

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Central Florida Cares Health System, Inc.
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Central Florida Cares Health System, Inc. ("CFCHS"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 audits 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
Central Florida Cares Health System, Inc.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of CFCHS as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, as required by the State of Florida Department of Children and Families, and the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and Chapter 10.650, *Rules of the Auditor General*, as well as the accompanying Schedule of Functional Expenses, are presented for purposes of additional analysis and are 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 10, 2018 on our consideration of CFCHS'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 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 CFCHS's internal control over financial reporting and compliance.



MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida
December 10, 2018

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,142,126	\$ 3,607,078
Accounts receivable	6,412,886	5,219,138
Prepaid expenses	42,564	59,076
Other current assets	26,375	26,375
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	10,623,951	8,911,667
PROPERTY AND EQUIPMENT, net	<u>193,150</u>	<u>385,906</u>
TOTAL ASSETS	<u>\$ 10,817,101</u>	<u>\$ 9,297,573</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 6,987,007	\$ 5,951,292
Accrued wages and benefits	102,038	122,548
Amounts due to Florida Department of Children and Families	807,439	209,323
Deferred revenues	2,540,012	2,518,859
	<hr/>	<hr/>
TOTAL LIABILITIES	10,436,496	8,802,022
COMMITMENTS AND CONTINGENCIES		
UNRESTRICTED NET ASSETS	<u>380,605</u>	<u>495,551</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,817,101</u>	<u>\$ 9,297,573</u>

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

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
SUPPORT AND REVENUE		
Grant and contract revenue	\$ 71,612,403	\$ 70,797,040
EXPENSES		
Program services expenses:		
Adult mental health program	36,492,673	35,397,655
Adult substance abuse program	17,904,660	18,925,237
Children/adolescent substance abuse health program	7,631,728	8,381,694
Children/adolescent mental health program	<u>7,223,101</u>	<u>5,574,486</u>
TOTAL PROGRAM SERVICES EXPENSES	69,252,162	68,279,072
Support services - management and general	<u>2,475,187</u>	<u>2,611,273</u>
TOTAL EXPENSES	<u>71,727,349</u>	<u>70,890,345</u>
DECREASE IN UNRESTRICTED NET ASSETS	(114,946)	(93,305)
NET ASSETS AT BEGINNING OF YEAR	<u>495,551</u>	<u>588,856</u>
NET ASSETS AT END OF YEAR	<u>\$ 380,605</u>	<u>\$ 495,551</u>

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

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in unrestricted net assets	\$ (114,946)	\$ (93,305)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation expense	235,822	293,279
Change in operating assets and liabilities:		
Accounts receivable	(1,193,748)	(566,249)
Prepaid expenses	16,512	9,282
Accounts payable and accrued expenses	1,035,715	(577,946)
Accrued wages and benefits	(20,510)	39,526
Amounts due to Florida Department of Children and Families	598,116	203,400
Deferred revenues	21,153	411,599
	<u>578,114</u>	<u>(280,414)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	578,114	(280,414)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(43,066)	(218,299)
	<u>(43,066)</u>	<u>(218,299)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	535,048	(498,713)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,607,078	4,105,791
	<u>3,607,078</u>	<u>4,105,791</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,142,126</u>	<u>\$ 3,607,078</u>

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

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

NOTE 1 - NATURE AND PURPOSE OF THE ORGANIZATION

Central Florida Cares Health System, Inc. (“CFCHS”) is a not-for-profit corporation incorporated in the state of Florida. CFCHS is the managing entity for a network of publicly funded, licensed substance abuse and mental health providers who collectively operate a range of behavioral health services to form an integrated system of care. CFCHS’s network providers offer prevention, intervention, treatment and supportive services to clients residing throughout four Central Florida counties: Brevard, Orange, Osceola and Seminole.

