

CIRCLES OF CARE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

As of and for the year ended June 30, 2019

and

INDEPENDENT AUDITOR'S REPORT

CIRCLES OF CARE, INC.
MELBOURNE, FLORIDA

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INDEPENDENT AUDITOR'S COMBINED REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Directors
Circles of Care, Inc.
Melbourne, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Circles of Care, Inc. (CoC), (a nonprofit organization), which comprise the balance sheet as of June 30, 2019, and the related statements of operations and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

appropriateness of accounting principles used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of 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 CoC as of June 30, 2019, and the results of its operations and changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Rules of the Florida Department of Financial Services, is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedules of revenues, program/cost center actual expenses and revenues, state earnings for alcohol, drug abuse, and mental health services - match calculation, bed-day availability payments, and related party transactions adjustments are required by the Florida Department of Children and Families. These schedules are presented for purposes of supplementary analysis, and are not a required part of the basic 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 18, 2019, on our consideration of CoC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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 CoC's internal control over financial reporting and compliance.



Davies, Houser & Secret, CPA, P.A.
Cocoa, Florida
December 18, 2019

FINANCIAL STATEMENTS

CIRCLES OF CARE, INC.

BALANCE SHEET

June 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 10,999,850
Investments	14,560,058
Patient accounts receivable, net of allowances for contractual adjustments and uncollectible accounts of \$2,773,053	1,520,000
Inventories, other receivables, and prepaid items	<u>4,400,679</u>
Total current assets	<u>31,480,587</u>

Assets limited as to use:

Internally designated for renewal and replacement	8,000,000
Beneficial interest in perpetual trust	<u>617,393</u>
Total assets limited as to use	<u>8,617,393</u>

Property and equipment, at cost or fair market
value, if donated, net of accumulated depreciation:

Land	1,110,682
Buildings and improvements	7,009,301
Furniture and equipment	525,480
Land and buildings not used in operations	<u>2,101,324</u>
Property and equipment, at depreciated cost	<u>10,746,787</u>

Total assets	<u><u>\$ 50,844,767</u></u>
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The accompanying notes are an integral part of this financial statement.

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 266,896
Accrued payroll, payroll taxes, and vested leave	1,787,010
Accrued liabilities - other	2,359,821
Current portion of bonds payable	<u>315,149</u>
Total current liabilities	<u>4,728,876</u>
Long-term debt:	
Bonds payable	<u>3,505,884</u>
Total liabilities	<u>8,234,760</u>
Contingencies and commitments (Note 8)	
Net assets:	
Without donor restrictions	33,992,614
Without donor restrictions - board designated	<u>8,000,000</u>
	41,992,614
With donor restrictions	<u>617,393</u>
Total net assets	<u>42,610,007</u>
Total liabilities and net assets	<u>\$ 50,844,767</u>

The accompanying notes are an integral part of this financial statement.

CIRCLES OF CARE, INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
For the year ended June 30, 2019

Changes in net assets without donor restrictions:	
Revenues and support:	
Net patient service revenue (Notes 12 and 13)	\$ 17,086,390
Government contracts and other support:	
State Mental Health	14,562,218
Medicaid	564,659
Local	1,804,507
Other support	316,198
Contributions	24,721
Pharmacy	<u>6,499,531</u>
	40,858,224
Rental income	174,429
Investment income	<u>1,127,528</u>
Total revenues and support	<u>42,160,181</u>
Expenses:	
Salaries and employee benefits	25,817,090
Other operating expenses	<u>14,617,798</u>
Total expenses	<u>40,434,888</u>
Excess of revenues, gains, and other support over expenses	1,725,293
Change in net unrealized gains and losses on other than trading securities	<u>150,015</u>
Change in net assets without donor restrictions	<u>1,875,308</u>
Change in net assets with donor restrictions:	
Change in net assets with donor restrictions	<u>(3,708)</u>
Change in net assets with donor restrictions	<u>(3,708)</u>
Change in net assets	1,871,600
Net assets, at beginning of year	<u>40,738,407</u>
Net assets, at end of year	<u>\$ 42,610,007</u>

The accompanying notes are an integral part of this financial statement.

CIRCLES OF CARE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

	2019		
	<u>Program</u>	<u>Administration</u>	<u>Total</u>
Salaries and employee benefits:			
Salaries	\$ 18,466,609	\$ 1,486,576	\$ 19,953,185
Health insurance	2,507,520	77,624	2,585,144
Retirement	1,620,170	114,590	1,734,760
FICA	1,304,225	84,777	1,389,002
Life and disability	145,501	9,498	154,999
	<u>24,044,025</u>	<u>1,773,065</u>	<u>25,817,090</u>
Total salaries and employee benefits	\$ <u>24,044,025</u>	\$ <u>1,773,065</u>	\$ <u>25,817,090</u>
Other operating expenses:			
Pharmacy	\$ 6,301,185	\$ 0	\$ 6,301,185
Bad debts	1,112,000	0	1,112,000
Food	1,078,877	14,393	1,093,270
Depreciation	790,757	62,062	852,819
Rent	633,753	56,419	690,172
Insurance	634,303	47,367	681,670
Supplies	596,848	29,433	626,281
Medical services	565,535	4,860	570,395
Other professional services	298,060	154,402	452,462
Information management	414,515	25,898	440,413
Utilities	344,190	37,440	381,630
Repairs and maintenance	251,208	70,563	321,771
Dues and subscriptions	235,359	15,532	250,891
Travel, education, and conferences	197,471	48,801	246,272
Telephone	165,284	21,322	186,606
Interest	157,977	0	157,977
Transportation	117,563	5,181	122,744
Postage and printing	69,180	3,731	72,911
Community awareness	44,269	12,060	56,329
	<u>14,008,334</u>	<u>609,464</u>	<u>14,617,798</u>
Total other operating expenses	\$ <u>14,008,334</u>	\$ <u>609,464</u>	\$ <u>14,617,798</u>

The accompanying notes are an integral part of this financial statement.

CIRCLES OF CARE, INC.

STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

Cash flows from operating activities:	
Cash received from patients	\$ 16,104,390
Cash received from state contracts and other support	17,259,640
Cash received from pharmacy	5,511,724
Cash received from rents	174,429
Interest and dividends received	823,271
Cash paid to suppliers and employees	(37,211,481)
Interest paid	<u>(157,977)</u>
Net cash provided by operating activities	<u>2,503,996</u>
Cash flows from investing activities:	
Payments for acquisition of assets	(286,255)
Proceeds from sale and maturities of assets	7,034,050
Purchase of investments	<u>(7,761,059)</u>
Net cash used in investing activities	<u>(1,013,264)</u>
Cash flows from financing activities:	
Principal payments of long-term debt	<u>(301,758)</u>
Net cash used in financing activities	<u>(301,758)</u>
Net increase in cash and cash equivalents	1,188,974
Cash and cash equivalents at beginning of year	<u>9,810,876</u>
Cash and cash equivalents at end of year	<u><u>\$ 10,999,850</u></u>

The accompanying notes are an integral part of this financial statement.

