

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA**

**JUNE 30, 2018**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA**

**JUNE 30, 2018**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
First Step of Sarasota, Inc.  
Sarasota, Florida

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of First Step of Sarasota, Inc. (the Corporation), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, and 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.

### **Auditors' 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 Corporation'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 Corporation'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 the Corporation as of June 30, 2018, 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.

### **Certified Public Accountants**

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors  
First Step of Sarasota, Inc.  
Sarasota, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**Correction of Error**

As described in Note 9 to the financial statements, during the year management discovered that annual depreciation was not recorded on a building that was placed into service in 2007. As a result, a prior period adjustment was made to beginning net assets. Our opinion is not modified with respect to that matter.

**Report on Summarized Comparative Information**

We have previously audited the Corporation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

*Schedule of Expenditures of Federal Awards and State Financial Assistance*

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 Chapter 10.650, *Rules of the Auditor General of the State of Florida*, 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.



October 23, 2018  
Sarasota, Florida

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2017**  
**FIRST STEP OF SARASOTA, INC.**  
**SARASOTA, FLORIDA**

<b>ASSETS</b>		
	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,237,703	\$ 1,197,553
Grants and Accounts Receivable, Net	900,151	991,254
Prepaid Expenses	77,674	64,791
<b>Total Current Assets</b>	<b>2,215,528</b>	<b>2,253,598</b>
<b>Property and Equipment</b>		
Land	466,237	466,237
Buildings	6,321,866	6,299,079
Furniture and Equipment	861,893	932,464
Vehicles	127,619	149,476
	7,777,615	7,847,256
(Accumulated Depreciation)	(3,964,232)	(3,576,404)
Total Property and Equipment Used in Operations	3,813,383	4,270,852
Construction in Progress	18,286	0
<b>Total Property and Equipment</b>	<b>3,831,669</b>	<b>4,270,852</b>
<b>Total Assets</b>	<b>6,047,197</b>	<b>6,524,450</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	142,081	146,237
Accrued Liabilities	305,877	293,209
Client Deposits	45,262	57,548
Unearned Income	26,538	0
Current Portion of Notes Payable	47,724	44,791
<b>Total Current Liabilities</b>	<b>567,482</b>	<b>541,785</b>
<b>Other Liabilities</b>		
Notes Payable (Less Current Portion)	295,421	344,048
<b>Total Liabilities</b>	<b>862,903</b>	<b>885,833</b>
<b>Net Assets</b>		
Unrestricted Net Assets:		
Net Investment in Property and Equipment	3,488,524	3,882,013
Unrestricted	1,658,132	1,731,567
Total Unrestricted Net Assets	5,146,656	5,613,580
Temporarily Restricted	37,638	25,037
<b>Total Net Assets</b>	<b>5,184,294</b>	<b>5,638,617</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,047,197</b>	<b>\$ 6,524,450</b>

See accompanying notes.

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2017**  
**FIRST STEP OF SARASOTA, INC.**  
**SARASOTA, FLORIDA**

	Totals			Totals 2017
	Unrestricted	Temporarily Restricted	2018	
<b>Revenues and Support</b>				
Contracts and Grants (Federal and State)	\$ 5,356,836	\$ 0	\$ 5,356,836	\$ 4,950,500
County and Local Contracts	2,035,090	0	2,035,090	1,679,151
Client Fees, Insurance, and Medicaid	1,671,463	0	1,671,463	2,577,508
Rental Income	91,645	0	91,645	75,928
Subtotal	<u>9,155,034</u>	<u>0</u>	<u>9,155,034</u>	<u>9,283,087</u>
Net Assets Released from Restrictions	135,959	(135,959)	0	0
<b>Total Revenues and Support</b>	<u>9,290,993</u>	<u>(135,959)</u>	<u>9,155,034</u>	<u>9,283,087</u>
<b>Functional Expenses</b>				
<b>Program Expenses</b>				
Pathways Level 1	1,023,801	0	1,023,801	1,432,261
Seasons Level 2	562,833	0	562,833	507,491
Crossroads Level 3	463,159	0	463,159	365,645
Choices	883,978	0	883,978	996,971
Mothers and Infants	632,671	0	632,671	621,800
Crisis Triage Unit	299,264	0	299,264	278,834
ARF/Detoxification	2,277,284	0	2,277,284	2,195,008
VIPER/SIO	127,508	0	127,508	118,133
Outpatient Services	2,395,685	0	2,395,685	2,121,284
Royal Palm	88,991	0	88,991	98,454
<b>Supporting Services</b>				
Fundraising	121,983	0	121,983	0
Administration	916,924	0	916,924	1,000,936
<b>(Total Functional Expenses)</b>	<u>(9,794,081)</u>	<u>0</u>	<u>(9,794,081)</u>	<u>(9,736,817)</u>
<b>(Decrease) in Net Assets Before Other Revenues</b>	<u>(503,088)</u>	<u>(135,959)</u>	<u>(639,047)</u>	<u>(453,730)</u>
<b>Other Revenues</b>				
Contributions	77,762	76,217	153,979	132,432
Capital Contribution	0	72,343	72,343	20,000
Interest and Investment Income	7,713	0	7,713	1,945
Special Events Income	98,449	0	98,449	52,061
Miscellaneous Income	30,996	0	30,996	10,512
Gain/(Loss) on Disposal of Equipment	8,743	0	8,743	(2,243)
<b>Total Other Revenues</b>	<u>223,663</u>	<u>148,560</u>	<u>372,223</u>	<u>214,707</u>
<b>Change in Net Assets</b>	(279,425)	12,601	(266,824)	(239,023)
<b>Net Assets, Beginning of Year</b>	5,613,580	25,037	5,638,617	5,877,640
<b>Prior Period Adjustment</b>	<u>(187,499)</u>	<u>0</u>	<u>(187,499)</u>	<u>0</u>
<b>Net Assets, Beginning of Year, As Restated</b>	<u>5,426,081</u>	<u>25,037</u>	<u>5,451,118</u>	<u>5,877,640</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,146,656</u>	<u>\$ 37,638</u>	<u>\$ 5,184,294</u>	<u>\$ 5,638,617</u>

See accompanying notes.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018,  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2017  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA**