As a managing entity, CFCHS receives funding from the State of Florida Department of Children and Families (“DCF”) and enters into subcontracts with substance abuse and mental health providers (the “Providers”) who, in turn, deliver services to eligible clients. CFCHS is responsible to DCF for monitoring and oversight of the Providers’ activities.

CFCHS is governed by a board comprised of consumers, stakeholders and community-based providers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are explanations of CFCHS’s operations and significant accounting policies that are necessary to understand the financial statements.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash Equivalents

Highly liquid debt instruments with maturities of three months or less from the date of purchase are considered to be cash equivalents.

Accounts Receivable

Accounts receivable includes amounts due from DCF under grants and funding contracts. Credit risk related to amounts due from DCF is somewhat mitigated by the taxing authority of the state of Florida. Accordingly, no allowance for uncollectible amounts has been provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Expenditures for property and equipment with a cost in excess of \$5,000 are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 4 years. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Depreciation expense for the years ended June 30, 2018 and 2017 was \$235,822 and \$293,279, respectively, and accumulated depreciation was \$917,783 and \$681,961, respectively.

Due to DCF

Amounts due to DCF represent overpayments to be repaid and interest income of \$6,968 and \$28,975 for the years ended June 30, 2018 and 2017, respectively, which was earned on advances received from DCF under CFCHS's managing entity contract. Interest income earned on advances belongs to DCF and, accordingly, is not reported as revenues in these financial statements.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Temporarily restricted contributions are reported as increases in unrestricted net assets when the restrictions expire or are otherwise satisfied. There were no donor-restricted net assets at June 30, 2018 and 2017.

Revenue Recognition

CFCHS receives funding under a performance and expense reimbursement contract with DCF. Performance contract revenue is recognized when the unit of service has been provided or the performance objective has been completed. Cost reimbursement revenue is recognized when the allowable costs, as defined by the contract, are incurred.

Deferred Revenue

Amounts received under the DCF contract that have not yet been earned by incurring allowable costs and are able to be carried forward to the next fiscal year are reported as deferred revenue in the statements of financial position.

Income Taxes

CFCHS has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a result, income earned in furtherance of its tax-exempt purpose is exempt from federal and state income taxes. Accordingly, these financial statements include no provision for income taxes.

Fair Value of Financial Instruments

The carrying values of financial instruments, including cash and cash equivalents, receivables and payables, approximate their fair values.

NOTE 3 - COMMITMENTS AND CONTINGENCIES

DCF Contract

CFCHS has a managing entity contract with DCF for approximately \$257 million. The contract is set to expire on June 30, 2020. CFCHS receives substantially all of its support and revenue from the contract with DCF. CFCHS is economically dependent on the continuation of funding under the contract.

The DCF contract provides for reimbursement of the eligible direct and indirect costs of providing certain program services. The contract is subject to audit or review and retroactive adjustment based on a final determination by DCF of eligible reimbursable expenditures. The likelihood of such adjustment, if any, cannot be determined at this time. Accordingly, no provision has been made for any such adjustment in the financial statements.

Florida Council for Community Mental Health (“FCCMH”)

On March 1, 2015, CFCHS entered into a contract with FCCMH to provide support to the grant entitled “Florida Linking Individuals Needing Care” (“Florida LINC”) Project. The total value of the current amended contract is \$63,440. The amount due from FCCMH as of June 30, 2018 and 2017 was approximately \$11,000.

Leases

CFCHS has noncancellable operating leases, primarily for office space and equipment. On April 20, 2016, CFCHS entered into a four-year, noncancelable operating lease with its existing landlord. The expiration date for this new operating lease is June 30, 2020. Rent expense for operating leases for each of the years ended June 30, 2018 and 2017 was approximately \$185,000.

Future minimum lease payments under noncancellable operating leases as of June 30, 2018, are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 189,000
2020	194,000
	<u>\$ 383,000</u>

Credit Risk on Bank Deposits

CFCHS maintains its deposits with a large, international commercial bank, which management believes to be of high-credit quality. At June 30, 2018 and 2017, CFCHS’s deposits with this bank exceeded FDIC insurance coverage by approximately \$3,892,000 and \$3,357,000, respectively.

