention and Treatment of Substance Abuse				
	93.959	N/A	10,206	-
Passed-through ChildNet, Inc.: Foster Care-Title IV-E				
	93.658	ACT16RGC Clothing Allowance	333,773 1,932	- -
Social Services Block Grant				
	93.667	ACT16RGC Clothing Allowance	236,183 <u>1,367</u>	- -
Subtotal - U.S. Department of Health and Human Services			6,143,015	-
U.S. Department of Veteran Affairs				
VA Homeless Providers Grant and Per Diem Program				
	64.024	99-80-FL	<u>371,163</u>	-
Subtotal - U.S. Department of Veteran Affairs			371,163	-
U.S. Department of Justice				
Passed-through Drug Abuse Cooperative Coordinating Office: Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories				
	16.803	ITN-09-10/11-002	<u>31,007</u>	-
Subtotal - U.S. Department of Justice			31,007	-
U.S. Department of Agriculture				
Passed-through Florida Department of Agriculture and Consumer Services: <i>Child Nutrition Cluster:</i>				
School Breakfast Program (SBP)	10.553	01-0295	25,231	-
National School Lunch Program (NSLP)	10.555	01-0295	<u>39,589</u>	-
Total Child Nutrition Cluster			64,820	-
Subtotal - U.S. Department of Agriculture			<u>64,820</u>	-
Total Federal Expenditures			<u>\$ 10,863,556</u>	<u>-</u>

(Continued)

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSEA Number	Contract Grant Number	Total Expenditures	Transfers to Subrecipients
State of Florida, State Courts System				
Passed-through Florida Alcohol and Drug Abuse Association: Naltrexone	22.022	N/A	\$ 428,965	-
Subtotal - State of Florida, State Courts System			<u>428,965</u>	<u>-</u>
State of Florida, Department of Children and Families				
Passed-through ChildNet, Inc.: Out-of-Home Supports	60.074	ACT16RGC Clothing Allowance	1,576 9	- -
Passed-through Mental Health Care, Inc.: Forensic Services and Competency Restoration Training	60.114	N/A	12,500	-
Centralized Receiving Systems	60.163	N/A	252,000	-
Passed-through Hillsborough County, Florida: Criminal Justice, Mental Health, and Substance Abuse Reinvestment Grant	60.115	N/A	97,574	34,900
Passed-through Central Florida Behavioral Health Network, Inc.: Forensic Services and Competency Restoration Training	60.114	QB001-16	<u>78,749</u>	<u>-</u>
Subtotal - State of Florida, Department of Children and Families			<u>442,408</u>	<u>34,900</u>
Total Expenditures of State Financial Assistance			<u>\$ 871,373</u>	<u>34,900</u>

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Summarized by Federal Programs and State Projects**

Year Ended June 30, 2017

CFDA/ CSFA Number	Federal Program/State Project	Total
	<i>Child Nutrition Cluster:</i>	
10.553	School Breakfast Program (SBP)	\$ 25,231
10.555	National School Lunch Program (NSLP)	39,589
	Total Child Nutrition Cluster	<u>64,820</u>
	<i>CDBG - Entitlement Grants Cluster:</i>	
14.218	Community Development Block Grants/Entitlement Grants	335,300
	Total CDBG - Entitlement Grants Cluster	<u>335,300</u>
	<i>Health Center Program Cluster:</i>	
93.224	Consolidated Health Centers	92,500
		<u>92,500</u>
	<i>TANF Cluster:</i>	
93.558	Temporary Assistance for Needy Families (TANF)	207,702
	Total TANF Cluster	<u>207,702</u>
14.231	Emergency Solutions Grants Program	22,692
14.239	Home Investment Partnerships Program	262,500
14.235	Supportive Housing Program	110,000
14.241	Housing Opportunities for Persons with AIDS	63,078
14.264	Neighborhood Stabilization Program	287,943
14.267	Continuum of Care (COC) Program	3,172,038
16.803	Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	31,007
64.024	VA Homeless Providers Grant and Per Diem Program	371,163
93.658	Foster Care-Title IV-E	335,705
93.667	Social Services Block Grant	237,550
93.788	State Targeted Response to the Opioid Crisis Grants	20,993
93.958	Block Grants for Community Mental Health Services	80,606
93.959	Block Grants for Prevention and Treatment of Substance Abuse	<u>5,167,959</u>
	Total Federal Expenditures	<u>\$ 10,863,556</u>
22.022	Naltrexone	\$ 428,965
60.074	Out-of-Home Supports	1,585
60.114	Forensic Services and Competency Restoration Training	91,249
60.115	Criminal Justice, Mental Health, and Substance Abuse Reinvestment Grant	97,574
60.163	Centralized Receiving Systems	<u>252,000</u>
	Total Expenditures of State Financial Assistance	<u>\$ 871,373</u>