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets	\$ <u>1,871,600</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	852,819
Net realized and unrealized gains on sale of investments on other than trading securities	(454,272)
Change in assets and liabilities:	
Decrease in patient accounts receivable	130,000
Increase in inventories, other receivables, and prepaid items	(28,574)
Decrease in accounts payable	(21,781)
Increase in accrued payroll, payroll taxes, and vested leave	114,434
Increase in accrued liabilities - other	<u>39,770</u>
Total adjustments	<u>632,396</u>
Net cash provided by operating activities	\$ <u><u>2,503,996</u></u>

The accompanying notes are an integral part of this financial statement.

CIRCLES OF CARE, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the year ended June 30, 2019

NOTE 1 - REPORTING ENTITY

Circles of Care, Inc. (CoC) is a local mental healthcare system operating in Brevard County, Florida. The organization provides a full range of mental health services to the residents of Brevard County (the County), including an inpatient psychiatric facility, a crisis stabilization unit, outpatient counseling services, and many other mental health services for children and adults.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

CoC prepares its financial statements in accordance with guidelines established in the American Institute of Certified Public Accountants Audit and Accounting Guide, "Health Care Organizations."

B. Display of Net Assets by Class

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements set forth in the "Not-for-Profit Entities" topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, the net assets of CoC are reported in either of the following classes: net assets without donor restrictions or net assets with donor restrictions. The nature of the classification results from the presence or absence of donor-imposed restrictions. CoC has elected to report donor-restricted contributions, whose restrictions are met in the same reporting period, as net assets without donor restrictions. In addition, CoC is required to present a statement of cash flows.

C. Contributions

As set forth in the "Not-for-Profit Entities" topic of the FASB ASC, CoC records contributions received as either support with donor restrictions or without donor restrictions depending on the existence and nature of any donor restrictions. In the absence of donor-imposed time restrictions on the use of the assets, gifts of long-lived assets are reported as without donor restrictions. Program and time-restricted contributions are required to be reported as support with donor restrictions and then reclassified to net assets without donor restrictions upon expiration of the restrictions.

Donated services are recorded at fair market value as contributions and capital additions when either of the following conditions is met:

- The donated services create or enhance nonfinancial assets (such as a building).
- The donated services are provided by entities that normally provide specialized services for compensation and those services are normally purchased by CoC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash, that must be used to acquire property and equipment, are reported as donor restricted. In the absence of donor stipulations, regarding how long those donated assets must be maintained, CoC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. CoC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

D. Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others, excluding Medicaid, for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. A retroactive Medicare adjustment is included in net patient service revenue for the year ended June 30, 2019, (see Note 8).

E. Allowance for Doubtful Accounts

Management determines an allowance for doubtful accounts based on age-weighted collection percentages, historical collection experience, and source of payment for services rendered (i.e. private-pay patients, Medicaid, Medicare, and other third-party payers). Private-pay receivables are charged off when payment options are exhausted. All account balances are reserved 90% once they exceed 180 days.

F. Charity Care

CoC identifies charity care patients using the same criteria used by the State of Florida Agency for Health Care Administration. It is the policy of CoC that a patient, whose income does not exceed 150% of the current federal poverty guidelines, will be classified as a charity care patient. Additionally, if the patient's total charges exceed 25% of the patient's annual income, the patient will be classified as a charity care patient, unless the patient's income exceeds four times the federal poverty level for a family of four. Because CoC does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as gross patient service revenue.

G. Property and Equipment

Property and equipment acquisitions in excess of \$1,000 are recorded at cost, including capitalized interest, if purchased or constructed, and estimated fair market value, if donated.

Depreciation is computed on the straight-line basis for all depreciable assets. Depreciation expense for the year ended June 30, 2019, was \$852,819. Expected useful lives for various asset classes are as follows:

Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 10 years
Other assets	3 - 10 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Income Taxes

CoC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization. Federal informational returns are subject to examination by the IRS, generally three years after they are filed.

I. Cash Flows

For the purposes of the statement of cash flows, CoC considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents. Cash and cash equivalents, which are part of assets limited by the Board of Directors, are not considered to be cash or cash equivalents for purposes of the cash flows presentation.

J. Inventories

Inventories consist of pharmaceuticals and medical supplies and are stated at the lower of cost or net realizable value determined by the first-in, first-out method.

K. Investments and Investment Income

As set forth in the “Not-for-Profit Entities” topic of the FASB ASC, subtopic “Investments - Debt and Equity,” investments in all debt securities and equity securities with readily determinable fair values are reported at fair value in the balance sheet. Investments, other than debt and equity securities with readily determinable fair values, are reported at cost, if purchased, or estimated at fair value at the date of the gift, if donated. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess of revenues, gains, and other support over expenses, unless the income or loss is restricted by the donor or a law. Unrealized gains and losses on investments are excluded from the excess of revenues, gains, and other support over expenses, unless the investments are trading securities.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

M. Functional Expenses

Expenses are charged to each function based on direct expenditures incurred. All other expenditures or support costs not directly chargeable to a specific function are allocated using management estimates.

NOTE 3 - LIQUIDITY MANAGEMENT

CoC has \$39,480,587 of financial assets available within one year of the statement of financial position date to meet cash needs consisting of \$10,999,850 of cash and cash equivalents, \$22,560,058 of investments, \$1,520,000 of patient accounts receivable (net of allowances) and \$4,400,697 of inventories, other receivables and prepaid items. Of the financial assets, \$8,000,000 are subject to board designation. Therefore, the amount of financial assets available for general expenditures within one year of the statements of financial position date is \$31,480,587. See information about maturity and liquidity of liabilities at Note 9 – Bonds Payable.

NOTE 4 - PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 1,110,682	\$ 0	\$ 1,110,682
Buildings and improvements	17,641,296	10,631,995	7,009,301
Furniture and equipment	3,391,381	2,865,901	525,480
Land and buildings not used in operations	<u>2,101,324</u>	<u>0</u>	<u>2,101,324</u>
	<u>\$24,244,683</u>	<u>\$13,497,896</u>	<u>\$10,746,787</u>

The federal government and the State of Florida have imposed certain use restrictions on a portion of property and equipment. The net value of the restrictions is \$106,983 for the year ended June 30, 2019.