NOTE 4 - EMPLOYEE BENEFIT PLAN

CFCHS sponsors a 403(b) defined-contribution retirement plan (the “Plan”) covering all eligible employees. Under the Plan, employees are eligible to make salary deferrals once they have completed three months of service and have attained age 18. For the years ended June 30, 2018 and 2017, CFCHS made discretionary contributions to the Plan of 5% of each participant’s compensation. Pension expense for the years ended June 30, 2018 and 2017 was approximately \$67,900 and \$68,700, respectively.

NOTE 5 - MATCHING REQUIREMENTS

Certain contracts require a local match for contracted services performed by the Providers. The Providers are responsible for meeting the match requirements. Based on match information provided to CFCHS by the Providers, the local match requirements have been met.

NOTE 6 - RELATED-PARTY TRANSACTIONS

Members of the Board of Directors include key employees of certain Providers who contract for services with CFCHS. For the years ended June 30, 2018 and 2017, payments to these Providers were approximately \$55.7 million and \$55.9 million, respectively. Amounts payable to these Providers at June 30, 2018 and 2017 were approximately \$5.6 million and \$4.6 million, respectively.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events have been evaluated for reporting and disclosure through December 10, 2018, the date the financial statements were available to be issued.

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SUPPLEMENTAL INFORMATION

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>Program Services</u>				<u>Support Services</u>	<u>Total Expenses</u>	
	<u>Adult Mental Health</u>	<u>Adult Substance Abuse</u>	<u>Children's Substance Abuse</u>	<u>Children's Mental Health</u>	<u>Management and General</u>	<u>2018</u>	<u>2017</u>
EXPENSES							
Subcontracted services	\$ 36,492,673	\$ 17,904,660	\$ 7,631,728	\$ 7,223,101	\$ -	\$ 69,252,162	\$ 68,279,072
Personnel expenses	-	-	-	-	1,632,843	1,632,843	1,714,654
Professional fees	-	-	-	-	215,916	215,916	212,022
Occupancy	-	-	-	-	184,950	184,950	185,066
Other	-	-	-	-	72,989	72,989	72,033
Telephone and Internet	-	-	-	-	32,398	32,398	29,983
Dues and subscriptions	-	-	-	-	27,833	27,833	5,433
Training meetings and seminars	-	-	-	-	22,495	22,495	24,400
Equipment costs	-	-	-	-	22,390	22,390	20,922
Travel	-	-	-	-	14,460	14,460	19,920
Equipment rental	-	-	-	-	5,873	5,873	10,167
Advertising	-	-	-	-	4,758	4,758	18,232
Supplies	-	-	-	-	2,460	2,460	5,162
TOTAL EXPENSES BEFORE DEPRECIATION	36,492,673	17,904,660	7,631,728	7,223,101	2,239,365	71,491,527	70,597,066
Depreciation	-	-	-	-	235,822	235,822	293,279
TOTAL EXPENSES BEFORE ALLOCATION OF MANAGEMENT AND GENERAL	36,492,673	17,904,660	7,631,728	7,223,101	2,475,187	71,727,349	70,890,345
Allocation of management and general:							
Indirect	1,304,309	639,942	272,771	258,166	(2,475,187)	-	-
	<u>\$ 37,796,982</u>	<u>\$ 18,544,602</u>	<u>\$ 7,904,499</u>	<u>\$ 7,481,267</u>	<u>\$ -</u>	<u>\$ 71,727,349</u>	<u>\$ 70,890,345</u>

The accompanying notes are an integral part of this schedule.

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

NOTES TO SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

NOTE 1 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities are presented in the Schedule of Functional Expenses and have been summarized on a functional basis in the statements of operations. As a managing entity, all costs, except for subcontractor expenses, are classified as supporting services expenses.

