

**CHILD GUIDANCE CENTER, INC.
AND CHILD GUIDANCE FOUNDATION, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016



CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Child Guidance Center, Inc. and Child Guidance Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Child Guidance Center, Inc. and Child Guidance Foundation, Inc. (nonprofit organizations) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of Directors of
Child Guidance Center, Inc. and Child Guidance Foundation, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Guidance Center, Inc. and Child Guidance Foundation, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by 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.

The accompanying schedule of the City of Jacksonville public service grants is presented for purposes of additional analysis as required by the City of Jacksonville 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.

To the Board of Directors of
Child Guidance Center, Inc. and Child Guidance Foundation, Inc.
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of Child Guidance Center, Inc.'s and Child Guidance Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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 Child Guidance Center, Inc.'s and Child Guidance Foundation, Inc.'s internal control over financial reporting and compliance.

Magers & Associates, LLC

Magers & Associates, LLC
Orange Park, FL
December 11, 2017

CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,134,665	\$ 1,665,630
Accounts receivable	337,913	311,513
Grants and contracts receivable	431,445	388,063
Prepaid expenses and other current assets	<u>158,437</u>	<u>83,449</u>
TOTAL CURRENT ASSETS	<u>2,062,460</u>	<u>2,448,655</u>
PROPERTY AND EQUIPMENT, NET	<u>1,693,082</u>	<u>1,844,673</u>
OTHER ASSETS		
Investments in joint ventures	<u>19,050</u>	<u>19,050</u>
TOTAL OTHER ASSETS	<u>19,050</u>	<u>19,050</u>
TOTAL ASSETS	<u>\$ 3,774,592</u>	<u>\$ 4,312,378</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 284,829	\$ 306,694
Accrued compensated absences	253,359	274,794
Estimated third party settlements	190,955	200,151
Current portion of notes payable	<u>23,078</u>	<u>21,860</u>
TOTAL CURRENT LIABILITIES	<u>752,221</u>	<u>803,499</u>
Notes payable - long term	<u>352,718</u>	<u>374,569</u>
TOTAL LIABILITIES	<u>1,104,939</u>	<u>1,178,068</u>
NET ASSETS		
Unrestricted	<u>2,669,653</u>	<u>3,134,310</u>
TOTAL NET ASSETS	<u>2,669,653</u>	<u>3,134,310</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,774,592</u>	<u>\$ 4,312,378</u>

See accompanying notes to financial statements.

CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>UNRESTRICTED NET ASSETS</u>		
Public support:		
Department of Children and Families	\$ 684,320	\$ 755,063
Lutheran Services Florida, Inc.	770,309	867,594
Jacksonville Children's Commission	653,929	647,717
Family Support Services of North Florida, Inc.	173,209	361,654
United Way of Northeast Florida	19,414	45,245
Other	434,802	58,692
Contributions	<u>177,039</u>	<u>186,926</u>
Total unrestricted public support	<u>2,913,022</u>	<u>2,922,891</u>
Revenues:		
Medicaid	4,451,612	4,581,234
Client and other third party fees	234,953	276,754
Interest	1,190	1,011
Miscellaneous	<u>49,836</u>	<u>39,532</u>
Total revenues	<u>4,737,591</u>	<u>4,898,531</u>
Total unrestricted public support and revenues	<u>7,650,613</u>	<u>7,821,422</u>
Expenses		
In home/On site	1,195,201	1,461,143
Intervention	1,118,342	932,833
Outpatient	2,838,243	2,819,651
Case Management	1,220,368	1,249,318
Outpatient Medical	799,014	544,421
Community Action Team	725,141	637,452
Supporting/Administrative	102,588	58,390
Child Guidance Foundation	<u>116,373</u>	<u>108,234</u>
Total expenses	<u>8,115,270</u>	<u>7,811,442</u>
 (DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	 (464,657)	 9,980
NET ASSETS, UNRESTRICTED, BEGINNING OF YEAR	<u>3,134,310</u>	<u>3,124,330</u>
NET ASSETS, UNRESTRICTED, END OF YEAR	<u>\$ 2,669,653</u>	<u>\$ 3,134,310</u>

See accompanying notes to financial statements.

CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Increase (decrease) in net assets	\$ (464,657)	\$ 9,980
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	202,309	213,647
Amortization	513	513
Gain on disposal of assets	23,438	349
(Increase) decrease in operating assets:		
Accounts receivable	(26,400)	34,486
Grants and contracts receivable	(43,382)	(89,556)
Prepaid expenses and other current assets	(74,988)	71,488
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(21,865)	79,883
Accrued compensated absences	(21,435)	(18,930)
Change in estimate of third party settlements	(9,196)	24,632
Net cash provided by operating activities:	<u>(435,663)</u>	<u>326,492</u>
Cash flows used in investing activities:		
Long-term investments	-	20,000
Purchases of property and equipment	(74,669)	(37,497)
Net cash used in investing activities	<u>(74,669)</u>	<u>(17,497)</u>
Cash flows used in financing activities:		
Principal payments on long-term debt	(20,633)	(20,641)
Net cash provided (used) in financing activities	<u>(20,633)</u>	<u>(20,641)</u>
Net increase (decrease) in cash and cash equivalents	(530,965)	288,354
Cash and cash equivalents at beginning of year	<u>1,665,630</u>	<u>1,377,276</u>
Cash and cash equivalents at end of year	<u>\$ 1,134,665</u>	<u>\$ 1,665,630</u>
Supplementary data:		
Cash paid for interest	<u>\$ 23,452</u>	<u>\$ 23,443</u>

See accompanying notes to financial statements.

CHILD GUIDANCE CENTER, INC AND CHILD GUIDANCE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	In Home/ On Site 2017	Intervention 2017	Outpatient 2017	Case Management 2017	Outpatient Medical 2017	Community Action Team 2017	Total Program Services 2017	Supporting/ Administrative 2017	Child Guidance Center, Inc. 2017	Child Guidance Foundation, Inc. 2017	Consolidated 2016
PERSONNEL SERVICES:											
Salaries	\$ 732,925	\$554,616	\$1,579,830	\$701,698	\$412,818	\$350,576	4,332,463	\$945,965	5,278,428	-	5,278,428
Fringe benefits	158,553	93,712	399,970	172,583	67,713	60,429	952,960	149,475	1,102,435	-	1,102,435
TOTAL PERSONNEL	891,478	648,328	1,979,800	874,281	480,531	411,005	5,285,423	1,095,440	6,380,863	-	6,380,863
											-
OTHER EXPENSES:											
Building occupancy	53,556	80,658	128,445	58,240	33,675	61,633	416,207	192,161	608,368	45,267	653,635
Professional services	-	76,405	-	-	-	-	76,405	27,632	104,037	-	104,037
Travel	17,964	11,804	6,853	24,044	3,574	14,564	78,803	18,642	97,445	-	97,445
Equipment costs	2,000	4,636	9,422	1,653	1,131	2,691	21,533	79,730	101,263	-	101,263
Contract services	2,392	1,104	57,727	1,478	123,948	961	187,610	129,264	316,874	-	316,874
Insurance	8,736	7,113	21,143	8,630	1,509	4,162	51,293	6,474	57,767	-	57,767
Interest	-	-	-	-	-	-	-	-	-	23,452	23,452
Operating supplies and expenses	9,975	18,641	54,559	11,148	7,991	67,983	170,297	161,983	332,280	47,654	379,934
TOTAL OTHER EXPENSES	94,623	200,361	278,149	105,193	171,828	151,994	1,002,148	615,886	1,618,034	116,373	1,734,407
											-
TOTAL PERSONNEL & EXPENSES	986,101	848,689	2,257,949	979,474	652,359	562,999	6,287,571	1,711,326	7,998,897	116,373	8,115,270
											-
DISTRIBUTED COSTS:											
Administrative and clinical support	209,100	269,653	580,294	240,894	146,655	162,142	1,608,738	(1,608,738)	-	-	-
TOTAL PROGRAM COSTS	\$ 1,195,201	\$ 1,118,342	\$ 2,838,243	\$ 1,220,368	\$ 799,014	\$ 725,141	\$ 7,896,309	\$ 102,588	\$ 7,998,897	\$ 116,373	8,115,270

See accompanying notes to financial statements.

