

# **Community Based Care of Central Florida, Inc.**

Financial and Compliance Report  
June 30, 2017

## Contents

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Independent auditor's report	1-2
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Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-14

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Supplementary information	
Schedule of expenditures of federal awards and state financial assistance	15
Notes to schedule of expenditures of federal awards and state financial assistance	16

---

Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	17-18
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Independent auditor's report on compliance for each major federal program and state financial assistance project and report on internal control over compliance required by The Uniform Guidance and State of Florida Chapter 10.650, <i>Rules of the Auditor General</i>	19-20
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Schedule of findings and questioned costs	21-22
Summary schedule of prior audit findings	23

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## Independent Auditor's Report

To the Board of Directors  
Community Based Care of Central Florida, Inc.  
Orlando, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Community Based Care of Central Florida, Inc., which comprise the statement of financial position as of June 30, 2017, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Based Care of Central Florida, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters – Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Florida Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of Community Based Care of Central Florida, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Based Care of Central Florida, Inc.'s 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 Community Based Care of Central Florida, Inc.'s internal control over financial reporting and compliance.

*RSM US LLP*

Orlando, Florida  
December 20, 2017

**Community Based Care of Central Florida, Inc.**

**Statement of Financial Position  
June 30, 2017**

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**Assets**

Current assets:

Cash	\$ 6,219,174
Restricted cash held for master trust	231,446
Accounts receivable	1,671,553
Prepaid expenses and other assets	457,297
<b>Total current assets</b>	<u>8,579,470</u>

Investment in limited liability company	441,737
Property and equipment, net	<u>314,933</u>

**Total assets** \$ 9,336,140

**Liabilities and Net Assets**

Current liabilities:

Accounts payable and accrued expenses	\$ 7,991,021
Due to CBC of Central Florida – Holdings, Inc.	526,147
Current portion of capital lease obligations	29,645
Assets held for master trust	231,446
<b>Total current liabilities</b>	<u>8,778,259</u>

Custodial assets held for others	236,021
Capital lease obligations, less current portion	28,987
Due to affiliates	758,260
<b>Total liabilities</b>	<u>9,801,527</u>

Commitments and contingencies (Notes 5, 8 and 9)

Unrestricted net assets (465,387)

**Total liabilities and net assets** \$ 9,336,140

See notes to financial statements.

Community Based Care of Central Florida, Inc.

Statement of Activities  
Year Ended June 30, 2017

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Revenues:	
Grants and contracts	\$ 73,178,487
Contributions and other income	586,504
<b>Total revenues</b>	<u>73,764,991</u>
Expenses:	
Program services:	
Foster care	11,455,836
Adoptions	16,965,253
Residential	10,476,198
Independent living	5,383,423
System of care	13,337,078
Financial assistance	10,975,698
Other program services	2,059,128
<b>Total program services</b>	<u>70,652,614</u>
Supporting services:	
General and administrative	1,512,574
<b>Total supporting services</b>	<u>1,512,574</u>
<b>Total expenses</b>	<u>72,165,188</u>
<b>Change in net assets</b>	1,599,803
Unrestricted net assets at beginning of year	<u>(2,065,190)</u>
Unrestricted net assets at end of year	<u>\$ (465,387)</u>

See notes to financial statements.

Community Based Care of Central Florida, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2017