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2017

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of Agency for Community Treatment Services, Inc. and Affiliates (collectively, the “Center”) under programs of the federal and state government for the year ended June 30, 2017. 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) and Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of Agency for Community Treatment Services, Inc. and Affiliates, it is not intended to and does not present the combined financial position, changes in net assets or cash flows of Agency for Community Treatment Services, Inc. and Affiliates.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Agency for Community Treatment Services, Inc. and Affiliates has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

**Substance Abuse & Mental Health Services, Program/Cost Center Actual Expenses and Revenues Schedules
Part I: Actual Funding Sources and Revenues**

Year Ended June 30, 2017

State-Designated SAMH Cost Centers
State SAMH-Funded Cost Centers
Combined Substance Abuse/Mental Health

Funding Sources & Revenue	Assessment Adult/ Children	Drop-In/ Self-Help Centers	Intervention Adult/ Children	Medical Services	Outpatient Adult/ Children	Outreach Adult/ Children	Prevention Children	Residential Level II Adult/ Children	Residential Level III Adult/ Children	Substance Abuse Detox Adult/ Children
IA. State SAMH Funding										
Contract #QB001-16	\$ 440	88,000	906,319	316,995	240,710	548,965	217,729	2,813,117	202,443	4,349,569
Central Receiving Systems	-	-	-	-	-	-	-	-	-	-
MHCI-EODI	-	-	-	-	-	-	-	-	-	-
CJMHSR Reinvestment Grant	-	-	-	-	-	-	-	-	-	-
Behavioral Health Fee	-	-	12,019	-	-	-	-	-	13,553	-
Total State SAMH Funding	440	88,000	918,338	316,995	240,710	548,965	217,729	2,813,117	215,996	4,349,569
IB. Other Government Funding										
(1) Other state agency funding	-	-	-	-	-	-	-	52,784	-	12,036
(2) Medicaid	65	-	-	126	12,918	-	-	-	-	8,334
(3) Local governments	-	-	-	-	89,620	-	-	798,648	40,851	-
(4) Federal contracts	-	-	-	-	-	-	-	-	371,163	-
(5) In-kind from local government	-	-	-	-	-	-	-	453,731	-	-
Total other government funding	65	-	-	126	102,538	-	-	1,305,163	412,014	20,370
IC. All Other Revenues										
(1) 1st & 2nd party payments	1,524	-	-	-	1,751	-	-	31,124	25,721	1,120
(2) 3rd party payments	-	-	-	1	1,795	-	-	36,910	2,575	9,350
(3) Medicare	-	-	-	-	-	-	-	-	-	-
(4) Contributions	-	-	-	-	-	-	-	6,938	14,713	-
(5) Other	390	-	-	-	31,032	-	-	-	463,079	103
(6) In-kind	-	-	-	-	-	-	-	27,899	-	-
Total for all other revenues	1,914	-	-	1	34,578	-	-	102,871	506,088	10,573
Total funding	\$ 2,419	88,000	918,338	317,122	377,826	548,965	217,729	4,221,151	1,134,098	4,380,512

(Continued)

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

**Substance Abuse & Mental Health Services, Program/Cost Center Actual Expenses and Revenues Schedules
Part I: Actual Funding Sources and Revenues - Continued**