On May 27, 2009, CoC entered into a lease with the City of Melbourne Airport Authority (the Authority) on approximately 3.16 acres of land with a right of first refusal on adjacent land. Under the agreement, CoC received a deferral of lease payments, as it constructed the new facility and obtained a certificate of occupancy. The term of the lease is for 40 years, beginning with the date construction was completed, with two five-year options to renew. The initial annual base rent, for the first ten years, is \$68,774, payable in equal monthly installments of \$5,731. No base rent was payable during the construction period and the Authority waived 50% of the base rent for the first 12 months after the rent commencement date. After an initial 10-year period, the base rent will be increased based on changes to the Consumer Price Index every five years. At the end of the lease term, the improvements erected on the property shall become the property of the Authority.

Minimum future rental payments under operating leases, which have remaining non-cancelable lease terms in excess of one year, for each of the succeeding five years are as follows:

For the years ending June 30:	
2020	\$ 68,774
2021	68,774
2022	68,774
2023	68,774
2024	<u>68,774</u>
Total	<u>\$ 343,870</u>

Lease expense recorded under the land lease agreement was \$68,774, for the year ended June 30, 2019.

NOTE 5 - INVESTMENTS

A. Assets Internally Designated for Renewal and Replacement

The composition of assets whose use is internally designated for future asset renewal and replacement at June 30, 2019, is set forth in the following table. Marketable debt and equity securities are stated at fair market value. Assets internally designated for renewal and replacement include \$120,000 for future potential losses due to uninsured windstorm damage.

Cash and cash equivalents	\$ 460,278
Marketable debt securities	662,489
Marketable equity securities	<u>6,877,233</u>

\$ 8,000,000

B. Investments

Certificates of deposit	\$ 1,751,954
Marketable debt securities	2,834,812
Marketable equity securities	<u>9,973,292</u>

\$ 14,560,058

Investment income and gains from assets limited as to use, cash equivalents, and investments, net of investment custodial and advisory fees of \$48,248, for fiscal year ended June 30, 2019, are comprised of the following:

Income:

Interest and dividend income	\$ 823,271
Realized gains on sale of securities	<u>304,257</u>

\$ 1,127,528

Other changes in net assets without donor restrictions:

Change in net unrealized gains (losses) on other than trading securities	<u>\$ 150,015</u>
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NOTE 6 - FAIR VALUE MEASUREMENTS

FASB ASC 820-10-20 defines fair value as “the exit price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date.” FASB ASC 820-10-50 requires investments to be grouped into three categories, based on certain criteria as noted below.

Level 1: Fair value is determined by using quoted prices for identical assets or liabilities in active markets.

Level 2: Fair value is determined by using other than quoted prices that are observable for the asset or liability (e.g., quoted prices for identical assets or liabilities in inactive markets, quoted prices for similar assets or liabilities in active markets, observable inputs other than quoted prices, and inputs derived principally from or corroborated by observable market data by correlation or other means).

Level 3: Fair value is determined by using inputs based on management assumptions that are not directly observable.

NOTE 6 - FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at June 30, 2019, are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Price in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 1,751,956	\$ 1,751,956	\$ 0	\$ 0
Marketable debt securities	3,497,301	3,497,301	0	0
Marketable equity securities	16,850,525	16,850,525	0	0
Beneficial interest in perpetual trust	<u>617,393</u>	<u>617,393</u>	<u>0</u>	<u>0</u>
Total investments	<u>\$ 22,717,175</u>	<u>\$ 22,717,175</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 7 - INTEREST EXPENSE

The total interest expense of \$157,977, paid in 2019, represents interest incurred on the bonds issued by the County and other debt associated with capital acquisitions and improvements placed in service in prior years. This interest was paid from earnings on limited use investments and unrestricted revenue.

NOTE 8 - CONTINGENCIES AND COMMITMENTS

A. Medicare Reimbursement

Revenue received under the Medicare reimbursement agreement is subject to audit and retroactive adjustment by the Medicare intermediary agency. Management records additional receivables and payables relating to Medicare based on the Medicare Cost Reimbursement reports. The retroactive Medicare adjustments are reported in net patient service revenue in the year in which the funds are paid out or received. All Medicare reports, for the years ended June 30, 2018, and prior, have been audited or subjected to a desk review and final settlements have been determined.

B. Pending Litigation

As is common in the healthcare industry, CoC is in the process of defending a number of lawsuits. Counsel has advised management that, at this stage of the proceedings, they cannot offer an opinion as to the probable outcome of these cases. Management believes the suits hold little merit and is vigorously defending its position.

C. Concentration of Credit Risk

CoC places its temporary cash investments with financial institutions. The amount of credit exposure in excess of federally insured limits was \$10,591,503, at June 30, 2019.

NOTE 8 - CONTINGENCIES AND COMMITMENTS (continued)

D. Self-insurance

CoC has decided to discontinue the windstorm portion of its property coverage and to self-insure against future loss. This decision was made in response to rapidly escalating premiums, higher deductibles, and undesirable upgrade requirements on certain facilities. Coupled with the decision to discontinue windstorm coverage, CoC has also decided to terminate business interruption coverage, due to its inability to collect on this portion of insurance coverage in the past. The decision to discontinue these types of coverage and opt for self-insurance reflects a growing trend among both for-profit and non-profit entities throughout the State of Florida, as obtaining affordable, cost effective coverage becomes increasingly more difficult.

As a result of these decisions, management, in consultation with the Board of Directors, has decided to designate \$120,000 as a reserve for potential uninsured future losses as of June 30, 2019. It is management's intent to continue to add to this reserve until such time it feels the potential loss is reasonably covered.

E. Beneficial Interest in Perpetual Trust

CoC became an income beneficiary of the Mildred Ziegenhein Trust. CoC is one of three charitable beneficiaries who are named to receive the income earned from a combination of income and growth investments. The market value of CoC's share of the trust at June 30, 2019, was \$617,393, and has been recorded as net assets with donor restrictions due to its perpetual nature. As of June 30, 2019, \$122,385 of these funds was invested in marketable debt securities; \$462,401 was invested in marketable equity securities; and \$32,607 was invested in cash and cash equivalents.

NOTE 9 - BONDS PAYABLE

Concurrent with the negotiation of the land lease (see Note 4), CoC entered into a commitment for financing with Bank of America (the Bank), for the purpose of financing the acquisition, construction, and equipping of a new 30-bed healthcare facility to be utilized as an involuntary mental health treatment facility authorized pursuant to Chapter 394, Part I, Florida Statutes (commonly known as "Baker Act Crisis Stabilization Unit"); renovation of the existing healthcare facilities at 400 E. Sheridan Road, Melbourne, Florida; and payment of issuance costs of the financing agreement. Collectively, these undertakings are referred to as the Project.

Under this commitment, CoC was entitled to borrow up to \$6.75 million, not to exceed the lower of the appraised value or 75% of the cost of the subject property, collateralized by new and existing real estate facilities and a first security interest on personal property of the borrower.