	Program Services								Supporting Services	Total Expenses
	Foster Care	Adoptions	Residential	Independent Living	System of Care	Financial Assistance	Other Program Services	Total Program Services	General and Administrative	
Salaries	\$ 833,334	\$ 494,229	\$ 339,516	\$ 533,641	\$ 1,069,670	\$ 600,416	\$ 174,263	\$ 4,045,069	\$ 192,218	\$ 4,237,287
Payroll taxes and employee benefits	219,260	135,371	96,459	146,560	284,155	158,018	49,158	1,088,981	52,575	1,141,556
<b>Total salaries and related benefits</b>	<b>1,052,594</b>	<b>629,600</b>	<b>435,975</b>	<b>680,201</b>	<b>1,353,825</b>	<b>758,434</b>	<b>223,421</b>	<b>5,134,050</b>	<b>244,793</b>	<b>5,378,843</b>
Purchased services contracts	5,498,703	3,976,654	3,612,257	1,622,565	6,029,376	4,670,606	79,300	25,489,461	929,334	26,418,795
Out of home	3,352,745	-	5,581,478	-	3,720,985	-	-	12,655,208	-	12,655,208
Adoption	-	11,362,236	-	-	-	-	-	11,362,236	-	11,362,236
Professional fees	698,223	496,281	499,920	656,543	721,281	977,463	1,607,598	5,657,309	143,857	5,801,166
Financial assistance	135,659	81,143	56,189	87,665	174,481	4,060,875	-	4,596,012	31,548	4,627,560
Occupancy	453,975	271,541	188,033	293,365	583,893	327,106	96,359	2,214,272	105,576	2,319,848
Independent living	-	-	-	1,880,742	-	-	-	1,880,742	-	1,880,742
Client screening and certifications	16,840	-	-	2,664	435,427	3,171	-	458,102	-	458,102
Equipment rental and maintenance	52,105	31,166	21,581	33,671	67,016	37,543	11,060	254,142	12,118	266,260
Communication	42,386	25,353	17,556	27,391	54,516	30,541	8,997	206,740	9,858	216,598
Fees and bad debts	25,367	15,173	10,507	16,392	32,626	18,278	5,384	123,727	5,900	129,627
Depreciation and amortization	23,984	14,346	9,934	15,499	30,848	17,281	5,091	116,983	5,578	122,561
Conferences, travel, and training	23,205	13,880	9,611	14,995	29,846	16,720	4,925	113,182	5,397	118,579
Insurance	20,315	12,151	8,414	13,128	26,129	14,638	4,312	99,087	4,724	103,811
Advertising and marketing	20,004	11,965	8,286	12,927	25,729	14,414	4,246	97,571	4,652	102,223
Supplies	17,926	10,722	7,425	11,584	23,056	12,917	3,805	87,435	4,169	91,604
Memberships	7,480	4,474	3,098	4,834	9,620	5,389	1,588	36,483	1,739	38,222
Postage and shipping	7,250	4,336	3,003	4,685	9,324	5,224	1,539	35,361	1,686	37,047
Other	7,075	4,232	2,931	4,572	9,100	5,098	1,503	34,511	1,645	36,156
<b>Total expenses</b>	<b>\$ 11,455,836</b>	<b>\$ 16,965,253</b>	<b>\$ 10,476,198</b>	<b>\$ 5,383,423</b>	<b>\$ 13,337,078</b>	<b>\$ 10,975,698</b>	<b>\$ 2,059,128</b>	<b>\$ 70,652,614</b>	<b>\$ 1,512,574</b>	<b>\$ 72,165,188</b>

See notes to financial statements.

**Community Based Care of Central Florida, Inc.**

**Statement of Cash Flows**  
**Year Ended June 30, 2017**

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Cash flows from operating activities:	
Change in net assets	\$ 1,599,803
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	122,561
Earnings in equity method investment	(254,384)
Provision for doubtful accounts	53,257
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Restricted cash held for master trust	(110,311)
Accounts receivable	(1,322,933)
Prepaid expenses and other assets	(279,339)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	944,048
Due to CBC of Central Florida – Holdings, Inc.	(40,102)
Deferred revenue	(15,397)
Assets held for master trust	110,311
<b>Net cash provided by operating activities</b>	<u>807,514</u>
Cash flows from investing activities:	
Distribution received from investment in limited liability company	178,000
Change in due to/from affiliates	2,403,714
<b>Net cash provided by investing activities</b>	<u>2,581,714</u>
Cash flows from financing activities:	
Repayments of capital lease obligations	(52,656)
<b>Net cash used in financing activities</b>	<u>(52,656)</u>
<b>Net increase in cash</b>	3,336,572
Cash:	
Beginning of year	<u>2,882,602</u>
Ending of year	<u>\$ 6,219,174</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 3,931</u>

See notes to financial statements.

## Community Based Care of Central Florida, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies

**Nature of organization:** Community Based Care of Central Florida, Inc., (CBCCF or the Organization) is a Florida not-for-profit organization dedicated to developing community-based services and support for children and families served by the child welfare system in Orange, Osceola and Seminole Counties in the State of Florida. Operations are directed by a voluntary board who receive no compensation for their services.