CHILD GUIDANCE CENTER, INC AND CHILD GUIDANCE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	In Home/ On Site 2016	Intervention 2016	Outpatient 2016	Case Management 2016	Outpatient Medical 2016	Community Action Team 2016	Total Program Services 2016	Supporting/ Administrative 2016	Child Guidance Center, Inc. 2016	Child Guidance Foundation, Inc. 2016	Consolidated 2016
PERSONNEL SERVICES:											
Salaries	\$ 846,670	\$515,459	\$1,665,151	\$718,542	\$335,051	\$341,500	4,422,373	\$878,244	5,300,617	-	5,300,617
Fringe benefits	180,050	113,843	354,403	164,451	54,997	60,419	928,163	168,808	1,096,971	-	1,096,971
TOTAL PERSONNEL	1,026,720	629,302	2,019,554	882,993	390,048	401,919	5,350,536	1,047,052	6,397,588	-	6,397,588
OTHER EXPENSES:											
Building occupancy	60,224	47,770	118,480	28,418	32,612	47,177	334,681	101,613	436,294	45,268	481,562
Professional services	-	-	-	-	-	-	-	25,150	25,150	-	25,150
Travel	22,983	10,371	7,302	24,728	768	22,490	88,642	17,319	105,961	-	105,961
Equipment costs	1,673	4,283	9,690	-	-	-	15,646	31,089	46,735	-	46,735
Contract services	3,584	884	31,677	3,771	2,577	955	43,448	57,239	100,687	-	100,687
Insurance	12,204	8,183	27,190	11,098	1,941	5,549	66,165	7,622	73,787	-	73,787
Interest	-	-	-	-	-	-	-	-	-	23,443	23,443
Operating supplies and expenses	81,751	19,508	75,741	80,178	11,376	18,858	287,412	229,594	517,006	39,523	556,529
TOTAL OTHER EXPENSES	182,419	90,999	270,080	148,193	49,274	95,029	835,994	469,626	1,305,620	108,234	1,413,854
TOTAL PERSONNEL & EXPENSES	1,209,139	720,301	2,289,634	1,031,186	439,322	496,948	6,186,530	1,516,678	7,703,208	108,234	7,811,442
DISTRIBUTED COSTS:											
Administrative and clinical support	252,004	212,532	530,017	218,132	105,099	140,504	1,458,288	(1,458,288)	-	-	-
TOTAL PROGRAM COSTS	\$ 1,461,143	\$ 932,833	\$ 2,819,651	\$ 1,249,318	\$ 544,421	\$ 637,452	\$ 7,644,818	\$ 58,390	\$ 7,703,208	\$ 108,234	\$ 7,811,442

See accompanying notes to financial statements.

CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Child Guidance Center, Inc. (the Center) and Child Guidance Foundation, Inc. (the Foundation), (the Organization), are nonprofit entities organized under the laws of the State of Florida, and are exempt from Federal Income Taxes under Section 501(c)(3) of the Internal Revenue Code.

The Center provides treatment, counseling, and prevention for mental health and related problems to children, adolescents, and their families. The Center's goal is to provide such services to all individuals requesting assistance, regardless of their ability to pay.

The Foundation was formed in October 1988 for the purpose of fundraising and creation of public awareness as well as holding title to real and personal property used by Child Guidance Center, Inc. in the furtherance of the Center's tax-exempt purposes.

The Center and the Foundation are located in Jacksonville, Florida, and share members of the same Board of Directors (the Board), which consists of volunteers from the community.

There is also an element of economic interest since the Foundation holds significant resources that are used only by the center. All material intra-entity transactions have been eliminated. Accordingly, their financial statements have been consolidated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are 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 organizations and/or passage of time.

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the organizations. Generally, the donor of these assets permits the organizations to use all or part of the income earned on related investments for general or specific purposes. At June 30, 2017 and 2016, there were no permanently restricted net assets.

Basis of Accounting

The costs related to the administration of the Organization's programs are summarized in the combined 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.

CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported accounts and disclosures. Accordingly, actual results could differ from those estimates.

Public Support

Restricted contributions and grants are reported as unrestricted support when the restrictions are met in the same reporting period. Public support revenue from government grants are recorded based on the terms of the grantor allotment which generally provide that revenues are earned when the allowable costs of the specific grant have been incurred or services provided. Such revenues are subject to audit by the grantors and, if the examination results in a deficiency of allowable expenses, the Organization will be required to refund any deficiencies.