Funding Sources & Revenue	State-Designated SAMH Cost Centers State SAMH-Funded Cost Centers Combined Substance Abuse/Mental Health					Total for Non-State- Funded SAMH Cost Centers	Total for all State Designated SAMH Cost Centers	Non- SAMH Cost Center	Total Funding
	Incidentals Adult	Aftercare Adult	Room & Board Level III Adult	Recovery Support Adult/ Children	Total for State SAMH- Funded Cost Centers				
IA. State SAMH Funding									
Contract #QB001-16	\$ 28,439	22,003	993,181	92,782	10,820,692	-	10,820,692	-	10,820,692
Central Receiving Systems	-	-	-	-	-	-	-	252,000	252,000
MHCI-EODI	-	-	-	-	-	-	-	12,500	12,500
CJMHS A Reinvestment Grant	-	-	-	-	-	-	-	97,574	97,574
Behavioral Health Fee	-	-	-	-	25,572	-	25,572	-	25,572
Total State SAMH Funding	28,439	22,003	993,181	92,782	10,846,264	-	10,846,264	362,074	11,208,338
IB. Other Government Funding									
(1) Other state agency funding	-	-	-	-	64,820	-	64,820	2,642,457	2,707,277
(2) Medicaid	-	882	-	2,937	25,262	-	25,262	160,535	185,797
(3) Local governments	-	18,521	-	1,293	948,933	-	948,933	1,485,192	2,434,125
(4) Federal contracts	-	-	-	308,879	680,042	-	680,042	3,257,808	3,937,850
(5) In-kind from local government	-	-	-	-	453,731	-	453,731	-	453,731
Total other government funding	-	19,403	-	313,109	2,172,788	-	2,172,788	7,545,992	9,718,780
IC. All Other Revenues									
(1) 1st & 2nd party payments	-	-	-	-	61,240	-	61,240	295,457	356,697
(2) 3rd party payments	-	107	-	393	51,131	-	51,131	272	51,403
(3) Medicare	-	-	-	-	-	-	-	-	-
(4) Contributions	-	-	9,018	-	30,669	-	30,669	8,843	39,512
(5) Other	-	-	-	-	494,604	-	494,604	539,452	1,034,056
(6) In-kind	-	-	-	-	27,899	-	27,899	912,510	940,409
Total for all other revenues	-	107	9,018	393	665,543	-	665,543	1,756,534	2,422,077
Total funding	\$ 28,439	41,513	1,002,199	406,284	13,684,595	-	13,684,595	9,664,600	23,349,195

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

**Substance Abuse & Mental Health Services, Program/Cost Center Actual Expenses and Revenues Schedules
Part II: Actual Expenses**

Year Ended June 30, 2017

State-Designated SAMH Cost Centers
State SAMH-Funded Cost Centers
Substance Abuse/Mental Health Combined

Expense Categories	Assessment Adult/ Children	Drop-In/ Self-Help Centers	Intervention Adult/ Children	Medical Services	Outpatient Individual Adult/ Children	Outreach Adult/ Children	Prevention Children	Residential Level II Adult/ Children	Residential Level III Adult/ Children	Substance Abuse Detox Adult/ Children	Incidentals Adult
IIA. Personnel Expenses											
Salaries	\$ 25,784	23,425	413,855	123,322	252,345	196,473	142,740	1,501,519	414,529	1,708,928	-
Payroll taxes and benefits	4,588	1,706	74,615	17,562	44,324	31,874	24,648	280,017	82,474	279,579	-
Total personnel costs	30,372	25,131	488,470	140,884	296,669	228,347	167,388	1,781,536	497,003	1,988,507	-
IIB. Other Expenses											
Building occupancy	684	43,278	53,383	73,908	5,871	46,712	10,903	629,980	220,552	348,883	-
Professional services	492	192	10,106	58,122	13,199	13,139	3,721	102,692	7,822	494,157	-
Travel	37	-	21,402	193	4,877	1,470	2,028	14,490	846	3,191	-
Equipment	16	16,123	48,166	363	9,284	474	251	85,953	29,023	44,104	-
Food services	-	69	37	-	128	18	8	456,699	229,302	199,343	-
Medical and pharmacy	-	-	1,403	-	-	295	413	22,513	898	44,001	-
Subcontracted services	2,093	2,900	59,740	-	10,437	13,329	434	17,334	-	7,700	15,150
Insurance	518	2,301	11,972	12,386	4,677	8,842	3,608	89,764	27,042	66,242	-
Interest	672	-	3,017	2,194	4,139	9,733	977	6,647	1,380	30,523	-
Operating supplies and expenses	406	3,190	73,315	12,663	12,130	34,606	9,391	111,949	36,538	121,298	-
Other	-	435	-	-	-	-	-	748	-	1,176	3,382
In-kind	-	-	908,540	-	-	-	-	481,630	-	-	-
Total other expenses	4,918	68,488	1,191,081	159,829	64,742	128,618	31,734	2,020,399	553,403	1,360,618	18,532
Total personnel and other expenses	35,290	93,619	1,679,551	300,713	361,411	356,965	199,122	3,801,935	1,050,406	3,349,125	18,532
IIC. Distributed Indirect Costs											
Administration	4,866	12,909	231,595	41,466	49,835	49,222	27,457	524,252	144,841	461,814	2,555
Total actual operating expenses	40,156	106,528	1,911,146	342,179	411,246	406,187	226,579	4,326,187	1,195,247	3,810,939	21,087
IID. Unallowable Costs											
Unallowable costs	-	-	-	-	-	-	-	72,023	16,121	-	-
Total allowable operating expenses	\$ 40,156	106,528	1,911,146	342,179	411,246	406,187	226,579	4,254,164	1,179,126	3,810,939	21,087
III. Capital Expenditures											
Capital expenditures	\$ -	632,500	14,504	-	-	-	-	18,950	-	27,734	-