The Organization's program services are as follows:

**Foster care:** Provides recruitment, training, licensing, re-licensing and support for foster care parents.

**Adoptions:** Provides cost of adoption assistance, subsidy payments and other nonrecurring adoption expenses for adopting families.

**Residential:** Provides placement of children in relative care, family foster care, therapeutic foster care, medical foster care, residential group care or emergency shelter.

**Independent living:** Provides pre-independent living assessments, independent life skills assessments, employment training, counseling and after care support services, and provides payments to clients who participate in the program.

**System of care:** Provides case management, prevention and early intervention and domestic violence support.

**Financial assistance:** Provides assistance for community, assessments and preventative financial assistance.

**Other program services:** Includes background screenings, home licensing and home health inspections.

A summary of the Organization's significant accounting policies follows:

**Basis of presentation:** The accompanying financial statements have been prepared on the accrual basis of accounting.

A not-for-profit organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. 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, but may be designated for specific purposes by action of the Board of Directors.

**Temporarily restricted net assets:** Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. The Organization does not have any temporarily restricted net assets.

## Community Based Care of Central Florida, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Permanently restricted net assets:** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization does not have any permanently restricted net assets.

**Cash and cash equivalents:** For purposes of the statement of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Organization did not have any cash equivalents at June 30, 2017. Cash excludes restricted cash.

**Accounts receivable:** Accounts receivable are stated at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is established based upon management's analysis of specific accounts and other economic factors. In the opinion of management, no allowance for uncollectible accounts receivable was considered necessary at June 30, 2017.

**Property and equipment:** Property and equipment are recorded at cost when purchased or at fair value at the date of gift, if contributed. Property and equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than a year. Property and equipment acquired by the Organization are considered owned by the Organization. However, State and Local funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. State and Local funding sources have a reversionary interest in those custodial assets purchased with its funds. Depreciation of property and equipment is computed using the straight-line method of accounting over the estimated useful lives of the depreciable assets, which ranges from 3 to 40 years.

**Impairment of long-lived assets:** The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets or asset groups exceeds the fair value of the assets or asset groups. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of its long-lived assets or asset groups has been recognized during the year ended June 30, 2017.

**Assets held for master trust:** The Organization is a representative payee for children in Licensed Foster Care that receive Social Security or other Trust benefits. Benefit payments and withdrawals are recorded as assets and liabilities and are not reflected in the accompanying statement of activities. Funds are maintained in separate bank accounts as required by funding sources and reflected on the accompanying statement of financial position as restricted cash held for master trust.

**Grants and contracts revenue:** The Organization is principally funded by grants and contracts from federal, state and local governmental agencies. Grants and contracts received provide specified amounts for various grant years principally as reimbursement for allowable costs incurred. Revenue from cost reimbursement grants and contracts is recognized as eligible costs are incurred. Accounts receivable is recorded to the extent costs have been incurred but not reimbursed by the granting agencies. Conversely, deferred revenue is recorded when grant or contract advances exceed eligible costs incurred. Deferred revenue will either be offset against subsequent allowable costs incurred or refunded to the granting agencies upon grant termination.

## Community Based Care of Central Florida, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Contributions:** Contributions received are recorded at fair value as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When a restriction is accomplished or it expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Contributed services are recognized and reported at fair value in the period received, if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. There were no contributed services for the year ended June 30, 2017.

**Functional expenses:** The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities and in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

**Income taxes:** The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before June 30, 2014.

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

**Concentrations:** At various times throughout 2017 and at June 30, 2017, cash balances held at a financial institution were in excess of federally insured limits. However, the Organization has not experienced any losses in such accounts and management believes no significant concentration of credit risk exists with respect to this cash account.

Unsecured accounts receivable are limited as the receivables are primarily grants and contracts receivable from governmental entities.

The Organization received substantially all of its revenue from federal and state funding awarded through one contract during the year ended June 30, 2017.

## Community Based Care of Central Florida, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Investment in limited liability company:** Investment in unconsolidated subsidiary in which the Organization has a 4% interest or otherwise exercises significant influence is accounted for using the equity method.