	<b>2018</b>						
	<b>Program Expenses</b>						
	<b>Pathways Level 1</b>	<b>Seasons Level 2</b>	<b>Crossroads Level 3</b>	<b>Choices</b>	<b>Mothers and Infants</b>	<b>Crisis Triage Unit</b>	<b>ARF/ Detoxification</b>
Salaries	\$ 549,953	\$ 318,774	\$ 229,090	\$ 468,978	\$ 379,860	\$ 228,858	\$ 1,595,128
Fringe Benefits, Payroll Taxes	106,331	59,097	45,584	92,454	75,827	40,649	270,526
Professional Fees/Service	26,912	2,498	2,315	7,988	2,760	123	19,561
Medical Supplies, Equipment, Labs	23,619	4,848	14,378	20,269	1,436	24	25,148
Food Supplies	52,042	50,603	47,297	158,036	50,013	182	70,212
Operating Supplies	17,689	11,771	15,463	24,952	13,463	1,607	38,506
Occupancy Expenses	67,763	67,299	62,370	62,196	59,177	15,601	127,398
Depreciation Expense	34,042	34,073	31,577	22,222	24,583	7,523	49,078
Travel, Conference, Education	7,345	1,008	3,090	2,899	5,065	603	2,295
Advertising and Communication	5,792	0	0	0	0	0	0
Subscriptions, Dues, Software Fees	13,039	12,247	11,358	12,230	13,905	4,080	27,640
Special Events	0	0	0	0	0	0	0
Bad Debt Expense and Other Expenses	119,274	615	637	11,754	6,582	14	51,792
Subtotals	1,023,801	562,833	463,159	883,978	632,671	299,264	2,277,284
Administration Allocation	93,739	53,973	39,233	80,192	65,088	38,494	266,479
<b>(Total Program Expenses)</b>	<b>\$ (1,117,540)</b>	<b>\$ (616,806)</b>	<b>\$ (502,392)</b>	<b>\$ (964,170)</b>	<b>\$ (697,759)</b>	<b>\$ (337,758)</b>	<b>\$ (2,543,763)</b>

See accompanying notes.

2018								
Program Expenses			Supporting Services		Totals	Totals		
VIPER/ SIO	Outpatient Services	Royal Palm	Fundraising	Administration	2018	2017		
\$ 98,411	\$ 1,537,348	\$ 8,905	\$ 50,143	\$ 535,265	\$ 6,000,713	\$ 6,025,563	Salaries	
18,769	294,205	761	8,763	78,714	1,091,680	1,011,427	Fringe Benefits, Payroll Taxes	
57	40,850	0	6,000	62,876	171,940	83,267	Professional Fees/Service	
438	202,594	0	0	0	292,754	158,454	Medical Supplies, Equipment, Labs	
73	2,285	0	846	4,625	436,214	477,284	Food Supplies	
4,623	47,865	1,387	2,562	15,729	195,617	255,462	Operating Supplies	
2,747	173,885	54,481	0	85,853	778,770	903,479	Occupancy Expenses	
173	6,953	23,457	0	79,117	312,798	300,771	Depreciation Expense	
125	40,448	0	45	10,270	73,193	104,628	Travel, Conference, Education	
0	0	0	30,875	0	36,667	94,243	Advertising and Communication	
2,085	42,501	0	2,307	43,927	185,319	0	Subscriptions, Dues, Software Fees	
0	0	0	20,288	0	20,288	15,896	Special Events	
7	6,751	0	154	548	198,128	306,343	Bad Debt Expense and Other Expenses	
127,508	2,395,685	88,991	121,983	916,924	9,794,081	9,736,817	Subtotals	
16,737	261,608	1,381	0	(916,924)	0	0	Administration Allocation	
<u>\$ (144,245)</u>	<u>\$ (2,657,293)</u>	<u>\$ (90,372)</u>	<u>\$ (121,983)</u>	<u>\$ 0</u>	<u>\$ (9,794,081)</u>	<u>\$ (9,736,817)</u>	<b>(Total Program Expenses)</b>	

See accompanying notes.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2017**  
**FIRST STEP OF SARASOTA, INC.**  
**SARASOTA, FLORIDA**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (266,824)	\$ (239,023)
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by (Used in) Operating Activities:		
Depreciation	312,798	300,771
Bad Debt Expense	150,191	241,608
(Gain)/Loss on Disposal of Fixed Assets	(8,743)	2,243
Decrease (Increase) in Operating Assets:		
Grants and Accounts Receivable	(59,088)	(49,667)
Prepaid Expenses	(12,883)	(15,081)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(4,156)	41,041
Accrued Liabilities	12,668	20,779
Client Deposits	(12,286)	23,230
Unearned Income	26,538	0
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>138,215</u>	<u>325,901</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(64,172)	(87,994)
Proceeds from Sale of Equipment	11,801	0
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(52,371)</u>	<u>(87,994)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on Long-term Debt	(45,694)	(62,937)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>(45,694)</u>	<u>(62,937)</u>
<b>Net Increase in Cash</b>	40,150	174,970
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,197,553</u>	<u>1,022,583</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,237,703</u>	<u>\$ 1,197,553</u>
<b><u>Supplemental Disclosures</u></b>		
Interest Paid	<u>\$ 18,196</u>	<u>\$ 21,323</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

**Organization**

First Step of Sarasota, Inc. (the Corporation) is a not-for-profit corporation whose mission is to prevent and treat alcohol and drug addictions, and associated disorders for individuals in Sarasota and neighboring counties. The Corporation's major sources of revenue are federal, state, and local grants, and client fees.

**Basis of Accounting**

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

**Contributions and Recognition of Donor Restrictions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Promises to Give**

Contributions are recognized as support when the donor makes a promise to give that is, in substance, unconditional. Promises to give are recorded at net realizable value if expected to be collected in one year and at a discounted realizable value if expected to be collected in more than one year. Conditional promises to give are recognized as support when the conditions on which they depend are substantially met. There were no promises to give at June 30, 2018.

**Accounts Receivable**

Accounts receivable primarily consists of grant and contract reimbursement requests and client service fees. These receivables are expected to be collected within 30 days and are considered delinquent if they are not. Accounts receivable is reported net of the allowance for doubtful accounts, which was \$99,941 at June 30, 2018.

**Unearned Revenue**

Grants received prior to performance of the services for which the grant was provided are recognized as revenue at the time the services are performed.

**Property and Equipment**

The Corporation capitalizes all expenditures for property and equipment in excess of \$1,500. Purchased property and equipment are recorded at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the respective assets. Depreciation expense was \$312,798 in 2018.