(Continued)

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

**Substance Abuse & Mental Health Services, Program/Cost Center Actual Expenses and Revenues Schedules
Part II: Actual Expenses - Continued**

Expense Categories	State-Designated SAMH Cost Centers State SAMH-Funded Cost Centers Substance Abuse/Mental Health Combined								
	Aftercare Adult	Room & Board Level III Adult	Recovery Support Adult/ Children	Total for State SAMH- Funded Cost Centers	Total for Non-State- Funded SAMH Cost Centers	Total for all State Designated SAMH Cost Centers	Non-SAMH Cost Center	Administration	Total
IIA. Personnel Expenses									
Salaries	\$ 30,528	300,585	174,314	5,308,347	-	5,308,347	3,487,845	1,310,243	10,106,435
Payroll taxes and benefits	5,619	52,730	33,174	932,910	-	932,910	627,736	272,779	1,833,425
Total personnel costs	36,147	353,315	207,488	6,241,257	-	6,241,257	4,115,581	1,583,022	11,939,860
IIB. Other Expenses									
Building occupancy	945	130,526	100,358	1,665,983	-	1,665,983	2,051,078	122,631	3,839,692
Professional services	738	5,210	5,881	715,471	-	715,471	147,194	147,398	1,010,063
Travel	522	1,202	346	50,604	-	50,604	52,822	34,093	137,519
Equipment	6	27,260	11,034	272,057	-	272,057	221,727	206,119	699,903
Food services	-	80,398	60,239	1,026,241	-	1,026,241	156,696	17,122	1,200,059
Medical and pharmacy	-	2,703	116	72,342	-	72,342	339,802	-	412,144
Subcontracted services	-	-	-	129,117	-	129,117	432,335	115,041	676,493
Insurance	930	12,436	6,399	247,117	-	247,117	192,146	95,424	534,687
Interest	829	1,167	1,740	63,018	-	63,018	26,544	112,824	202,386
Operating supplies and expenses	787	26,886	9,497	452,656	-	452,656	480,925	370,994	1,304,575
Other	-	-	-	5,741	-	5,741	24,653	32,748	63,142
In-kind	-	-	-	1,390,170	-	1,390,170	3,970	-	1,394,140
Total other expenses	4,757	287,788	195,610	6,090,517	-	6,090,517	4,129,892	1,254,394	11,474,803
Total personnel and other expenses	40,904	641,103	403,098	12,331,774	-	12,331,774	8,245,473	2,837,416	23,414,663
IIC. Distributed Indirect Costs									
Administration	5,640	88,402	55,584	1,700,438	-	1,700,438	1,136,978	(2,837,416)	-
Total actual operating expenses	46,544	729,505	458,682	14,032,212	-	14,032,212	9,382,451	-	23,414,663
IID. Unallowable Costs									
Unallowable costs	-	18,667	-	106,811	-	106,811	318,917	-	425,728
Total allowable operating expenses	\$ 46,544	710,838	458,682	13,925,401	-	13,925,401	9,063,534	-	22,988,935
III. Capital Expenditures									
Capital expenditures	\$ -	3,502	-	697,190	-	697,190	23,381	37,935	758,506

See accompanying independent auditor's report.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Schedule of State Earnings

Year Ended June 30, 2017

1.	Total expenditures	\$ 23,414,663
2.	Less: other state and federal funds	6,830,924
3.	Less: non-match SAMH funds	9,645,776
4.	Less: unallowable costs	<u>425,728</u>
5.	Total allowable expenditures	6,512,235
6.	Maximum available earnings	4,884,176
7.	Amount of state funds requiring match	<u>1,452,488</u>
8.	Amount due to Department	<u><u>\$ -</u></u>

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Schedule of Bed-Day Availability Payments