NOTE 2 - MANAGEMENT AND GENERAL ALLOCATION OF EXPENSES

Management and general expenses are allocated to programs based on the proportion of each program's subcontracted services to total subcontracted services.

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

SCHEDULE OF STATE EARNINGS

Year Ended June 30, 2018

1 Total expenditures	\$ -
2 Less: other state and federal funds	-
3 Less: non-match SAMH funds	-
4 Less: unallowable costs per 65E-14, F.A.C	-
5 Total allowable expenditures (sum of lines 1, 2, 3 and 4)	<u>-</u>
6 Maximum available earnings (line 5 x 75%)	-
7 Amount of state funds requiring match	<u>-</u>
8 Amount due to Department	<u><u>\$ -</u></u>

NOTE:

Central Florida Cares Health System, Inc. has met its matches requirements related to the amount of state funds requiring match through match provided by its subcontractors. Management has received schedules of state earnings from each subcontractor indicating that their individual matches have been met.

See Independent Auditor's Report.

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

SCHEDULE OF RELATED-PARTY TRANSACTION ADJUSTMENTS

Year Ended June 30, 2018

Allocation of Related-Party Transaction Adjustment

Related Party	State-Designated Cost Centers			Total
	1	2	3	
Revenues from Grantee:	N/A			
Rent	\$ -	\$ -	\$ -	\$ -
Services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES FROM GRANTEE	-	-	-	-
Expenses Associated with Grantee Transactions:				
Personnel Services	-	-	-	-
Depreciation	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
TOTAL ASSOCIATED EXPENSES	-	-	-	-
RELATED-PARTY TRANSACTION ADJUSTMENT	\$ -	\$ -	\$ -	\$ -

NOTE: There is no activity to report on this schedule.

See Independent Auditor's Report.

SINGLE AUDIT



Certified Public Accountants

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

To the Board of Directors of
Central Florida Cares Health System, Inc.
Orlando, Florida

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 Central Florida Cares Health System, Inc. ("CFCHS"), which comprise the statement of financial position as of June 30, 2018, and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CFCHS'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 CFCHS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CFCHS'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of CFCHS'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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors of
Central Florida Cares Health System, Inc.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
December 10, 2018



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

To the Board of Directors of
Central Florida Cares Health System, Inc.
Orlando, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Central Florida Cares Health System, Inc.'s ("CFCHS") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects *Compliance Supplement*, that could have a direct and material effect on each of CFCHS's major federal programs and state projects for the year ended June 30, 2018. CFCHS's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CFCHS's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about CFCHS'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 project. However, our audit does not provide a legal determination of CFCHS's compliance.

To the Board of Directors of
Central Florida Cares Health System, Inc.

Opinion on Each Major Federal Program and State Project

In our opinion, CFCHS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of CFCHS 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 CFCHS'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 project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CFCHS's internal control over compliance.