**Financial Statement Presentation**

The Corporation is required by generally accepted accounting principles to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**NOTES TO FINANCIAL STATEMENTS**  
**FIRST STEP OF SARASOTA, INC.**  
**SARASOTA, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**Financial Statement Presentation (Concluded)**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**Donated Services**

The Corporation records donated services as revenues if either: (a) they create or enhance nonfinancial assets; or (b) they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Income Taxes**

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Under *Accounting Standards Codification* (ASC) Section 740-10, *Income Tax Uncertainties*, it is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management also believes that no such required disclosures currently exist.

The Corporation is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2015.

**Subsequent Events**

The Corporation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 23, 2018, the date of the independent auditors' report.

**Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, the Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Expense Allocation**

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

**Estimates**

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

**Special Event Expenses**

The Corporation engages in various special events that help fund its main purpose and programs. The total expenses for these special events for the year ended June 30, 2018, are \$20,288.

**NOTES TO FINANCIAL STATEMENTS**  
**FIRST STEP OF SARASOTA, INC.**  
**SARASOTA, FLORIDA**  
*(Continued)*

**Note 2 - Cash**

The Corporation maintains cash in bank deposit accounts, which at times, exceeds federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant risks on its cash in bank deposit accounts.

**Note 3 - Long-term Debt**

Following is a schedule of outstanding long-term debt at June 30, 2018:

<u>Payee</u>	<u>2018</u>
Sarasota County	\$ 15,831
SunTrust Bank	<u>327,314</u>
<b>Total</b>	<b>\$ <u>343,145</u></b>

*Sarasota County*

The Corporation financed with Sarasota County a water connection at the US 301 location, which is secured by a lien on the property. It is payable in monthly installments of \$196 including interest at 3.00%. The last payment is due December 2025.

*SunTrust Bank*

In 2012, the Corporation entered into a loan agreement for up to \$650,000 toward the construction of the new administration building. During 2012 and 2013, the Corporation drew down the full balance of the loan for that purpose. The promissory note required monthly payments of interest only (at a fixed rate of 4.36%) through February 2013, then equal monthly payments of \$4,948 through February 2027. The note is secured by a mortgage on the property. The note may be prepaid in whole or in part without penalty.

*Line of Credit*

The Corporation has a \$300,000 open end revolving line of credit with a financial institution. Interest is due monthly at prime. There was no outstanding balance at June 30, 2018.

*Contingent Liabilities*

The Corporation is contingently obligated under a “2007 County Note,” “2009 City Note,” “2010 Contract,” and “2015 County Note” as more fully described in Note 7. These obligations are not recorded as long-term debt because they are expected to be extinguished without requiring payment.

*Future Scheduled Maturities*

The future scheduled maturities of long-term debt are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2019	\$ 47,724
2020	49,850
2021	52,069
2022	54,388
2023	56,811
2024 and After	<u>82,303</u>
<b>Total</b>	<b>\$ <u>343,145</u></b>

**NOTES TO FINANCIAL STATEMENTS  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA  
(Continued)**

**Note 4 - Net Assets**

**Temporarily Restricted**

The Sandy Seidman Fund provides financial vouchers to graduates of the Mothers and Infants Program for such items as deposits on housing, utilities, and phone service.

Residential Campus Funding was provided by the Harry Sudakoff Foundation to update doors, painting, etc., and by the Bank of America Client Foundation for an electronic gate update.

The Margaret Bates Fund provides financing for the Crossroads and Seasons programs to have psychological evaluations performed.

Net assets are temporarily restricted for the following programs:

<b>Account</b>	<b>2018</b>
Sandy Seidman Fund	\$ 14,036
Residential Campus Updates	20,350
Crossroads and Seasons Psychological Evaluations	3,252
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 37,638</b>

**Note 5 - Pension Plan**

The Corporation provides a noncontributory tax-deferred annuity plan for all eligible employees. In prior years, the Corporation had declared and funded discretionary contributions to the plan, but all employer contributions were suspended by the Corporation on January 1, 2009, until further notice.

**Note 6 - Revenue from the State of Florida Requiring Match**

The Corporation received revenue from the State of Florida under contract with Central Florida Behavioral Health Network, the managing entity for the Department of Children and Families. The contract requires a local match for certain services. The Corporation incurred and funded allowable program costs in excess of the required match.

**Note 7 - Commitments and Contingencies**

**Operating Lease Commitments**

The Corporation leases office space and/or equipment in Sarasota, Bradenton, Venice, and Arcadia, Florida. Lease terms vary from month-to-month to up to five years. Future minimum lease payments on operating leases are as follows:

<b>Year</b>	<b>Total</b>
2019	\$ 84,915
2020	33,091
2020	33,090
<b>Total</b>	<b>\$ 151,096</b>

Rent expense under operating leases was \$156,544 during the year ended June 30, 2018.

**NOTES TO FINANCIAL STATEMENTS**  
**FIRST STEP OF SARASOTA, INC.**  
**SARASOTA, FLORIDA**  
*(Continued)*

**Note 7 - Commitments and Contingencies *(Continued)***

**Contingent Liabilities**

*Royal Palm Property—2007 Contract and 2007 County Note*

In November 2007, the Corporation entered into a contract (the 2007 Contract) with Sarasota County whereby the Corporation received a twenty-year term loan of \$1,150,000 to purchase and renovate the Royal Palms apartment building for sober transitional and/or low-income housing. A total of \$1,095,537 was drawn on the loan through June 30, 2009, and due to time limits specified in the contract, no additional funds were available after that date. The loan is evidenced by a promissory note (the 2007 County Note) and secured by a mortgage on the building.

The 2007 County Note bears interest at the rate of 0% per annum and is due and payable on January 30, 2027. Prepayment in full may be made at any time without penalty. Under terms of the 2007 Contract, provided the Corporation complies with the terms thereof, including completion of the project and all reporting requirements, the remaining balance of the 2007 County Note will be released by the County without payment at maturity (January 30, 2027). A key provision of the 2007 Contract is that the units in the building are required to be maintained as sober transitional and/or low-income housing residences for twenty years.

Furthermore, in the event the 2007 Contract is terminated prior to maturity, the Corporation's repayment obligation shall be pro rata based on an annual principal reduction to the principal amount of the Note of \$57,500.

*Royal Palm Property—2009 Agreement and 2009 City Note*

In June 2009, the Corporation entered into an agreement (the 2009 Agreement) with the City of Sarasota whereby the City provided the Corporation with a loan from the State Housing Initiatives Partnership Program in the amount of \$562,000 to develop affordable housing for persons with substance dependency. Under the 2009 Agreement, the City used the loan proceeds to pay down a corresponding amount of the 2007 County Note discussed above.