Client Service Fees

Fees for client services are recorded at net realizable value based upon the client's financial capabilities and allowances estimated by management to be non-reimbursable by third-party payers and federal and state programs under the provisions of applicable program payment arrangements. Final determination of amounts earned is subject to third-party payer audit and retroactive adjustment.

Cash, Cash Equivalents, and Concentration of Credit Risk

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The carrying amount reported in the consolidated statements of financial position for cash and cash equivalents approximates its fair value.

The Organization has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$286,557 at June 30, 2017. The Organization maintains its cash with a high quality financial institution which the Organization believes limits these risks.

Property, Equipment, and Improvements

Property, equipment, and improvements are recorded at historical cost, or in case of contributed property and equipment, at fair market value at the date of donation. Additions with a cost of fair value of less than \$1,000 are expensed. Depreciation is computed using the straight-line method over the useful lives of the various assets, which range from 5-30 years. The Organization commences depreciation in the month of acquisition. The State of Florida is entitled to the proceeds from the disposal of certain equipment, if such equipment is acquired with state contract funds.

CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Payable and Accrued Expenses

The carrying amount reported in the consolidated statements of financial position for accounts payable and accrued expenses approximates its fair value.

Estimated Third Party Settlements

The Center's books and records are subject to audit and adjustment by third party funding sources. Adjustments related to these audits are recorded in the period in which they can be reasonably estimated. The reserve is set at twice the historical error rate. This estimate is considered to be adequate to fund claims made by third party providers.

Because of the inherent uncertainties in estimating the estimated third party settlement, it is at least reasonably possible that the estimate could change.

Contributions

All donations are considered available for unrestricted use unless specifically restricted by the donor. Contributions of donated office facilities are recorded at their fair value in the period received. The total of donated facilities amounted to \$21,761 and \$21,761 for the years ended June 30, 2017 and 2016, respectively.

Income Tax Status

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Currently, the Center engages in no activities that would be taxed as unrelated business income.

Accounts and Grants Receivable

All accounts and grants receivable are considered fully collectible. Accordingly, no allowance for doubtful accounts has been provided.

NOTE 2 - GRANTS AND CONTRACTS

As of June 30, 2017 and 2016, accounts receivable from grants and contracts was composed of:

	<u>2017</u>	<u>2016</u>
Family Support Services of North Florida, Inc.	\$ 6,975	\$ 1,587
Department of Children and Families	62,500	62,500
Jacksonville Children's Commission	176,251	215,504
Lutheran Services Florida, Inc.	100,851	66,428
United Way	-	12,517
Early Learning Coalition	35,797	12,488
Other	49,071	17,039
	<u>\$ 431,445</u>	<u>\$ 388,063</u>

CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 297,707	\$ 297,707
Building	1,464,800	1,464,800
Furniture, equipment and software	1,001,739	1,031,623
Leasehold improvements	<u>961,898</u>	<u>965,308</u>
	3,726,144	3,759,438
Accumulated depreciation	<u>(2,033,062)</u>	<u>(1,914,765)</u>
Property and equipment, net	<u>\$ 1,693,082</u>	<u>\$ 1,844,673</u>

Depreciation expense was \$202,309 and \$213,647 for the years ended June 30, 2017 and 2016, respectively.

NOTE 4 - NOTES PAYABLE

The Foundation's notes payable at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
A \$440,000 mortgage payable to Wells Fargo Bank, dated February 26, 2014 with monthly payments of \$3,674 beginning April 15, 2014 and continuing through March 15, 2024 with one last irregular payment estimated at \$193,673. The interest rate is 5.75%. This mortgage is collateralized with real property.	\$ 375,796	\$ 396,429
Less: Current Portion	<u>(23,078)</u>	<u>(21,860)</u>
Notes Payable - Long Term	<u>\$ 352,718</u>	<u>\$ 374,569</u>

The following is a schedule of maturities of the above long-term debt:

Year Ending June 30,		
2018	\$	23,078
2019		24,440
2020		25,883
2021		27,412
2022		29,030
Thereafter		<u>245,953</u>
	<u>\$</u>	<u>375,796</u>

CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2017 and 2016

NOTE 5 - CONTRACT MATCH

The Organization has contracts that require the Organization to provide matching funds. Details of matching requirements are as follows:

<u>Source/Grant:</u>	<u>Revenue Requiring Match</u>	<u>Match Required</u>
Lutheran Services Florida, Inc. - Contract LS012		<u>\$ 256,572</u>
Total Matching Required		<u>\$ 256,572</u>
Sources of Matching Funds:		
Earned Income	67,500	
Contributions from Individuals	120,839	
Miscellaneous income	<u>68,233</u>	
Total Match Provided		<u>\$ 256,572</u>

NOTE 6 - COST - METHOD INVESTMENTS

The Organization has investments in joint ventures and common stock of privately-held companies that are accounted for using the cost method. The total cost in these investments is \$19,050.

These investments have not been evaluated for impairment because the Organization is exempt from estimating the fair value of financial instruments under GAAP.

NOTE 7 - RETIREMENT PLAN

The Center established a Retirement Savings Plan (The Plan) effective July 1, 1985. The Plan covers full-time and part-time employees who have completed six months of service and are scheduled to work at least 1,000 hours of service during the plan year. The length of service requirement is three months, and employees become fully vested after five years of service.

The Plan requires the Center to make contributions matching the employees' deferrals up to 6%. Those mandatory contributions were \$152,009 and \$148,906 for the years ended June 30, 2017 and June 30, 2016, respectively. Retirement plan contributions are reported as fringe benefits expense in the consolidated statements of functional expenses.

CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8 - OPERATING LEASES

The Center leases two office facilities from the Foundation. The rental income and expense of \$44,084 and \$44,084 for the years ended June 30, 2017 and June 30, 2016 respectively, have been eliminated on the consolidated statements of activities and the consolidated statements of functional expenditures. Additional offices are leased under lease agreements with various terms. The Center also leases various business machines under non-cancelable operating leases.

The Organization's future minimum lease payments for office facilities and equipment under non-cancelable operating leases, not including payments to the Foundation, as of June 30, 2017 are as follows:

Fiscal year ended <u>June 30</u>	<u>Amount</u>
2018	\$ 203,909
2019	24,164
2020	-
2021	-
	<hr/> <u>\$ 228,073</u>

Rental expense on all leases totaled \$183,304 and \$189,998 for the years ended June 30, 2017 and 2016, respectively.

NOTE 9 - CONCENTRATION OF REVENUE SOURCE

The Organization receives substantial support under Medicaid contracts. During the fiscal years ended June 30, 2017 and 2016, support recognized under these arrangements amounted to \$4,451,612 and \$4,581,234 respectively.

NOTE 10 - MANAGEMENT'S REVIEW

The Organization has evaluated subsequent events through December 11, 2017, the date at which the financial statements were available to be issued.

CHILD GUIDANCE CENTER, INC.
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2017

<u>Pass-Through Entity</u>	<u>CFSA</u>	<u>Contract</u>	<u>Expenditures</u>
Federal/State Agency	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
STATE AGENCY NAME			
<u>U.S. Department of Health and Human Services</u>			
Passed through Department of Children and Families			
Children's Community Action Teams (CAT) Services	60.150	DH700	<u>684,320</u>
Total Passed through Department of Children and Families			<u>684,320</u>
Passed through Family Support Services			
In Home Supports	60.075	CGC-CCMH015	<u>89,510</u>
Total Passed through Family Support Services			<u>89,510</u>
TOTAL STATE GRANTS AND AWARDS			<u>\$ 773,830</u>

See accompanying notes to financial statements.

CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of Child Guidance Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General. Because the Schedule presents only a selected portion of the operations of Child Guidance Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Child Guidance Center, Inc.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Matching Requirements

Match requirements were met with cash donations from individuals, grants other than state and federal awards, and other nonrestricted revenues.



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

To the Board of Directors of
Child Guidance Center, Inc. and Child Guidance Foundation, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Child Guidance Center, Inc. and Child Guidance Foundation, Inc. (nonprofit organizations), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We consider the following finding to be a significant deficiency.