**Recent accounting pronouncements:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will become effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Nonpublic entities should apply the amendments for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact of this ASU on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 amends guidance on the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. ASU No. 2016-14 replaces the currently required three net asset classes with two net asset classes, *net assets with donor restrictions* and *net assets without donor restrictions*. Other amendments within this ASU will improve the usefulness of information provided to donors, grantors, creditors and other users of a not-for-profit's financial statements. The new guidance is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact of this ASU on its financial statements.

The FASB has issued certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASU's described above. The Organization has considered the new pronouncements and does not believe that any other new or modified guidance will have a material impact on the Organization's reported financial position or activities in the near term.

**Subsequent events:** Management has assessed subsequent events through December 20, 2017, the date the financial statements were available to be issued.

## Community Based Care of Central Florida, Inc.

### Notes to Financial Statements

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#### Note 2. Investment in Limited Liability Company

Investment in limited liability company of \$441,737, consists of a 4% interest in Community Based Care Integrated Health, LLC (Integrated Health). Integrated Health is a Florida Limited Liability Company engaged in the child welfare managed care business throughout Florida. The investment is accounted for using the equity method as the Organization has significant influence, but not control over the entity. The Organization's share of Integrated Health's net income was \$254,384 during the year ended June 30, 2017, and is included in contributions and other income in the accompanying statement of activities. In addition, the Organization received a distribution from Integrated Health in the amount of \$178,000.

The following is a summary of financial position and results of operations of Integrated Health, as of and for the year ended June 30, 2017:

Total assets	<u>\$ 10,056,933</u>
Total liabilities	\$ 763,464
Total members' equity	<u>9,293,469</u>
Total liabilities and members' equity	<u>\$ 10,056,933</u>
Total revenues	\$ 15,362,250
Total expenses	<u>9,002,615</u>
Net income	<u>\$ 6,359,635</u>
CBCCF's share of net income	<u>\$ 254,384</u>

#### Note 3. Property and Equipment

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

	CBCCF	Custodial Assets	Total
Land	\$ -	\$ 55,600	\$ 55,600
Buildings	-	211,722	211,722
Furniture and equipment	1,145,221	69,694	1,214,915
Software	460,179	-	460,179
	<u>1,605,400</u>	<u>337,016</u>	<u>1,942,416</u>
Less accumulated depreciation	<u>(1,526,488)</u>	<u>(100,995)</u>	<u>(1,627,483)</u>
	<u>\$ 78,912</u>	<u>\$ 236,021</u>	<u>\$ 314,933</u>

Depreciation and amortization expense for the year ended June 30, 2017 was \$122,561.

#### Note 4. Line of Credit

CBCCF has an unsecured revolving line of credit of \$5,000,000, bearing interest at the greater of the prime rate of interest plus .75% (5.0% at June 30, 2017) or 4.0%, payable monthly. There was no outstanding balance on the line of credit at June 30, 2017. The line of credit is due on demand and is reviewed annually, with an expiration date of December 31, 2055.

**Community Based Care of Central Florida, Inc.**

**Notes to Financial Statements**

**Note 5. Leases**

Obligations under capital leases consisted of the following at June 30, 2017:

Description	Cost	Accumulated Depreciation	Net Book Value	Monthly Principal and Interest Payments	Implicit Rate	Termination Date
Data storage unit	\$ 60,836	\$ 35,488	\$ 25,348	\$ 1,796	4.0%	7/1/2017
Phone system	134,031	80,419	53,612	2,468	4.0%	6/3/2019
	<u>\$ 194,867</u>	<u>\$ 115,907</u>	<u>\$ 78,960</u>	<u>\$ 4,264</u>		

Interest expense was \$3,931 for the year ended June 30, 2017, and is included in fees and bad debts in the accompanying statement of functional expenses.

The following is a schedule by years of the future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2017:

Years ending June 30:	
2018	\$ 31,420
2019	29,624
Total minimum capital lease payments	<u>61,044</u>
Less amounts representing interest	<u>(2,412)</u>
Present value of net minimum lease payments	58,632
Less current portion of capital lease obligations	<u>(29,645)</u>
Capital lease obligations, less current portion	<u>\$ 28,987</u>

In addition, CBCCF leases facilities and equipment under various operating leases that expire through February 2028. Facilities leases include early termination clauses in the event the Organization's funding contracts are terminated. The aggregate rental expense paid under these leases totaled approximately \$1,999,000 for the year ended June 30, 2017.