The loan is evidenced by a promissory note (the 2009 City Note) and secured by a mortgage on the same Royal Palms apartment building. The 2009 City Note bears interest at the rate of 0% per annum and is due and payable on the sale of the property, or when the property is no longer used to house persons in accordance with the 2009 Agreement, or on June 30, 2029, whichever occurs first. The 2009 City Note may be prepaid in full at any time without penalty, and may be forgiven at the end of twenty years (June 30, 2029) if the Corporation enters into an agreement to continue using the property(s) to house individuals with substance abuse disability or use the proceeds of any sale of the property to benefit individuals with substance abuse disabilities.

*North Washington Boulevard Property and 2010 Contract*

In September 2010, the Corporation entered into a contract (the 2010 Contract) with Sarasota County (the County) whereby the Corporation would receive up to \$561,939 from the County to renovate seventy-five housing units, which are to be used for substance free housing. The housing units are owned by the Corporation. The Corporation drew down and expended the full amount of the 2010 Contract in 2011 and 2012.

**NOTES TO FINANCIAL STATEMENTS**  
**FIRST STEP OF SARASOTA, INC.**  
**SARASOTA, FLORIDA**  
*(Continued)*

**Note 7 - Commitments and Contingencies (Concluded)**

**Contingent Liabilities (Concluded)**

*North Washington Boulevard Property and 2010 Contract (Concluded)*

There is no promissory note or mortgage related to the 2010 Contract. The 2010 Contract requires that the units be maintained as substance-free housing units for a period of ten years (until January 30, 2020) unless replaced sooner with a like number of newly constructed units. In the event that the Corporation ceases to operate the facility for the purposes of substance free housing and treatment facility prior to January 30, 2020, the 2010 Contract shall be deemed terminated. In such event, the Corporation shall repay to the County the funds provided thereunder “prorated on an annual reduction of 10%”. The County placed a deed restriction on the property to ensure the continued use of the units for its intended purpose as noted above.

*Royal Palm Property—2015 Agreement and 2015 County Note*

In April 2015, the Corporation entered into a grant agreement (the 2015 Agreement) with Sarasota County (the County) whereby the Corporation would receive a maximum loan of \$140,000 to replace certain windows at the Royal Palm apartment building, in an effort to mitigate future wind damage. The loan is evidenced by a promissory note (the 2015 County Note) and secured by a mortgage on the same Royal Palm apartment building as secures the 2007 County Note and 2009 City Note. The Corporation drew down and expended \$99,980 in 2015 related to this project, but has not made any additional draws. The Corporation does not anticipate drawing down any additional monies related to this loan.

The 2015 County Note bears interest at the rate of 0% per annum. Prepayment in full may be made at any time without penalty. The Note is due and payable upon the sale of any portion of the property prior to April 30, 2025. The loan will be forgiven on April 30, 2025. A key provision of the 2015 Agreement is that the property will be leased to low-income residents for a period of ten years.

The Corporation intends to comply fully with the terms of the 2007 and 2010 Contracts, and the 2009 and 2015 Agreements, and expects all related obligations ultimately to be extinguished without requiring payment. Accordingly, no liabilities for these transaction have been recorded on the accompanying financial statements.

**Note 8 - Related Party Disclosure**

The Corporation paid rent of \$21,536 for the year ended June 30, 2018, for an office in Venice, Florida owned by a Board Member’s family limited partnership.

**Note 9 - Adjustment to Beginning Net Assets**

During the fiscal year, management implemented new fixed asset software that includes a module to inventory and calculate depreciation expense on fixed assets. Through this process, management discovered that a building was moved from construction in progress to a fixed asset in 2007, however annual depreciation expense of \$18,750 was not recorded on that building. Therefore, in 2018, a prior period adjustment of \$187,499 was made to beginning net assets to account for the depreciation expense from 2008 until 2017.

**NOTES TO FINANCIAL STATEMENTS**  
**FIRST STEP OF SARASOTA, INC.**  
**SARASOTA, FLORIDA**  
*(Concluded)*

**Note 10 - Future Accounting Pronouncements**

The Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. This ASU significantly amends the standards for the presentation and accompanying disclosures for nonprofit organizations. Some of the changes include the following:

- Requires a functional and natural classification of expenses.
- Requires the presentation of two classes of net assets instead of three.
- Requires additional disclosure of how a nonprofit organization manages liquidity and communicates the availability of financial assets to meet cash needs for general expenditures.
- Requires additional disclosures of the amounts and purposes of any Board of Directors' net asset designations.
- Requires additional disclosures of the methods used to allocate costs among programs and support functions.

This standard will become effective for nonprofit entities with fiscal years beginning after December 15, 2017.

## **OTHER REPORTS**

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

Board of Directors  
First Step of Sarasota, Inc.  
Sarasota, 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 First Step of Sarasota, Inc. (the Corporation), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, 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 October 23, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation'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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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Board of Directors  
First Step of Sarasota, Inc.  
Sarasota, Florida

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation'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 the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Durvis, Gray and Company, LLP*

October 23, 2018  
Sarasota, Florida

**INDEPENDENT AUDITORS' 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**

Board of Directors  
First Step of Sarasota, Inc.  
Sarasota, Florida

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

We have audited First Step of Sarasota, Inc.'s (the Corporation) compliance with the types of compliance requirements described in the OMB *Compliance Supplement*, and the Florida Department of Financial Services, *State Projects Compliance Supplement*, that could have a direct and material effect on each of the Corporation's major federal programs and state projects for the year ended June 30, 2018. The Corporation's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Corporation'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, rules, and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Corporation'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 the Corporation's compliance.