Year Ended June 30, 2017

Program	Cost Center	State Contract Rate	Total Units of Service Provided	Total Units of Service Paid for by 3rd Party Contracts, Local Gov't or Other State Agencies	Maximum # of Units Eligible for Payment by the Department	Amount Paid for Services by the Department	Maximum Value of Units in Column F	Amount Owed to Department
A	B	C	D	E	F	G	H	I
Children's substance abuse	Substance Abuse Detox	\$ 281	7,300	59	7,241	\$ 1,442,060	2,034,721	-
Adult substance abuse	Substance Abuse Detox	281	10,950	21	10,929	2,907,509	3,071,049	-

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Schedule of Related Party Transaction Adjustments*

Year Ended June 30, 2017

**There were no related party transaction adjustments for the year ended June 30, 2017.*

INTERNAL CONTROL AND COMPLIANCE



**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Combined Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
Agency for Community Treatment Services, Inc. and Affiliate:

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 Agency for Community Treatment Services, Inc. and Affiliates, which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of unrestricted support and revenue, expenses and other changes in unrestricted net assets, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated October 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Agency for Community Treatment Services, Inc. and Affiliates' 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 Agency for Community Treatment Services, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Agency for Community Treatment Services, Inc. and Affiliates' 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 Organization'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.

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 Agency for Community Treatment Services, Inc. and Affiliates' combined financial statements are free from material misstatement, we performed tests of their 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

October 2, 2017
Tampa, Florida



**Independent Auditor’s Report on Compliance for Each Major Federal Program
and State Project and on Internal Control Over Compliance Required by the Uniform
Guidance and Chapter 10.650, Rules of the State of Florida Auditor General**

The Board of Directors
Agency for Community Treatment Services, Inc. and Affiliate:

Report on Compliance for Each Major Federal Program and State Project

We have audited Agency for Community Treatment Services, Inc. and Affiliates’ 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 its major federal program and state projects for the year ended June 30, 2017. Agency for Community Treatment Services, Inc. and Affiliates’ major federal program and state projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs and state projects.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for Agency for Community Treatment Services, Inc. and Affiliates’ major federal program and state project 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 of America; 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 State of Florida Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650 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 Agency for Community Treatment Services, Inc. and Affiliates’ 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 Agency for Community Treatment Services, Inc. and Affiliates’ compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Agency for Community Treatment Services, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and state projects for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Agency for Community Treatment Services, Inc. and Affiliates 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 Agency for Community Treatment Services, Inc. and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, 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 Agency for Community Treatment Services, Inc. and Affiliates' 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 a 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.

Mayer Hoffman McCann P.C.

October 2, 2017
Tampa, Florida

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

(A) Summary of Audit Results

The Auditor's report expresses an unmodified opinion on the combined financial statements of Agency for Community Treatment Services, Inc. and Affiliates.

1. No significant deficiencies relating to the audit of the combined financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with *Government Auditing Standards*.
2. No instances of noncompliance material to the combined financial statements of Agency for Community Treatment Services, Inc. and Affiliates were disclosed during the audit.
3. No significant deficiencies in internal control over compliance relating to the major federal program or state projects are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*.
4. The Auditor's report on compliance for the major federal award program and state projects expresses an unmodified opinion.
5. Audit findings relative to the major federal award program and state projects for Agency for Community Treatment Services, Inc. and Affiliates are reported in Part C and Part D of this schedule.
6. The programs tested as a major federal program and major state projects were:

Federal Program:

Continuum of Care (COC) Program – CFDA No. 14.267

State Projects:

Naltrexone - CSFA 22.022

Central Receiving Systems - CSFA 60.163

7. The threshold for distinguishing Types A and B programs was \$750,000 for major federal programs and \$261,415 for major state projects.
8. Agency for Community Treatment Services, Inc. and Affiliates was determined to be a low-risk auditee.

**AGENCY FOR COMMUNITY TREATMENT SERVICES, INC.
AND AFFILIATES**

Schedule of Findings and Questioned Costs - Continued

(B) Findings - Audit of Financial Statements

None.

(C) Findings and Questioned Costs - Major Federal Award Program Audit

None.

(D) Findings and Questioned Costs - Major State Financial Assistance Projects

None.

(E) Other Issues

A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to a major federal program or state project.



The Board of Directors
Agency for Community Treatment Services, Inc. and Affiliates:

Report on Combined Financial Statements

We have audited the combined financial statements of Agency for Community Treatment Services, Inc. and Affiliates as of and for the year ended June 30, 2017, and have issued our report thereon dated October 2, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 State of Florida Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with *Government Auditing Standards*, our Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 2, 2017, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the combined financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not identify any such findings.

Purpose of This Letter

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

Mayer Hoffman McCann P.C.

October 2, 2017
Tampa, Florida