Future minimum lease payments under these operating leases as of June 30, 2017, are as follows:

	<u>Amount</u>
Years ending June 30:	
2018	\$ 2,173,296
2019	2,074,753
2020	2,084,077
2021	1,854,710
2022	1,166,115
Thereafter	4,349,189
	<u>\$ 13,702,140</u>

## Community Based Care of Central Florida, Inc.

### Notes to Financial Statements

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#### Note 6. Retirement Plan

The Organization's employees are eligible to participate in a defined contribution 401(k) Profit Sharing Plan (the Plan). Employees become eligible to participate in the Plan on the first monthly date following the attainment of age 18 and the completion of one hour of service. Plan participants may voluntarily contribute, on a pre-tax basis, up to 100% of their qualified annual compensation, as defined in the Plan, up to the Internal Revenue Code maximum limits. The Organization makes matching contributions equal to 100% of each participant's contribution to a maximum of 4% of compensation, as defined in the Plan document. Contributions to the Plan for the year ended June 30, 2017 was approximately \$102,000 and is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

#### Note 7. Related Party Transactions

In July 2013, the Organization signed a 5-year agreement with its parent company, CBC of Central Florida – Holdings, Inc., to receive management and administrative services. Fees are charged based on a schedule of both direct and indirect costs incurred monthly. Expenses incurred by the Organization during the year ended June 30, 2017 for these services was approximately \$5,556,000. Amounts due to CBC of Central Florida – Holdings, Inc. at June 30, 2017 related to this agreement totaled approximately \$526,000, which is included in the accompanying statement of financial position.

At June 30, 2017, the Organization has short-term, unsecured, non-interest bearing advances due to affiliates, which are included in the accompanying statement of financial position as follows:

CBC of Central Florida – Holdings, Inc.	\$ 718,460
Community Initiatives, Inc.	39,800
	<u>\$ 758,260</u>

#### Note 8. Commitments and Contingencies

CBCCF, as an authorized agent of the State of Florida in accordance with section 409.1671, F.S. has contracted with organizations to deliver quality child welfare services. The contracts have five-year terms, but often can be renewed for additional five-year terms.

The Organization is subject to State and Federal audit examination to determine compliance with grant or contract requirements. In the event that expenditures would be disallowed, repayment could be required. Management is of the opinion that such expenditures, if any, would not have a material adverse impact on the Organization.

The Organization is subject to various legal actions in the normal course of business. While the results of this litigation cannot be predicted with certainty, the Organization believes that the final outcome of all litigation will not have a materially adverse effect on the Organization's financial position or results of operations.

## Community Based Care of Central Florida, Inc.

### Notes to Financial Statements

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#### **Note 9. State Funding and Impact on Net Assets**

The Organization receives a substantial amount of grants and contracts from the State of Florida to operate as a child welfare organization to benefit children and families in the service area discussed in Note 1. Servicing children and families who are at risk under a contract with the State of Florida's Department of Children and Families puts the Organization at risk if funding is not sufficient to meet those welfare needs. The State of Florida has several funding mechanisms to help make up any deficit incurred as follows: a) the State of Florida established risk pools to assist organizations to ensure those organizations are adequately funded and that no children or families are denied assistance; b) organizations can apply for an increase in Core Funding from the State of Florida's legislature; and c) organizations can also make direct funding requests from the State of Florida's legislature. During the year ended June 30, 2017, the Organization received approximately \$1,399,000 from the State of Florida's Risk Pool and approximately \$1,424,000 increase in Core Funding from the State of Florida's legislature. The Organization has been successful in prior years receiving additional funds and has submitted documents for fiscal year 2018. Other funding mechanisms to cover the operating needs of the Organization include drawing on the unused \$5 million line of credit (see Note 4).