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Board of Directors  
First Step of Sarasota, Inc.  
Sarasota, Florida

**INDEPENDENT AUDITORS' 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  
(Concluded)**

**Opinion on Each Major Federal Program and State Project**

In our opinion, the Corporation 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 the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation'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 the Corporation'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 a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



October 23, 2018  
Sarasota, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA**

<u>Federal or State Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Grantor or Pass-through Number</u>	<u>Federal/ State Expenditures</u>
<b>Federal Awards</b>			
<b>U.S. Department of Health and Human Services</b>			
Passed Through Central Florida Behavioral Health Network:			
Block Grants for Prevention and Treatment of Substance Abuse*	93.959	QB013/VD013	\$ 1,670,503
Temporary Assistance for Needy Families	93.558	QB013	299,902
Block Grants for Community Mental Health Services	93.958	QB013	25,310
Projects for Assistance in Transition from Homelessness (PATH)	93.150	QB013	85,788
State Targeted Response to the Opioid Crisis Grant	93.778	QB013	126,788
Passed Through Florida Alcohol and Drug Abuse Association:			
State Targeted Response to the Opioid Crisis Grant	93.778		14,226
Subtotal State Targeted Response to the Opioid Crisis Grant			<u>141,014</u>
<b>Total Federal Awards</b>			<u><u>\$ 2,222,517</u></u>
<b>State Financial Assistance</b>			
<b>Florida Alcohol and Drug Abuse Association</b>			
State Targeted Response to the Opioid Crisis Grant	22.022		139,738
<b>Florida Department of Children and Families</b>			
Passed Through Central Florida Behavioral Health Network:			
Community Forensic Beds and Competency Restoration Training	60.114	QB013	25,253
<b>Florida Department of Corrections</b>			
Substance Abuse:			
Residential*	70.016	C2659	218,935
Choices*	70.016	C2894	935,538
Outpatient*	70.016	C2770	144,005
			<u>1,298,478</u>
<b>Total State Financial Assistance</b>			<u><u>\$ 1,463,469</u></u>

\* Denotes Major Program/Project

**Notes**

The programs do not utilize subrecipients.  
There were no federal awards expended in noncash assistance.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FIRST STEP OF SARASOTA, INC.  
FOR THE YEAR ENDED JUNE 30, 2018  
SARASOTA, FLORIDA**

**Note 1 - General**

The accounting policies and presentation of the accompanying schedule of expenditures of federal awards and state financial assistance of First Step of Sarasota, Inc. (the Corporation) have been designed to conform with generally accepted accounting principles applicable to non-profit organizations, including the reporting and compliance requirements of the *Single Audit Act of 1984*, the *Single Audit Act Amendments of 1996*, and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (federal awards), the *Florida Single Audit Act*, and Chapter 10.650, *Rules of the Auditor General*, of the State of Florida (state financial assistance).

All federal awards and state financial assistance received directly from federal or state agencies, as well as federal awards and state financial assistance passed through other governmental agencies, are included in the schedule.

**Note 2 - Basis of Accounting**

The accompanying schedule of expenditures of federal awards and state financial assistance is presented using the accrual basis of accounting.

**Note 3 - Contingencies**

Grant monies received and disbursed by the Corporation are for specific purposes and are subject to review by grantor agencies. Such audits may result in requests for reimbursement due to disallowance of expenditures. Based on prior experience, the Corporation does not believe that such disallowances, if any, would have a material effect on the financial position of the Corporation.

**Note 4 - Indirect Cost Rate Election**

The Corporation elected to use the de minimus rate of 10% for determining indirect cost amounts for federal awards and state projects.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL  
AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA**

**Part A - Summary of Audit Results**

- I. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of First Step of Sarasota, Inc.
- II. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements of First Step of Sarasota, Inc. (see Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*).
- III. No instances of noncompliance material to the financial statements of First Step of Sarasota, Inc. were disclosed during the audit (see the same report referenced in II).
- IV. No material weaknesses or significant deficiencies in internal control over major federal programs or state projects were disclosed during the audit (see Independent Auditors' 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*).
- V. An unmodified opinion was issued on compliance over major federal programs and major state projects (see the same report referenced in IV).
- VI. Audit findings relative to the major federal award programs for the County are reported in Part C of this schedule. Audit findings relative to the major state financial assistance projects are reported in Part D of this schedule.
- VII. The programs/projects tested as major programs/projects included the following:
  - **Federal Programs**
    - U.S. Department of Health and Human Services, Passed Through Central Florida Behavioral Health Network:
      - ▶ Block Grants for Prevention and Treatment of Substance Abuse, CFDA Number 93.959
  - **State Projects**
    - Florida Department of Corrections:
      - ▶ Substance Abuse Services, CSFA Number 70.016
- VIII. The threshold for distinguishing Types A and B programs/projects was \$750,000 for major federal programs and \$300,000 for major state projects.
- IX. First Step of Sarasota, Inc. was determined to be a low-risk auditee pursuant to the Uniform Guidance.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL  
AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA  
(Concluded)**

**Part B - Findings - Financial Statement Audit**

None

**Part C - Findings and Questioned Costs - Major Federal Awards Programs**

None

**Part D - Findings and Questioned Costs - Major State Financial Assistance Projects**

None

**Part E - Other Issues**

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects. No corrective action plan is required because there were no findings in the current year requiring correction under the federal or Florida *Single Audit Acts*.

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## MANAGEMENT LETTER

Board of Directors  
First Step of Sarasota, Inc.  
Sarasota, Florida

### Report on the Financial Statements

We have audited the financial statements of First Step of Sarasota, Inc. (the Corporation) as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated October 23, 2018.

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General*.

### Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Governmental Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Federal Program and State Project on Internal Control over Compliance Required by the Uniform Guidance; and Chapter 10.650, *Rules of the Auditor General*.

### Additional Matters

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we would like to draw your attention to the following matter:

#### ■ Client Fees Billing

While reviewing the client fees billing and rates charged, we noted that the majority of selected client billings did not follow the Corporation's internal sliding fee scales for rates to be charged. Upon discussion with management, it was noted that certain management positions may change the fees to be billed to accommodate the client for a variety of reasons including client need, ability to pay, and location of residence, recognizing First Step's mission of not denying services to at risk individuals.

We recommend that the Corporation strengthen internal controls over client billing by developing a policy that requires any exceptions to the sliding fee scales billing rates have two individuals authorize and sign off on the variations from the fee schedules and include this approval change in the client files. This will assure appropriate documented rates are billed and charged to the client when utilizing a rate that is different than the internal rate and minimize the risk of over/under billing to the client.