Finding number 2017-01 - Reconciliation of the Cash Accounts to the General Ledger

Our review of the Organization's procedures indicated that there is a lack of segregation of duties in the reconciliation of the cash accounts. Internal control is most effective when the bank reconciliation is prepared by someone not responsible for entries in the receipts and disbursements records. Such reconciliation is a primary means of preventing or detecting an error or fraud in cash. We recommend that a reconciliation of the bank account be prepared by someone without related cash receipt, disbursement, or recording duties. The chief financial officer should then review, approve, and sign the bank reconciliation to determine that the reconciliation has been performed and that any differences are fully explained and corrected.

Finding number 2017-02 - Reconciliation of Accounts Payable Detail to the General Ledger

Our review of the purchases/accounts payable system indicated that the accounts payable detail is not reconciled to the general ledger on a monthly basis. We recommend that this reconciliation be performed each month end to ensure that the general ledger balance, and thus the financial statements, reflects the proper accounts payable amount.

Finding number 2017-03 - Approval and Receiving and Storing of Credit Card Receipts

Our review of credit card expenditures indicated that the use of credit cards did not appear to be properly monitored. The Organization's credit cards are currently being used by various employees, and there were instances of missing documentation of invoices and receipts. We recommend that an added approval mechanism be implemented, where credit card access is limited to a few employees, who are able to perform final authorization of the credit card transaction upon approval of the expenditure. Limiting access to credit cards will provide a better system of controls to avoid any potential abuse and lessen the difficulties of receiving proper documentation of expenditures.

Compliance and Other Matters

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

Child Guidance Center's Response to Findings

2017-01 Reconciliation of the Cash Accounts to the General Ledger

The Organization has delegated another employee without cash receipt, disbursement, or recording duties to reconcile the bank statements each month. The Chief Financial Officer will review and approve the reconciliations and resolve any differences or discrepancies.

2017-02 Reconciliation of Accounts Payable Detail to the General Ledger

The Accounting Manager will reconcile the accounts payable to the general ledger on a monthly basis. Additionally, the Organization's current software does not support the removal of many of the old items currently on the aging report. The Organization has made plans to upgrade their software system to allow for proper adjustments to be made.

2017-03 Approval and Receiving and Storing of Credit Card Receipts

The Organization has cancelled all previous credit cards and have provided new ones to select employees. These employees must be contacted in order to purchase any item requiring a credit card transaction. The finance specialist will receive and store all related receipts and invoices for proper documentation.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Magers & Associates, LLC

Magers & Associates, LLC
Orange Park, Florida
December 11, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES OF THE
AUDITOR GENERAL**

To the Board of Directors of
Child Guidance Center, Inc. and Child Guidance Foundation, Inc.

Report on Compliance for Each Major State Project

We have audited Child Guidance Center, Inc.'s and Child Guidance Foundation, Inc. (nonprofit organizations) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of Child Guidance Center, Inc.'s major State projects for the year ended June 30, 2017. Child Guidance Center, Inc.'s major State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State projects applicable to its State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Child Guidance Center, Inc.'s major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General. Those standards 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 State project occurred. An audit includes examining, on a test basis, evidence about Child Guidance Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State projects. However, our audit does not provide a legal determination of Child Guidance Center, Inc.'s compliance.

Opinion on Each Major State Project

In our opinion, Child Guidance Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Child Guidance Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Child Guidance Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 State project and to test and report on internal control over compliance in accordance with 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 Child Guidance Center, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 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 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.

To the Board of Directors of
Child Guidance Center, Inc. and Child Guidance Foundation, Inc.
Page Three

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 Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Magers & Associates, LLC

Magers & Associates, LLC

Orange Park, FL

December 11, 2017

CHILD GUIDANCE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

State Financial Assistance Projects

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General 10.650?

No

Identification of major programs:

State Projects

CSFA No.