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

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

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



MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida
December 10, 2018

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2018

Federal/State Agency/Pass-through Grantor Federal Program/State Projects	CFDA/ CSFA Numbers	Contract/ Grant Numbers	Expenditures	Transfer to Sub-recipients
FEDERAL PROGRAMS				
<i>U.S. Department of Health and Human Services</i>				
Passed-through:				
State of Florida Department of Children and Families:				
Temporary Assistance for Needy Families Block Grant	93.558	GHME1	\$ 1,343,895	\$ 1,273,693
Block Grants for Community Mental Health Services	93.958	GHME1	4,060,467	3,996,658
Block Grants for Prevention & Treatment of Substance Abuse	93.959	GHME1	12,863,184	12,831,586
Community Health Services Block Grant of the Homeless	93.150	GHME1	406,388	389,859
Mental Health Disaster Assistance and Emergency Mental Health	93.982	GHME1	446,358	446,358
State Targeted Response to the Opioid Crisis Grants	93.788	GHME1	1,873,132	1,873,132
<i>Total State of Florida Department of Children and Families</i>			<u>20,993,424</u>	<u>20,811,286</u>
State of Florida Department of Children and Families:				
Children's Health Insurance Program	93.767	GHME1	803,758	803,758
Medical Assistance Program	93.778	GHME1	836,213	785,414
<i>Total State Department of Agency for Health Care Administration</i>			<u>1,639,971</u>	<u>1,589,172</u>
Total Expenditures of Federal Awards			<u>22,633,395</u>	<u>22,400,458</u>
STATE PROJECTS				
<i>State of Florida Department of Children and Families</i>				
Community Forensic Beds and Competency Restoration	60.114	GHME1	1,153,084	1,153,084
SAMH Community Services	60.153	GHME1	2,079,824	2,079,824
SAMH Crisis Prevention & Stabilization Services	60.155	GHME1	970,000	970,000
Centralized Receiving Facilities	60.163	GHME1	3,691,539	3,691,539
<i>Total State of Florida Department of Children and Families</i>			<u>7,894,447</u>	<u>7,894,447</u>
Total Expenditures of State Financial Assistance			<u>7,894,447</u>	<u>7,894,447</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 30,527,842</u>	<u>\$ 30,294,905</u>

The accompanying notes are an integral part of this schedule.

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the “Schedule”) includes the federal and state grant activity for Central Florida Cares Health System, Inc. (“CFCHS”) under programs of the federal government and the state of Florida for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), and Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of CFCHS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CFCHS. Pass-through entity identifying numbers are presented, where available.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CFCHS’s indirect cost rate is dictated by its contract terms with the State of Florida Department of Children and Families (“DCF”). The 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance, is not in effect, nor is it available under its GHME1 contract with DCF.

NOTE 3 - OTHER STATE FINANCIAL ASSISTANCE RECEIVED

CFCHS received funding from the DCF that was not subject to Section 215.97, Florida Statutes, as follows:

<i>State of Florida Department of Children and Families</i>	<u>Agency or Pass-through Number</u>	<u>Current Year Expenditure</u>	<u>Transfer to Sub- recipients</u>
A. Matching Funds for Federal Programs:			
State Matching Funds-93.958 Block Grants for Community Mental Health Services	GHME1	\$ 28,058,183	\$ 26,683,454
State Matching Funds-93.959 Block Grants for Prevention & Treatment of Substance Abuse	GHME1	12,757,887	12,152,580
State Matching Funds-93.767 Children’s Health Insurance Program	GHME1	<u>32,358</u>	<u>32,358</u>
Total State Funds Awarded for Matching		<u>\$ 40,848,428</u>	<u>\$ 38,868,392</u>

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:

Unmodified Opinion

Internal control over financial reporting:

- Significant deficiency(ies) identified? Yes None reported
- Material weakness(es) identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards and State Financial Assistance

Internal control over major federal programs and state projects:

- Significant deficiency(ies) identified? Yes None reported
- Material weakness(es) identified? Yes No

Type of auditor's report issued on compliance for major federal programs and state projects:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance or Chapter 10.650, Rules of Auditor General? Yes No

Identification of Major Federal Programs and State Projects:

CFDA Numbers

Name of Federal Programs

93.558	Temporary Assistance for Needy Families Block Grant
93.958	Block Grants for Community Mental Health Services
93.982	Mental Health Disaster Assistance and Emergency
93.788	State Targeted Response to the Opioid Crisis
93.767	Title XXI – State Children's Health Insurance Program
93.778	Medical Assistance Program

CSFA Numbers

Name of State Projects

60.114	Community Forensic Beds and Competency Restoration
60.163	Centralized Receiving Facilities

Dollar threshold used to distinguish between

Type A and Type B programs: Federal	<u>\$750,000</u>
State	<u>\$300,000</u>

Auditee qualified as low-risk auditee? Yes No

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS SECTION

None reported.

SECTION III - FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS SECTION

None reported.

SECTION IV - PRIOR-YEAR AUDIT FINDINGS

None reported.

No management letter will be issued in current year.