### Certified Public Accountants

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Board of Directors  
First Step of Sarasota, Inc.  
Sarasota, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

**Purpose of this Letter**

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

*Purvis, Gray and Company, LLP*

October 23, 2018  
Sarasota, Florida

## **SUPPLEMENTARY INFORMATION**

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF STATE EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA**

1. Total Expenditures	\$ 9,794,081
2. (Less Other State and Federal Funds)	(3,647,870)
3. (Less Nonmatch SAMH Funds)	(842,345)
4. (Less Unallowable Costs per 65E-14, F.A.C.)	<u>(37,396)</u>
5. Total Allowable Expenditures	<u>\$ 5,266,470</u>
6. Maximum Available Earnings	\$ 3,949,853
7. Amount of State Funds Requiring Match	\$ 824,042
8. Amount Due to Department	\$ 0

**SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA**

**SCHEDULE N/A - NO RELATED PARTY TRANSACTION ADJUSTMENTS**

**SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA**

Program <b>A</b>	Cost Center <b>B</b>	State Contracted Rate <b>C</b>	Total Units of Service Provided <b>D</b>	Total Units of Service Paid for by 3rd Party Contracts, Local Government, or Other State Agencies <b>E</b>	Maximum No. of Units Eligible for Payment by Department (D-E) <b>F</b>	Amount Paid for Services by the Department <b>G</b>	Maximum Amount Value of Units in Column F (F x C) <b>H</b>	Amount Owed to Department (G-H or \$0, Whichever is Greater) <b>I</b>
Adult SA	Substance Abuse Detox	\$ 240.45	10,950	5,730	5,220	\$ 326,906	\$ 1,255,149	\$ 0
<b>Total Amount Owed to Department</b>								<u><u>\$ 0</u></u>

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA**

Agency: First Step of Sarasota, Inc.

Date Prepared: 10/2/2018  
Budget Period: From 7/1/17 to 6/30/18

**Part I: Actual Funding Sources and Revenues**

Funding Sources and Revenues <u>A</u>	State Designated SAMH Cost Centers						
	State Funded SAMH Cost Centers						
	Residential Level 1	Seasons Residential Level 2	Crossroads Residential Level 3	Mothers and Infants Residential Level 2	Crisis Support	Detox	Case Management
<b>IA. State SAMH Funding</b>							
(1) Central Florida Behavioral Health Network	\$ 21,237	\$ 911,912	\$ 38,117	\$ 806,497	\$ 304,470	\$ 337,674	\$ 85
(2) CFBHN Behavioral Health Fee	0	0	0	0	0	0	0
<b>Total State SAMH Funding</b>	<u>21,237</u>	<u>911,912</u>	<u>38,117</u>	<u>806,497</u>	<u>304,470</u>	<u>337,674</u>	<u>85</u>
<b>IB. Other Government Funding</b>							
(1) Other State Agency Funding	0	0	218,935	0	0	0	0
(2) Medicaid	0	0	0	0	0	0	0
(3) Local Government	0	0	83,740	0	0	1,243,420	0
(4) Federal Grants and Contracts	0	799	0	0	0	0	0
(5) In-kind from Local Government Only	0	0	0	0	0	0	0
<b>Total Other Government Funding</b>	<u>0</u>	<u>799</u>	<u>302,675</u>	<u>0</u>	<u>0</u>	<u>1,243,420</u>	<u>0</u>
<b>IC. All Other Revenues</b>							
(1) 1st and 2nd Party Payments	0	9	27,577	0	0	66,916	0
(2) 3rd Party Payments (except Medicare)	0	4,672	0	0	0	67,472	0
(3) Contributions, Donations, and Grants	0	23,873	15,778	80,427	0	0	0
(4) Other/UW/YMCA	0	0	0	0	0	0	0
(5) In-kind	0	0	0	0	0	0	0
(6) Contracts	0	0	0	0	0	0	0
<b>Total All Other Revenues</b>	<u>0</u>	<u>28,554</u>	<u>43,355</u>	<u>80,427</u>	<u>0</u>	<u>134,388</u>	<u>0</u>
<b>TOTAL FUNDING</b>	<u>\$ 21,237</u>	<u>\$ 941,265</u>	<u>\$ 384,147</u>	<u>\$ 886,924</u>	<u>\$ 304,470</u>	<u>\$ 1,715,482</u>	<u>\$ 85</u>

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA  
(Continued)**

Agency: First Step of Sarasota, Inc.

Part I: Actual Funding Sources and Revenues (Continued)

		State Designated SAMH Cost Centers								
		State Funded SAMH Cost Centers								
Funding Sources and Revenues										
A		Intervention	Prevention	Assessments	Outpatient Individual/Group	Path CCST	Prevention Coalition	Outreach	Outpatient Medical	Incidental
<b>IA.</b>	<b>State SAMH Funding</b>									
(1)	Central Florida Behavioral Health Network	\$ 418,211	\$ 286,023	\$ 4,826	\$ 108,083	\$ 85,788	\$ 63,498	\$ 232,537	\$ 51,215	\$ 21,066
(2)	CFBHN Behavioral Health Fee	0	0	0	0	0	0	0	0	0
	<b>Total State SAMH Funding</b>	418,211	286,023	4,826	108,083	85,788	63,498	232,537	51,215	21,066
<b>IB.</b>	<b>Other Government Funding</b>									
(1)	Other State Agency Funding	0	0	46,951	97,054	0	0	0	139,738	0
(2)	Medicaid	0	0	0	40,306	0	0	0	0	0
(3)	Local Government	24,793	0	19,532	165,628	0	0	0	0	0
(4)	Federal Grants and Contracts	0	0	0	73,247	0	0	0	14,226	0
(5)	In-kind from Local Government Only	0	0	0	0	0	0	0	0	0
	<b>Total Other Government Funding</b>	24,793	0	66,483	376,235	0	0	0	153,964	0
<b>IC.</b>	<b>All Other Revenues</b>									
(1)	1st and 2nd Party Payments	0	0	13,356	109,516	0	0	0	0	0
(2)	3rd Party Payments (except Medicare)	0	0	1,404	11,511	0	0	0	0	0
(3)	Contributions, Donations, and Grants	0	2,500	1,570	14,130	0	1,000	0	54,312	0
(4)	Other/UW/YMCA	753	1,479	145	1,026	142	808	384	464	0
(5)	In-kind	19,461	4,506	1,364	9,650	1,334	1,014	3,616	4,367	0
(6)	Contracts	0	0	0	0	0	0	0	0	0
	<b>Total All Other Revenues</b>	20,214	8,485	17,839	145,833	1,476	2,822	4,000	59,143	0
	<b>TOTAL FUNDING</b>	\$ 463,218	\$ 294,508	\$ 89,148	\$ 630,151	\$ 87,264	\$ 66,320	\$ 236,537	\$ 264,322	\$ 21,066

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA  
(Concluded)**

Agency: First Step of Sarasota, Inc.