The Organization has been successful in the prior years by obtaining additional funding through the Risk Pool, Core Funding and direct requests of the State of Florida legislature. However, successful efforts for additional State of Florida funding in prior years is no guarantee of success in the future. The line of credit is available to fund operations but is subject to annual bank reviews and is due on demand (see Note 4).

Community Based Care of Central Florida, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended June 30, 2017

Grantor/Pass-Through/Program Title	Federal CFDA Number	Contract/ Grant Number	Contract/ Grant Period	Federal Expenditures	Amount Provided to Sub-Recipients
<b>Federal Awards:</b>					
U.S. Department of Health and Human Services:					
Passed-through:					
State of Florida Department of Children and Families:					
Promoting Safe and Stable Families Program	93.556	GJ501 / GJL57	7/1/16 – 6/30/17	\$ 1,568,933	\$ 1,519,075
Temporary Assistance for Needy Families Program	93.558	GJ501 / GJL57	7/1/16 – 6/30/17	4,938,463	2,679,506
Grants to States for Access and Visitation Program	93.597	GJ501 / GJL57	7/1/16 – 6/30/17	25,109	25,109
Chafee Education and Training Vouchers Program	93.599	GJ501 / GJL57	7/1/16 – 6/30/17	16,558	-
Adoption Incentive Payments Program	93.603	GJ501 / GJL57	7/1/16 – 6/30/17	226,467	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	GJ501 / GJL57	7/1/16 – 6/30/17	1,100,234	692,428
Foster Care – Title IV-E Program	93.658	GJ501 / GJL57	7/1/16 – 6/30/17	14,134,330	8,940,547
Adoption Assistance – Title IV-E Program	93.659	GJ501 / GJL57	7/1/16 – 6/30/17	7,900,256	1,543,907
Social Services Block Grant Program	93.667	GJ501 / GJL57	7/1/16 – 6/30/17	2,255,831	1,522,500
Child Abuse and Neglect State Grants Program	93.669	GJ501 / GJL57	7/1/16 – 6/30/17	134,078	102,546
Chafee Foster Care Independence Program	93.674	GJ501 / GJL57	7/1/16 – 6/30/17	1,122,105	517,142
Medical Assistance Program	93.778	GJ501 / GJL57	7/1/16 – 6/30/17	113,854	-
Seminole County:					
Substance Abuse and Mental Health Services Projects of Regional and National Significance Program	93.243	N/A	7/1/16 – 6/30/17	183,589	-
<b>Total Expenditures of Federal Awards</b>				<b>\$ 33,719,807</b>	<b>\$ 17,542,760</b>

Grantor/Pass-Through/Program Title	State CSFA Number	Contract/ Grant Number	Contract/ Grant Period	State Expenditures	Amount Provided to Sub-Recipients
<b>State Financial Assistance:</b>					
State of Florida Department of Children and Families:					
Direct programs:					
Out-of-Home Supports Program	60.074	GJ501 / GJL57	7/1/16 – 6/30/17	\$ 2,514,961	\$ 214,832
In-Home Supports Program	60.075	GJ501 / GJL57	7/1/16 – 6/30/17	832,075	178,927
Adoption Services Program	60.076	GJ501 / GJL57	7/1/16 – 6/30/17	5,534	5,313
Independent Living Program	60.112	GJ501 / GJL57	7/1/16 – 6/30/17	1,018,491	177,151
Motor Vehicle Insurance for Kids in Care Program	60.123	LJ951	9/1/14 – 6/30/17	528,075	-
CBC-Sexually Exploited Children Program	60.138	GJ501 / GJL57	7/1/16 – 6/30/17	1,378,800	1,378,800
Chafee Extended Foster Care Program	60.141	GJ501 / GJL57	7/1/16 – 6/30/17	511,319	-
<b>Total Expenditures of State Financial Assistance</b>				<b>6,789,255</b>	<b>1,955,023</b>
<b>Total Federal Awards and State Financial Assistance</b>				<b>\$ 40,509,062</b>	<b>\$ 19,497,783</b>

See notes to schedule of expenditures of federal awards and state financial assistance.

**Community Based Care of Central Florida, Inc.**

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended June 30, 2017**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal award and state financial assistance project activity of Community Based Care of Central Florida, Inc. under programs of the federal government and the State of Florida 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 the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of Community Based Care of Central Florida, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Based Care of Central Florida, Inc.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers (contract or grant number) are presented where available.