Pass through program from:

Department of Children and Families 60.150

CHILD GUIDANCE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Dollar threshold used to distinguish State programs between type A and type B programs:

State Projects	\$232,149
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Prior findings and questioned costs relative to federal awards which require auditee to prepare a summary schedule of prior audit findings as discussed in Chapter 10.650, Rules of the Auditor General?	None
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B. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS	None
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C. OTHER ISSUES

Management Letter	No
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Summary of Prior Audit Findings	Not required because there were no prior year findings.
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CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
SCHEDULE OF CITY OF JACKSONVILLE PUBLIC SERVICE GRANTS
For the Year Ended June 30, 2017

RECEIPT OF CITY FUNDS

	Outpatient	Full Service Schools Sandalwood	Full Service Schools Sandalwood
Amount of Award	\$ 179,606	\$ 275,000	\$ 200,000
Actual Funds Received from City this period	133,681	201,325	142,672
Amount Remaining to be Distributed	<u>\$ 45,925</u>	<u>\$ 73,675</u>	<u>\$ 57,328</u>

EXPENDITURE OF CITY FUNDS

Item	Budgeted	Actual 7/1/15-9/30/15	Actual 10/1/15-6/30/16	Remaining Balance
Outpatient - \$179,606				
Salaries	\$ 125,553	\$ 31,388	\$ 94,165	\$ -
Fringe Benefits	17,436	4,359	13,077	-
Allocated Management and General Expenses	12,500	3,125	9,375	-
Lease/Rent - Building	20,300	5,075	15,225	-
Office Expense - Telephone	3,817	954	2,863	-
Total	<u>\$ 179,606</u>	<u>\$ 44,901</u>	<u>\$ 134,705</u>	<u>\$ -</u>
Full Service Schools Sandalwood- \$275,000				
Salaries	\$ 245,475	\$ 52,891	\$ 192,570	\$ 14
Fringe Benefits	17,025	3,562	13,463	-
Allocated Management and General Expenses	10,500	2,625	7,875	-
Program Consultants and Contractual	2,000	500	1,500	-
Total	<u>\$ 275,000</u>	<u>\$ 59,578</u>	<u>\$ 215,408</u>	<u>\$ 14</u>
Full Service Schools Englewood - \$200,000				
Salaries	\$ 170,000	\$ 33,034	\$ 136,966	\$ -
Fringe Benefits	17,500	4,000	13,500	-
Allocated Management and General Expenses	10,500	2,625	7,875	-
Program Consultants and Contractual	2,000	500	837	663
Total	<u>\$ 200,000</u>	<u>\$ 40,159</u>	<u>\$ 159,178</u>	<u>\$ 663</u>

CHILD GUIDANCE CENTER, INC. AND CHILD GUIDANCE FOUNDATION, INC.
SCHEDULE OF CITY OF JACKSONVILLE PUBLIC SERVICE GRANTS
For the Year Ended June 30, 2017

RECEIPT OF CITY FUNDS

	Early Learning Coalition 10/1/15-9/30/16	Early Learning Coalition 10/1/16-9/30/17
Amount of Award	\$ 60,000	\$ 62,000
Funds Received from City in prior period	33,920	-
Actual Funds Received from City this period	<u>8,497</u>	<u>35,797</u>
Amount Remaining to be Distributed	<u>\$ 17,583</u>	<u>\$ 26,203</u>

EXPENDITURE OF CITY FUNDS

Item	Budgeted	Actual Prior Period 10/1/15-6/30/16	Actual 7/1/16-9/30/16	Actual 10/1/16-6/30/17	Remaining Balance
Early Learning Coalition 10/1/15-9/30/16 - \$60,000	Amended				
Salaries	\$ 39,500	\$ 26,667	\$ 6,616	\$ -	\$ 6,217
Fringe Benefits	10,528	2,184	529	-	7,815
Rent	2,100	1,575	545	-	(20)
Travel	2,417	458	55	-	1,904
Allocated Management and General Expenses	<u>5,455</u>	<u>3,036</u>	<u>772</u>	-	<u>1,647</u>
Total	<u>\$ 60,000</u>	<u>\$ 33,920</u>	<u>\$ 8,517</u>	<u>\$ -</u>	<u>\$ 17,563</u>
Early Learning Coalition 10/1/16-9/30/17 - \$60,000					
Salaries	\$ 37,400	\$ -	\$ -	\$ 24,254	\$ 13,146
Fringe Benefits	13,105	-	-	5,437	7,668
Rent	3,857	-	-	1,575	2,282
Travel	2,002	-	-	1,277	725
Allocated Management and General Expenses	<u>5,636</u>	-	-	<u>3,254</u>	<u>2,382</u>
Total	<u>\$ 62,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,797</u>	<u>\$ 26,203</u>