Part I: Actual Funding Sources and Revenues (Concluded)

Funding Sources and Revenues A	Total For State Funded SAMH Cost Centers E	Total for Nonstate Funded SAMH Cost Centers F	Total for all State Designated SAMH Cost Centers G	Non SAMH Cost Centers G	Other Support Services	Administration	Total Funding H
<b>IA. State SAMH Funding</b>							
(1) Central Florida Behavioral Health Network	\$ 3,691,239	\$ 0	\$ 3,691,239	\$ 0	\$ 0	\$ 0	\$ 3,691,239
(2) CFBHN Behavioral Health Fee	0	0	0	0	0	0	0
<b>Total State SAMH Funding</b>	<b>3,691,239</b>	<b>0</b>	<b>3,691,239</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,691,239</b>
<b>IB. Other Government Funding</b>							
(1) Other State Agency Funding	502,678	0	502,678	935,538	0	0	1,438,216
(2) Medicaid	40,306	0	40,306	0	0	0	40,306
(3) Local Government	1,537,113	0	1,537,113	502,655	0	0	2,039,768
(4) Federal Grants and Contracts	88,272	0	88,272	41,308	0	0	129,580
(5) In-kind from Local Government Only	0	0	0	0	0	0	0
<b>Total Other Government Funding</b>	<b>2,168,369</b>	<b>0</b>	<b>2,168,369</b>	<b>1,479,501</b>	<b>0</b>	<b>0</b>	<b>3,647,870</b>
<b>IC. All Other Revenues</b>							
(1) 1st and 2nd Party Payments	217,374	0	217,374	1,050,394	0	0	1,267,768
(2) 3rd Party Payments (except Medicare)	85,059	0	85,059	283,003	0	0	368,062
(3) Contributions, Donations, and Grants	193,590	0	193,590	126,711	46,882	0	367,183
(4) Other/UW/YMCA	5,201	0	5,201	93,165	0	41,457	139,823
(5) In-kind	45,312	0	45,312	0	0	0	45,312
(6) Contracts	0	0	0	0	0	0	0
<b>Total All Other Revenues</b>	<b>546,536</b>	<b>0</b>	<b>546,536</b>	<b>1,553,273</b>	<b>46,882</b>	<b>41,457</b>	<b>2,188,148</b>
<b>TOTAL FUNDING</b>	<b>\$ 6,406,144</b>	<b>\$ 0</b>	<b>\$ 6,406,144</b>	<b>\$ 3,032,774</b>	<b>\$ 46,882</b>	<b>\$ 41,457</b>	<b>\$ 9,527,257</b>

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA**

Agency: First Step of Sarasota, Inc.

Date Prepared: October 2, 2018  
Budget Period: From 7/1/17 to 6/30/18

Part II: Actual Expenses

State Designated SAMH Cost Centers  
State Funded SAMH Cost Centers

Expense Categories A	Residential Level 1	Seasons Residential Level 2	Crossroads Residential Level 3	Mothers and Infants Residential Level 2	Crisis Support	Detox	Case Management
<b>IIA. Personnel Expenses</b>							
(1) Salaries	\$ 10,999	\$ 318,774	\$ 229,091	\$ 379,861	\$ 228,856	\$ 1,595,126	\$ 59
(2) Fringe Benefits/Taxes	2,127	59,097	45,584	75,827	40,649	270,526	11
<b>Total Personnel Expenses</b>	<b>13,126</b>	<b>377,871</b>	<b>274,675</b>	<b>455,688</b>	<b>269,505</b>	<b>1,865,652</b>	<b>70</b>
<b>IIB. Other Expenses</b>							
(1) Professional Fees/Services/Recruiting	538	2,498	2,315	2,760	123	19,561	0
(2) Medical Supplies/Equipment/Lab	472	4,848	14,378	1,436	24	25,148	1
(3) Food Supplies	1,041	50,603	47,297	50,013	182	70,212	0
(4) Operating Supplies	354	11,771	15,463	13,463	1,607	38,506	2
(5) Occupancy Expenses	2,036	101,373	93,947	83,760	23,124	176,476	7
(6) Travel, Conference, Education	147	1,008	3,090	5,065	603	2,295	1
(7) Subscriptions/Dues/Software Fees	261	12,247	11,358	13,905	4,080	27,640	1
(8) Other Expenses	2,501	615	637	6,582	14	51,792	0
<b>Total Other Expenses</b>	<b>7,350</b>	<b>184,963</b>	<b>188,485</b>	<b>176,984</b>	<b>29,757</b>	<b>411,630</b>	<b>12</b>
<b>Total Personnel and Other Expenses</b>	<b>20,476</b>	<b>562,834</b>	<b>463,160</b>	<b>632,672</b>	<b>299,262</b>	<b>2,277,282</b>	<b>82</b>
<b>IIIC. Distributed Indirect Costs</b>							
(a) Distributed Indirect Costs	0	0	0	0	0	0	0
(b) Administration	1,875	53,973	39,233	65,088	38,494	266,479	10
<b>Total Distributed Indirect Costs</b>	<b>1,875</b>	<b>53,973</b>	<b>39,233</b>	<b>65,088</b>	<b>38,494</b>	<b>266,479</b>	<b>10</b>
<b>Total Actual Operating Expenses</b>	<b>22,351</b>	<b>616,807</b>	<b>502,393</b>	<b>697,760</b>	<b>337,756</b>	<b>2,543,761</b>	<b>92</b>
<b>IIID. Unallowable Costs</b>	0	(273)	(387)	0	0	(32,401)	0
<b>Total Allowable Operation Expenses</b>	<b>\$ 22,351</b>	<b>\$ 616,534</b>	<b>\$ 502,006</b>	<b>\$ 697,760</b>	<b>\$ 337,756</b>	<b>\$ 2,511,360</b>	<b>\$ 92</b>

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA  
(Continued)**

Agency: First Step of Sarasota, Inc.

Part II: Actual Expenses (Continued)