**Note 3. Indirect Cost Rate**

Community Based Care of Central Florida, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**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***

**Independent Auditor's Report**

To the Board of Directors  
Community Based Care of Central Florida, Inc.  
Orlando, Florida

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 financial statements of Community Based Care of Central Florida, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community Based Care of Central Florida, 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 Community Based Care of Central Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Based Care of Central Florida, Inc.'s internal control.

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

Our consideration of the 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 considered material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*RSM US LLP*

Orlando, Florida  
December 20, 2017

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

**Independent Auditor's Report**

To The Board of Directors  
Community Based Care of Central Florida, Inc.  
Orlando, Florida

**Report on Compliance for Each Major Federal Program and State Financial Assistance Project**

We have audited Community Based Care of Central Florida, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of Community Based Care of Central Florida, Inc.'s major federal programs and state financial assistance projects for the year ended June 30, 2017. Community Based Care of Central Florida, Inc.'s major federal programs and state financial assistance 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 federal and state statutes, regulations and the terms and conditions of its federal awards and state financial assistance applicable to its federal programs and state financial assistance projects.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Community Based Care of Central Florida, Inc.'s major federal programs and state financial assistance 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; 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 State of Florida Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance and the State of Florida Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about Community Based Care of Central Florida, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination of Community Based Care of Central Florida, Inc.'s compliance.

### **Opinion on Each Major Federal Program and State Financial Assistance Projects**

In our opinion, Community Based Care of Central Florida, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of Community Based Care of Central Florida, 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 Community Based Care of Central Florida, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state financial assistance 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 financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of Florida 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 Community Based Care of Central Florida, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance 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 financial assistance 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 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 State of Florida Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*RSM US LLP*

Orlando, Florida  
December 20, 2017

**Community Based Care of Central Florida, Inc.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017**

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**I – Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ X No	
Significant deficiency(ies) identified?	_____ Yes	_____ X None Reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ X No	

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ X No	
Significant deficiency(ies) identified?	_____ Yes	_____ X None Reported	

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

	_____ Yes	_____ X No	
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.556	Promoting Safe and Stable Families Program
93.658	Foster Care – Title IV-E Program
93.667	Social Services Block Grant Program
63.674	Chafee Foster Care Independence Program

Dollar threshold used to distinguish between type A and type B federal programs: \$ 1,011,594

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_ X No

(Continued)

**Community Based Care of Central Florida, Inc.**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2017**

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**I – Summary of Auditor's Results (Continued)**

**State Financial Assistance**

Internal control over major programs:

Material weakness(es) identified?	<u>          </u> Yes	<u>      X      </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>      X      </u> None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

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

           Yes            X       No

Identification of major programs:

<u>CSFA Number(s)</u>	<u>Name of State Financial Assistance Project</u>
60.074	Out-of-Home Supports Program
60.112	Independent Living Program
60.141	Chafee Extended Foster Care Program

Dollar threshold used to distinguish between type A and type B state financial assistance projects:

           \$ 300,000

**II – Financial Statement Findings**

No matters to report.

**III – Findings and Questioned Costs for Federal Awards and State Financial Assistance**

No matters to report.

**IV – Other Reporting**

There was no management letter or control deficiency letter issued for the year ended June 30, 2017, as there were no matters required to be reported in these letters.

No corrective action plan is presented because there were no findings required to be reported under the Federal Single Audit Act or the Florida Single Audit Act.

See summary schedule of prior audit findings on page 23 for the current status of those findings.

**Community Based Care of Central Florida, Inc.**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017**

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**2016-001 Audit Adjustments**

**Condition and criteria:** During the course of our engagement, several financial statement misstatements were noted during the audit process that were not identified by the Organization's existing internal controls. Additionally, many schedules received to support general ledger transactions or general ledger account balances were not accurate. Internal controls should exist to ensure that financial statements properly reflect the transactions of Community Base Care of Central Florida, Inc. throughout the year as financial information is used for decision making by the Organization.

**Current status:** No such exceptions were identified in the current year testing. Finding is closed.