The terms of the loan were interest only for 12 months, then principal and interest, payable monthly based on a 240-month mortgage style amortization, with the loan to be repaid in full on every fifth anniversary of the closing. Interest was payable at 63.702% of the 30-day LIBOR, plus 200 basis points, with an option to swap the floating rate option for the tax-exempt term loan to an effective fixed rate based on market conditions.

Subsequent to the execution of the land lease and commitment for financing, CoC entered into a revised financing agreement with the Bank and the City of Melbourne, Florida (the City), in which the City issued, and the Bank agreed to purchase, \$5 million of Series 2009A and \$1 million of Series 2009B Revenue Bonds (the Series 2009A and B Bonds).

On October 29, 2009, the terms of the Series 2009A and B Bonds were finalized and the bond agreements executed. Both the Series 2009A and B Bonds are subject to the terms and conditions of a loan agreement, mortgage, and promissory note between CoC and the City.

NOTE 9 - BONDS PAYABLE (continued)

Under the terms of the mortgage, CoC agreed to various covenants and granted a security interest in its assets and rights to revenue. CoC is prohibited from incurring any future indebtedness, above certain specified limitations, under the terms of the agreement.

Upon the issuance of the Series 2009A and B Bonds, the Bank agreed to purchase them in a private placement in exchange for an assignment of the loan agreement, mortgage, and promissory note. The terms of the agreement stipulate that all amounts advanced by the Bank to the City, pursuant to the bond purchase agreements, are deemed to be simultaneously loaned by the City to CoC, so that the amount of the loan equals the aggregate amount advanced by the Bank. Under the terms of the note, CoC promises to pay the Bank, as assignee of the City, the principal advanced, plus accrued interest on such principal.

The terms of the Series 2009A Bonds were interest only until October 31, 2010, payable at 63.702% of the 30-day LIBOR, plus 200 basis points. Equal monthly installments of principal, based on a 240-month mortgage life, plus accrued interest, commenced November 1, 2010.

The terms of the Series 2009B Bonds were interest only until October 31, 2010, payable at the 30-day LIBOR, plus 195 basis points. Equal monthly installments of principal, based on a 240-month mortgage life, plus accrued interest, commenced November 1, 2010.

For so long as the Series 2009A and B Bonds are owned by the same registered owner, any additional payment of principal made by the City (or CoC on its behalf), with respect to the Series 2009A and B Bonds, shall be deemed a payment of principal on the Series 2009B Bonds until such time the Series 2009B Bonds shall have been paid in full.

On June 19, 2013, CoC executed a loan agreement with the Bank to refinance the existing debt with a variable rate loan payable at the 30-day LIBOR, plus 170 basis points. CoC simultaneously swapped the variable rate for a fixed rate mortgage with a 3.92% interest rate. The mortgage holders have established certain covenants to which CoC must comply. As of June 30, 2017, CoC was in compliance with these covenants.

As of June 30, 2013, CoC had borrowed \$4,991,361, through the Series 2009A Bonds and \$1 million through the Series 2009B Bonds under the revised financing agreement. Since the swap agreements went into effect as of July 1, 2010, repayment of the advances under the original commitment for financing and revised financing agreement commenced during the year ended June 30, 2011. Repayments on the Series 2009A Bonds were \$223,301, for the year ended June 30, 2019. Repayments on the Series 2009B Bonds were \$78,457, for the year ended June 30, 2019.

The repayment of the advances, under the original commitment for financing and revised financing agreement, has been determined in accordance with the payments due under the swap agreements.

Series 2009A and B Bonds payable are collateralized by security interest in assets and rights to revenue. Terms and conditions are described above.

Bonds payable	\$3,821,033
Less amount due within one year	<u>315,149</u>
Long-term portion	<u>\$3,505,884</u>

NOTE 9 - BONDS PAYABLE (continued)

Estimated maturities of the Series 2009A and B Bonds, for each of the succeeding five years and in the aggregate, are as follows:

	<u>Series 2009A</u>	<u>Series 2009B</u>	<u>Total</u>
Fiscal years ending June 30:			
2020	\$ 233,210	\$ 81,939	\$ 315,149
2021	241,580	86,342	327,922
2022	252,301	90,173	342,474
2023	263,498	94,175	357,673
2024	<u>2,399,027</u>	<u>78,788</u>	<u>2,477,815</u>
Total	<u>\$ 3,389,616</u>	<u>\$ 431,417</u>	<u>\$ 3,821,033</u>

NOTE 10 - MALPRACTICE INSURANCE PLAN

CoC has a claims-made professional liability insurance policy that provides coverage for all medical malpractice claims made subsequent to January 1, 1987, and reported to the insurance carrier. Coverage limits under this policy are \$1,000,000, per occurrence, and \$5,000,000 aggregate for all claims under the policy. Losses from asserted claims and unasserted claims identified under CoC's incident reporting system are accrued, along with other losses not identified by the system. This accrual is based on past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. The reserves for such losses are \$120,000, as of June 30, 2019.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Included in net assets with donor restrictions is the beneficial interest in the Ziegenhein Trust (see Note 8).

NOTE 12 - NET PATIENT SERVICE REVENUE

Gross patient service revenue is recorded on the accrual basis in the period in which services are provided at established rates. Contractual and policy adjustments are recorded as deductions from gross patient service revenue to determine net patient service revenue. Net Medicaid revenue is required to be reported separately.

Net patient service revenue consists of the following:

Gross patient service revenue	\$ 41,704,409
Less provisions for contractual and policy adjustments and Medicaid	<u>24,618,019</u>
Net patient service revenue	<u>\$ 17,086,390</u>

NOTE 13 - CHARITY CARE

The amount of charges forgone for services and supplies, furnished under the charity care policy of CoC, was \$13,901,000 for the fiscal year ended June 30, 2019.

NOTE 14 - PENSION

CoC sponsors a defined contribution pension plan that covers substantially all employees. The pension plan is funded by CoC contributions and voluntary employee contributions. There are no unfunded past service costs associated with the pension plan. Pension expenses were \$1,734,760, for the fiscal year ended June 30, 2019.

NOTE 15 - SUPPORT FROM THE STATE OF FLORIDA WHICH REQUIRED MATCH

CoC received a substantial portion of its support from Central Florida Cares Health System, Inc. (CFCHS) under a grant contract with DCF's Alcohol, Drug Abuse, and Mental Health Program. This contract is renegotiated annually and a maximum amount is established during the negotiation process so that income is earned on a unit of service basis. That is, income can be recognized only to the extent to which eligible services are performed. The contract required a 25% local match for certain community mental health services. The matching requirement has been fulfilled for the year ended June 30, 2019.