Expense Categories A	State Designated SAMH Cost Centers					State Funded SAMH Cost Centers				
	Intervention	Prevention	Assessments	Outpatient Individual/Group	Path CCST	Prevention Coalition	Outreach	Outpatient Medical	Incidental	
	<b>IIA. Personnel Expenses</b>									
(1) Salaries	\$ 323,372	\$ 227,434	\$ 62,234	\$ 439,908	\$ 45,498	\$ 46,873	\$ 165,127	\$ 36,754	\$ 0	
(2) Fringe Benefits/Taxes	61,154	41,821	11,769	83,192	10,500	8,964	31,228	9,189	0	
<b>Total Personnel Expenses</b>	<b>384,526</b>	<b>269,255</b>	<b>74,003</b>	<b>523,100</b>	<b>55,998</b>	<b>55,837</b>	<b>196,355</b>	<b>45,943</b>	<b>0</b>	
<b>II B. Other Expenses</b>										
(1) Professional Fees/Services/Recruiting	567	142	109	771	31	31	289	38,640	0	
(2) Medical Supplies/Equipment/Lab	6,547	24	1,260	8,907	5	5	3,343	136,384	21,066	
(3) Food Supplies	245	777	47	334	17	324	125	133	0	
(4) Operating Supplies	10,935	2,597	2,104	14,875	529	3,580	5,584	1,740	0	
(5) Occupancy Expenses	36,427	13,380	7,010	49,554	2,721	3,045	18,601	27,734	0	
(6) Travel, Conference, Education	6,855	7,244	1,319	9,326	5,597	1,063	3,501	540	0	
(7) Subscriptions/Dues/Software Fees	7,676	4,567	1,477	10,443	972	1,189	3,920	7,000	0	
(8) Other Expenses	1,911	43	368	2,599	10	9	976	0	0	
<b>Total Other Expenses</b>	<b>71,163</b>	<b>28,774</b>	<b>13,694</b>	<b>96,809</b>	<b>9,882</b>	<b>9,246</b>	<b>36,339</b>	<b>212,171</b>	<b>21,066</b>	
<b>Total Personnel and Other Expenses</b>	<b>455,689</b>	<b>298,029</b>	<b>87,697</b>	<b>619,909</b>	<b>65,880</b>	<b>65,083</b>	<b>232,694</b>	<b>258,114</b>	<b>21,066</b>	
<b>II C. Distributed Indirect Costs</b>										
(a) Distributed Indirect Costs	0	0	0	0	0	0	0	0	0	
(b) Administration	54,923	38,459	10,570	74,716	7,998	7,975	28,046	6,562	0	
<b>Total Distributed Indirect Costs</b>	<b>54,923</b>	<b>38,459</b>	<b>10,570</b>	<b>74,716</b>	<b>7,998</b>	<b>7,975</b>	<b>28,046</b>	<b>6,562</b>	<b>0</b>	
<b>Total Actual Operating Expenses</b>	<b>510,612</b>	<b>336,488</b>	<b>98,267</b>	<b>694,625</b>	<b>73,878</b>	<b>73,058</b>	<b>260,740</b>	<b>264,676</b>	<b>21,066</b>	
<b>II D. Unallowable Costs</b>	0	0	(537)	(3,798)	0	0	0	0	0	
<b>Total Allowable Operation Expenses</b>	<b>\$ 510,612</b>	<b>\$ 336,488</b>	<b>\$ 97,730</b>	<b>\$ 690,827</b>	<b>\$ 73,878</b>	<b>\$ 73,058</b>	<b>\$ 260,740</b>	<b>\$ 264,676</b>	<b>\$ 21,066</b>	

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018  
FIRST STEP OF SARASOTA, INC.  
SARASOTA, FLORIDA  
(Concluded)**

Agency: First Step of Sarasota, Inc.

Part II: Actual Expenses (Continued)

Expense Categories A	Total For State Funded SAMH Cost Centers	Total for Nonstate SAMH Cost Centers	Total for all State Designated SAMH Cost Centers F	Non SAMH Cost Centers G	Other Support Services	Administration	Total Expenses H
<b>IIA. Personnel Expenses</b>							
(1) Salaries	\$ 4,109,966	\$ 0	\$ 4,109,966	\$ 1,305,339	\$ 50,143	\$ 535,265	\$ 6,000,713
(2) Fringe Benefits/Taxes	751,638	0	751,638	252,565	8,763	78,714	1,091,680
<b>Total Personnel Expenses</b>	<b>4,861,604</b>	<b>0</b>	<b>4,861,604</b>	<b>1,557,904</b>	<b>58,906</b>	<b>613,979</b>	<b>7,092,393</b>
<b>IIIB. Other Expenses</b>							
(1) Professional Fees/Services/Recruiting	68,375	0	68,375	34,689	6,000	62,876	171,940
(2) Medical Supplies/Equipment/Lab	223,848	0	223,848	68,906	0	0	292,754
(3) Food Supplies	221,350	0	221,350	209,393	846	4,625	436,214
(4) Operating Supplies	123,110	0	123,110	54,216	2,562	15,729	195,617
(5) Occupancy Expenses	639,195	0	639,195	287,403	0	164,970	1,091,568
(6) Travel, Conference, Education	47,654	0	47,654	15,224	45	10,270	73,193
(7) Subscriptions/Dues/Software Fees	106,736	0	106,736	32,349	2,307	43,927	185,319
(8) Other Expenses	68,057	0	68,057	135,161	51,317	548	255,083
<b>Total Other Expenses</b>	<b>1,498,325</b>	<b>0</b>	<b>1,498,325</b>	<b>837,341</b>	<b>63,077</b>	<b>302,945</b>	<b>2,701,688</b>
<b>Total Personnel and Other Expenses</b>	<b>6,359,929</b>	<b>0</b>	<b>6,359,929</b>	<b>2,395,245</b>	<b>121,983</b>	<b>916,924</b>	<b>9,794,081</b>
<b>IIIC. Distributed Indirect Costs</b>							
(a) Distributed Indirect Costs	0	0	0	0	0	0	0
(b) Administration	694,401	0	694,401	222,523	0	(916,924)	0
<b>Total Distributed Indirect Costs</b>	<b>694,401</b>	<b>0</b>	<b>694,401</b>	<b>222,523</b>	<b>0</b>	<b>(916,924)</b>	<b>0</b>
<b>Total Actual Operating Expenses</b>	<b>7,054,330</b>	<b>0</b>	<b>7,054,330</b>	<b>2,617,768</b>	<b>121,983</b>	<b>0</b>	<b>9,794,081</b>
<b>IIID. Unallowable Costs</b>	<b>(37,396)</b>	<b>0</b>	<b>(37,396)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(37,396)</b>
<b>Total Allowable Operation Expenses</b>	<b>\$ 7,016,934</b>	<b>\$ 0</b>	<b>\$ 7,016,934</b>	<b>\$ 2,617,768</b>	<b>\$ 121,983</b>	<b>\$ 0</b>	<b>\$ 9,756,685</b>



Ref: Management Letter dated October 23, 2018

To Whom It May Concern:

**Corrective Action Plan:**

First Step will provide training for OP/Detox front desk/admission staff on consistent utilization of the Client Fee Scale. Any deviation from the sliding fee scale must be approved by at a minimum of two staff (at least one must have supervisory authority).

A handwritten signature in blue ink, appearing to read "V. Tiutyama", is written over a light blue horizontal line.

Vickie Tiutyama

CFO