As of July 1, 2012, DCF amended and assigned the contract between DCF and CoC to CFCHS, in order to implement the requirements of Section 394.9082, Florida Statutes, and reflect the appropriations approved by the Florida Legislature for the state fiscal year ended June 30, 2013. Currently, CoC has the ability to appoint one individual to the Board of Directors of CFCHS, but it does not possess control over the actions and decisions of CFCHS. Under the contract, CFCHS (a behavioral health administrative and management organization) serves as the managing entity and, as such, is assigned all of DCF's rights, powers, duties, and obligations under the contract and relieves DCF of all responsibilities, duties, and obligations for performance under the contract.

NOTE 16 - DONATED SERVICES AND GOODS

CoC received in-kind pharmaceuticals from drug manufacturers to assist with the treatment of patients at CoC. The goods were valued at \$750,000, for the fiscal year ended June 30, 2019. Donated pharmaceuticals valued at \$701,371 have been included in inventory, as of June 30, 2019.

NOTE 17 - PROGRAM, ADMINISTRATION, AND FUNDRAISING EXPENSES

CoC expended the following amounts on program, administration, and fundraising expenses for the fiscal year ended June 30, 2019:

Program	\$ 38,052,359
Administration	2,382,529
Fundraising	<u>0</u>
Total	<u>\$ 40,434,888</u>

NOTE 18 - ADOPTION OF A NEW ACCOUNTING STANDARD

During fiscal year 2019, CoC adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard requires significant changes to the financial reporting model. The changes include reducing the classes of net assets from three classes to two – net assets without donor restrictions and with donor restrictions, requiring disclosures of liquidity and including the statements of functional expenses. The adoption of the ASU did not result in any reclassifications or restatements to net assets or expenses.

NOTE 19 - SUBSEQUENT EVENTS

CoC has evaluated subsequent events through December 18, 2019, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CIRCLES OF CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2019

Employer Identification Number: 59-1101553

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Pass-through Entity and/ or Contract Number</u>	<u>Program or Award Amount</u>	<u>Amounts Expended</u>
Federal awards:				
Federal awards passed through from the Central Florida Cares Health System, Inc.:				
U.S. Department of Health and Human Services:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	COC19	\$1,728,174	\$ 1,728,174
Block Grants for Community Mental Health Services	93.958	COC19	\$1,044,828	1,044,828
TANF Block Grant	93.558	COC19	\$154,945	154,945
Community Health Services Block Grant of the Homeless	93.150	COC19	\$137,545	137,545
State Opiod Response Discretionary Grant	93.788	COC19	\$1,331,330	<u>1,331,330</u>
Total expenditures of federal awards				<u>4,396,822</u>
State of Florida assistance:				
Passed through from the Florida Department of Health:				
Tobacco Prevention Community Program	64.093	COTGF	\$228,756	228,756
Passed through from the Central Florida Cares Health System, Inc.:				
Community Forensic Beds and Competency Restoration Training	60.114	COC19	\$344,244	344,244
SAMH - Crisis Prevention and Stabilization	60.155	COC19	\$500,000	<u>500,000</u>
Total expenditures of state financial assistance				<u>1,073,000</u>
Total expenditures of federal awards and state financial assistance				<u>\$ 5,469,822</u>

Amounts expended were determined in accordance with generally accepted accounting principles (accrual basis), less depreciation, plus capital additions, if any. There were no noncash amounts included in amounts expended.

CIRCLES OF CARE, INC.

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

For the year ended June 30, 2019

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards and state financial assistance presents the activity of all federal awards programs and state financial assistance projects of Circles of Care, Inc. (CoC). CoC's reporting entity is defined in Note 1 of CoC's financial statements. The accounting policies and presentation of the Single Audit Report have been designed to conform to accounting principles generally accepted in the United States of America. Conformance also includes the reporting and compliance requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Florida Single Audit Act.

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Florida Single Audit Act, wherein certain types of expenditures may or may not be allowed or may be limited as to reimbursement. CoC has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CIRCLES OF CARE, INC.

SCHEDULE OF REVENUES
For the year ended June 30, 2019

State SAMH grants:	
Adult community mental health	\$ 8,004,411
Adult substance abuse	4,667,446
Children's mental health	407,340
Children's substance abuse	376,003
CAT program	762,774
FMT program	<u>344,244</u>
Total state SAMH grants	<u>14,562,218</u>
Other government funding:	
Local government	1,804,507
Medicaid	564,659
Other state grants	<u>228,756</u>
Total other government funding	<u>2,597,922</u>
All other funding and revenues:	
Medicare	3,927,364
First- and third-party fees	13,159,026 (1)
Contributions and donations	24,721
In-kind expenditures	750,000
Investment revenue	1,277,543
Rental revenue	174,429
Pharmacy revenue	5,749,531
Other	<u>87,442</u>
Total other funding and revenues	<u>25,150,056</u>
Total all funding and revenues	<u><u>\$ 42,310,196</u></u>

(1) Includes a grossed-up amount of \$1,112,000, which is offset in the statement of operations and changes in net assets by \$1,112,000 of bad debt expense.

CIRCLES OF CARE, INC.

PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
For the year ended June 30, 2019

FUNDING SOURCES & REVENUES	Adult Mental Health					
	Incidental Expenses	Medical Outpatient	Case Management	Crisis Stabilization	Room & Board Sup II	Room & Board Sup III
Total state SAMH funding:						
District Seven funding	\$ 211,065	\$ 761,351	\$ 462,896	\$ 2,740,186	\$ 1,352,837	\$ 591,881
Other government funding:						
Other state funding	0	0	0	0	0	0
Medicaid	0	54,590	0	0	0	0
Local government	0	253,784	0	913,395	0	0
Federal government	0	0	0	0	0	0
In-kind (local government)	0	0	0	0	0	0
Total other government funding	0	308,374	0	913,395	0	0
All other funding and revenues:						
Net first-party fees (1)	0	258,736	0	20,349	0	0
Net third-party fees (except Medicare) (1)	0	818,623	0	2,012,722	0	0
Medicare (1)	0	223,519	0	0	0	0
Donations and contributions	0	0	0	0	0	0
Other revenue	0	884,874	0	57,389	252,622	240,277
In-kind	0	682,500	0	0	0	0
Total other funding and revenues	0	2,868,252	0	2,090,460	252,622	240,277
Total all funding and revenues	\$ 211,065	\$ 3,937,977	\$ 462,896	\$ 5,744,041	\$ 1,605,459	\$ 832,158
EXPENSE CATEGORIES						
Personnel expenses:						
Salaries and contractual services	\$ 0	\$ 1,744,415	\$ 160,074	\$ 3,284,779	\$ 729,583	\$ 223,129
Fringe benefits	0	323,635	96,879	957,025	284,175	115,182
Total personnel expenses	0	2,068,050	256,953	4,241,804	1,013,758	338,311
Operating expenses:						
Building occupancy	144,473	99,241	19,580	491,331	309,021	200,284
Professional services	24,452	28,293	548	212,158	5,490	2,246
Travel	0	27,997	15,338	30,240	12,711	2,143
Food services	0	44	9,351	295,719	76,135	89,411
Medical and pharmacy	42,140	884,874	138	359,362	99,719	128,689
Subcontract services	0	0	0	0	0	0
Insurance	0	102,834	8,003	99,323	22,648	16,917
Interest	0	10,177	0	110,736	60	63
Operating supplies	0	106,504	12,976	197,978	61,839	28,032
Equipment costs	0	3,254	13,727	7,094	25,653	14,152
Donated items	0	0	0	0	0	0
HMO expense	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total operating expenses	211,065	1,263,218	79,661	1,803,941	613,276	481,937
Total personnel and operating expenses	211,065	3,331,268	336,614	6,045,745	1,627,034	820,248
Distributed indirect cost:						
Administration	11,460	259,524	21,713	389,971	104,949	52,918
Total allowable operating expenses	222,525	3,590,792	358,327	6,435,716	1,731,983	873,166
Unallowable costs	0	758,400	5,543	99,563	26,795	13,655
Total actual operating expenses	\$ 222,525	\$ 4,349,192	\$ 363,870	\$ 6,535,279	\$ 1,758,778	\$ 886,821
Capital expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(1) Net of bad debts of \$1,112,000

Adult Mental Health

Drop-in Center	Inpatient	Crisis Support	Outreach	Outpatient Individual	Assessment	Residential IV	Total AMH
\$ 51,000	\$ 1,221,341	\$ 482,496	\$ 63,948	\$ 27,017	\$ 8,930	\$ 29,463	\$ 8,004,411
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	54,590
0	284,716	160,832	0	0	0	0	1,612,727
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	284,716	160,832	0	0	0	0	1,667,317
0	0	0	0	0	0	0	279,085
0	0	0	0	0	0	0	2,831,345
0	0	0	0	0	0	0	223,519
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,435,162
0	0	0	0	0	0	0	682,500
0	0	0	0	0	0	0	5,451,611
\$ 51,000	\$ 1,506,057	\$ 643,328	\$ 63,948	\$ 27,017	\$ 8,930	\$ 29,463	\$ 15,123,339
\$ 15,398	\$ 1,108,085	\$ 359,367	\$ 22,522	\$ 18,740	\$ 6,814	\$ 37,589	\$ 7,710,495
4,850	312,936	93,134	6,672	6,667	2,424	15,721	2,219,300
20,248	1,421,021	452,501	29,194	25,407	9,238	53,310	9,929,795
1,478	112,815	4,372	3,510	3,318	1,207	6,623	1,397,253
68	87,619	1,503	83	98	36	186	362,780
89	3,511	3,191	2,142	34	12	0	97,408
239	92,538	415	1,653	44	16	55	565,620
0	126,562	0	0	0	0	0	1,641,484
0	0	0	0	0	0	0	0
579	36,933	10,242	1,260	834	303	2,039	301,915
0	8,025	0	0	129	47	0	129,237
942	55,515	11,918	2,311	1,351	491	2,929	482,786
28	3,582	4	2,367	0	0	450	70,311
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
3,423	527,100	31,645	13,326	5,808	2,112	12,282	5,048,794
23,671	1,948,121	484,146	42,520	31,215	11,350	65,592	14,978,589
1,527	140,732	31,229	2,743	2,013	732	4,231	1,023,742
25,198	2,088,853	515,375	45,263	33,228	12,082	69,823	16,002,331
390	369,670	7,973	701	514	187	1,080	1,284,471
\$ 25,588	\$ 2,458,523	\$ 523,348	\$ 45,964	\$ 33,742	\$ 12,269	\$ 70,903	\$ 17,286,802
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

CIRCLES OF CARE, INC.

PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
For the year ended June 30, 2019
(continued)

FUNDING SOURCES & REVENUES	Children's Mental Health			Adult Substance Abuse				
	Crisis Stabilization	Crisis Support	Total CMH	Residential Level IV	Residential Level I	Residential Level II	Detox	Crisis Support
Total state SAMH funding:								
District Seven funding	\$ 377,440	\$ 29,900	\$ 407,340	\$ 68,320	\$ 707,020	\$ 354,496	\$ 1,499,899	\$ 435,577
Other government funding:								
Other state funding	0	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0	0
Local government	125,813	9,967	135,780	0	0	0	0	0
Federal government	0	0	0	0	0	0	0	0
In-kind (local government)	0	0	0	0	0	0	0	0
Total other government funding	125,813	9,967	135,780	0	0	0	0	0
All other funding and revenues:								
Net first-party fees (1)	42,351	0	42,351	0	1,372		2,785	0
Net third-party fees (except Medicare) (1)	1,538,669	0	1,538,669	0	291,491		591,815	0
Medicare (1)	0	0	0	0	0	0	0	0
Donations and contributions	0	0	0	20,000	0	0	0	0
Other revenue	21,502	0	21,502	0	4,754		12,046	0
In-kind	0	0	0	0	0	0	0	0
Total other funding and revenues	1,602,522	0	1,602,522	20,000	297,617	0	606,646	0
Total all funding and revenues	\$ 2,105,775	\$ 39,867	\$ 2,145,642	\$ 88,320	\$ 1,004,637	\$ 354,496	\$ 2,106,545	\$ 435,577
EXPENSE CATEGORIES								
Personnel expenses:								
Salaries and contractual services	\$ 710,803	\$ 111,685	\$ 822,488	\$ 87,167	\$ 577,521	\$ 163,549	\$ 1,075,406	\$ 288,709
Fringe benefits	243,789	28,945	272,734	36,457	194,920	64,413	363,499	74,822
Total personnel expenses	954,592	140,630	1,095,222	123,624	772,441	227,962	1,438,905	363,531
Operating expenses:								
Building occupancy	73,355	1,359	74,714	15,358	43,113	70,738	79,970	3,513
Professional services	54,530	467	54,997	432	9,311	1,229	18,233	1,207
Travel	1,612	992	2,604	0	1,136	2,883	2,144	2,564
Food services	77,206	129	77,335	129	59,045	17,511	110,355	333
Medical and pharmacy	47,714	0	47,714	0	24,584	22,937	58,203	0
Subcontract services	0	0	0	0	0	0	0	0
Insurance	23,892	3,183	27,075	4,728	18,630	5,061	34,701	8,228
Interest	9	0	9	0	1,106	0	2,043	0
Operating supplies	59,654	3,704	63,358	6,793	31,906	13,760	59,417	9,575
Equipment costs	82	1	83	1,045	516	5,789	954	3
Donated items	0	0	0	0	0	0	0	0
HMO expense	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Total operating expenses	338,054	9,835	347,889	28,485	189,347	139,908	366,020	25,423
Total personnel and operating expenses	1,292,646	150,465	1,443,111	152,109	961,788	367,870	1,804,925	388,954
Distributed indirect cost:								
Administration	89,162	9,705	98,867	9,812	62,448	23,729	117,406	25,089
Total allowable operating expenses	1,381,808	160,170	1,541,978	161,921	1,024,236	391,599	1,922,331	414,043
Unallowable costs	112,398	2,477	114,875	2,505	22,285	6,058	200,884	6,406
Total actual operating expenses	\$ 1,494,206	\$ 162,647	\$ 1,656,853	\$ 164,426	\$ 1,046,521	\$ 397,657	\$ 2,123,215	\$ 420,449
Capital expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(1) Net of bad debts of \$1,112,000.

Adult Substance Abuse

Incidental Expenses	Prevention	Assessment	Outpatient Individual	Outpatient Group	Intervention Individual	Intervention Group	Medical Services	Recovery Support	Case Management	Total ASA
\$ 121,712	\$ 136,332	\$ 2,691	\$ 128,817	\$ 37,939	\$ 170,628	\$ 20,792	\$ 594,657	\$ 45,352	\$ 343,214	\$ 4,667,446
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	22,508	0	0	0	0	0	0	0	0	26,665
0	0	0	0	0	0	0	0	0	0	883,306
0	0	0	0	0	0	0	0	0	0	20,000
0	0	0	0	0	0	0	0	0	0	16,800
0	0	0	0	0	0	0	0	0	0	0
0	22,508	0	0	0	0	0	0	0	0	946,771
\$ 121,712	\$ 158,840	\$ 2,691	\$ 128,817	\$ 37,939	\$ 170,628	\$ 20,792	\$ 594,657	\$ 45,352	\$ 343,214	\$ 5,614,217
\$ 0	\$ 87,672	\$ 5,963	\$ 58,129	\$ 15,777	\$ 94,272	\$ 11,652	\$ 123,995	\$ 10,796	\$ 114,486	\$ 2,715,094
0	32,305	2,122	21,421	5,815	31,799	3,930	45,841	3,979	33,918	915,241
0	119,977	8,085	79,550	21,592	126,071	15,582	169,836	14,775	148,404	3,630,335
121,712	3,804	1,056	1,491	405	6,977	862	3,253	277	17,841	370,370
0	485	31	5,499	1,493	1,507	186	12,001	1,021	421	53,056
0	2,778	11	244	66	184	23	533	45	10,887	23,498
0	41	14	6,528	1,772	9,554	1,181	14,247	1,212	8,400	230,322
0	0	0	0	0	963	119	226,790	0	126	333,722
0	0	0	0	0	0	0	0	0	0	0
0	5,210	265	1,421	386	3,014	373	3,101	264	6,405	91,787
0	0	41	0	0	179	22	0	0	0	3,391
0	4,820	430	2,365	642	5,163	638	11,261	439	11,745	158,954
0	6	0	6	2	84	10	29	1	12,033	20,478
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
121,712	17,144	1,848	17,554	4,766	27,625	3,414	271,215	3,259	67,858	1,285,578
121,712	137,121	9,933	97,104	26,358	153,696	18,996	441,051	18,034	216,262	4,915,913
7,724	8,845	641	6,264	1,700	9,914	1,225	28,449	1,163	13,950	318,359
129,436	145,966	10,574	103,368	28,058	163,610	20,221	469,500	19,197	230,212	5,234,272
0	2,258	163	1,599	434	2,531	312	7,263	296	3,561	256,555
\$ 129,436	\$ 148,224	\$ 10,737	\$ 104,967	\$ 28,492	\$ 166,141	\$ 20,533	\$ 476,763	\$ 19,493	\$ 233,773	\$ 5,490,827
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

CIRCLES OF CARE, INC.

PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
For the year ended June 30, 2019
(continued)

FUNDING SOURCES & REVENUES	Children Substance Abuse				
	Detox	Prevention	Total CSA	CAT Program	FMT
Total state SAMH funding:					
District Seven funding	\$ 204,613	\$ 171,390	\$ 376,003	\$ 762,774	\$ 344,244
Other government funding:					
Other state funding	0	0	0	0	0
Medicaid	0	0	0	0	0
Local government	0	0	0	0	0
Federal government	0	0	0	0	0
In-kind (local government)	0	0	0	0	0
Total other government funding	0	0	0	0	0
All other funding and revenues:					
Net first-party fees (1)	1,673	0	1,673	0	0
Net third-party fees (except Medicare) (1)	60,779	0	60,779	0	0
Medicare (1)	0	0	0	0	0
Donations and contributions	0	0	0	0	0
Other revenue	1,251	0	1,251	0	0
In-kind	0	0	0	0	0
Total other funding and revenues	63,703	0	63,703	0	0
Total all funding and revenues	\$ 268,316	\$ 171,390	\$ 439,706	\$ 762,774	\$ 344,244
EXPENSE CATEGORIES					
Personnel expenses:					
Salaries and contractual services	\$ 14,679	\$ 71,732	\$ 86,411	\$ 399,950	\$ 222,881
Fringe benefits	6,920	26,430	33,350	130,286	46,216
Total personnel expenses	21,599	98,162	119,761	530,236	269,097
Operating expenses:					
Building occupancy	2,898	3,112	6,010	33,966	2,528
Professional services	2,154	397	2,551	26,885	1,764
Travel	64	2,273	2,337	18,650	6,281
Food services	3,050	33	3,083	2,476	0
Medical and pharmacy	2,171	0	2,171	0	0
Subcontract services	0	0	0	0	0
Insurance	944	4,263	5,207	14,733	10,375
Interest	0	0	0	0	0
Operating supplies	2,356	3,944	6,300	35,361	11,639
Equipment costs	3	3	6	985	0
Donated items	0	0	0	0	0
HMO expense	0	0	0	0	0
Other	0	0	0	0	0
Total operating expenses	13,640	14,025	27,665	133,056	32,587
Total personnel and operating expenses	35,239	112,187	147,426	663,292	301,684
Distributed indirect cost:					
Administration	3,540	7,236	10,776	59,393	33,625
Total allowable operating expenses	38,779	119,423	158,202	722,685	335,309
Unallowable costs	20,548	1,848	22,396	39,723	8,585
Total actual operating expenses	\$ 59,327	\$ 121,271	\$ 180,598	\$ 762,408	\$ 343,894
Capital expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(1) Net of bad debts of \$1,112,000.

Total for State SAMH Funded	Total for Non-state Funded SAMH	Total for All State Designated SAMH	Administrative	Total Revenues
\$ 14,562,218	\$ 0	\$ 14,562,218	\$ 0	\$ 14,562,218
0	228,756	228,756	0	228,756
54,590	510,069	564,659	0	564,659
1,748,507	56,000	1,804,507	0	1,804,507
0	0	0	0	0
0	0	0	0	0
<u>1,803,097</u>	<u>794,825</u>	<u>2,597,922</u>	<u>0</u>	<u>2,597,922</u>
349,774	398,233	748,007	0	748,007
5,314,099	5,984,920	11,299,019	0	11,299,019
223,519	3,703,845	3,927,364	0	3,927,364
20,000	4,721	24,721	0	24,721
1,474,715	5,814,230	7,288,945	0	7,288,945
682,500	67,500	750,000	0	750,000
<u>8,064,607</u>	<u>15,973,449</u>	<u>24,038,056</u>	<u>0</u>	<u>24,038,056</u>
\$ <u>24,429,922</u>	\$ <u>16,768,274</u>	\$ <u>41,198,196</u>	\$ <u>0</u>	\$ <u>41,198,196</u>
\$ 11,957,319	\$ 5,094,986	\$ 17,052,305	\$ 1,459,162	\$ 18,511,467
<u>3,617,127</u>	<u>1,457,898</u>	<u>5,075,025</u>	<u>313,903</u>	<u>5,388,928</u>
<u>15,574,446</u>	<u>6,552,884</u>	<u>22,127,330</u>	<u>1,773,065</u>	<u>23,900,395</u>
1,884,841	457,820	2,342,661	247,614	2,590,275
502,033	203,936	705,969	154,402	860,371
150,778	46,693	197,471	48,801	246,272
878,836	200,041	1,078,877	14,393	1,093,270
2,025,091	4,433,846	6,458,937	4,860	6,463,797
0	0	0	0	0
451,092	183,211	634,303	47,367	681,670
132,637	25,340	157,977	0	157,977
758,398	444,140	1,202,538	86,884	1,289,422
91,863	25,738	117,601	5,143	122,744
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>6,875,569</u>	<u>6,020,765</u>	<u>12,896,334</u>	<u>609,464</u>	<u>13,505,798</u>
<u>22,450,015</u>	<u>12,573,649</u>	<u>35,023,664</u>	<u>2,382,529</u>	<u>37,406,193</u>
<u>1,544,762</u>	<u>837,767</u>	<u>2,382,529</u>	<u>(2,382,529)</u>	<u>0</u>
23,994,777	13,411,416	37,406,193	0	37,406,193
<u>1,726,605</u>	<u>1,302,090</u>	<u>3,028,695</u>	<u>0</u>	<u>3,028,695</u>
\$ <u>25,721,382</u>	\$ <u>14,713,506</u>	\$ <u>40,434,888</u>	\$ <u>0</u>	\$ <u>40,434,888</u>
\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

CIRCLES OF CARE, INC.

SCHEDULE OF STATE EARNINGS FOR ALCOHOL,
 DRUG ABUSE, AND MENTAL HEALTH SERVICES - MATCH CALCULATION
 For the year ended June 30, 2019

Total expenditures	\$ 39,868,324
Less:	
Medicaid and other state and federal funds	(793,415)
No-match ADM funds	(2,418,013)
Unallowable costs per 65E-14, FAC	<u>(3,028,695)</u>
Total allowable expenditures	<u>\$ 33,628,201</u>
Total amount of state earnings (\$33,628,201 x 75%)	<u>\$ 25,221,151</u>
Amount of state performance contract funds received, excluding non-match portion	<u>\$ 12,144,205</u>
Amount due to department	<u>\$ 0</u>

CIRCLES OF CARE, INC.

SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS

For the year ended June 30, 2019

Program	Cost Center	State Contracted Rate	Total Units of Service Provided	Total Units of Service Paid for Third-party Contracts, Local Gov't. or Other State Agencies	Maximum Number of Units Eligible for Payment by Department	Amount Paid for Services by the Department	Maximum \$ Value of Units in Column F	Amount Owed to Department (G - H or \$0, whichever is greater)
A	B	C	D	E	(D - E) F	G	(F x C) H	I
CMH	Crisis Stabilization	\$372	4,745	2,101	2,644	\$377,440	\$983,568	\$0
AMH	Crisis Stabilization	\$372	17,520	3,713	13,807	\$2,740,186	\$5,136,204	\$0
ASA	Detox	\$253	8,030	1,636	6,394	\$1,499,002	\$1,617,682	\$0
CSA	Detox	\$253	1,095	106	989	\$204,613	\$250,217	\$0
Total Amount Owed to Department =								\$0

CIRCLES OF CARE, INC.

SCHEDULE OF RELATED PARTY TRANSACTIONS ADJUSTMENTS
For the year ended June 30, 2019

There were no related party transactions adjustments during the year ended June 30, 2019.



DAVIES, HOUSER & SECREST, CPA, P.A.

Shareholders/Directors

Stephen A. Ellis, Shareholder
Todd M. Russell, Shareholder
Donna L. Young, Director
Tammy J. Jenkins, Director

Directors Emeritus

Floyd C. Lemmon
Robert E. Andersen, Jr.

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

Board of Directors
Circles of Care, Inc.
Melbourne, 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 Circles of Care, Inc. (CoC), (a nonprofit organization), which comprise the balance sheet as of June 30, 2019, and the related statements of operations and changes in net assets and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CoC'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 CoC's internal control. Accordingly, we do not express an opinion on the effectiveness of CoC's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CoC'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 intended solely to describe the scope of our testing of internal control and compliance and the results of the testing, and not to provide an opinion of the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Davies, Houser & Secrest, CPA, P.A.
Cocoa, Florida
December 18, 2019



DAVIES, HOUSER & SECREST, CPA, P.A.

Shareholders/Directors

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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

Board of Directors
Circles of Care, Inc.
Melbourne, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Circles of Care, Inc. (CoC), (a non-profit organization), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of CoC's major federal programs and state projects for the year ended June 30, 2019. CoC's major federal program and state projects are identified in the summary of auditor's results section of the accompanying schedules 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 the compliance of each of CoC'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; 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. 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 CoC'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 CoC's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, CoC has 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, 2019.

Report on Internal Control Over Compliance

Management of CoC 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 CoC's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program or state projects to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 CoC'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 for a federal program and state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program and state project will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal controls 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 and 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 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.



Davies, Houser & Secret, CPA, P.A.
Cocoa, Florida
December 18, 2019

CIRCLES OF CARE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FEDERAL AWARDS
 For the year ended June 30, 2019

I. Summary of Auditor's Results	Answers
1. Type of report issued on financial statements	Unmodified
2. Significant deficiencies in internal control disclosed by the audit of the financial statements	None
3. Noncompliance which is material to the audited financial statements	None
4. Significant deficiencies in internal control over major programs disclosed by the audit	None
5. Type of report on compliance for major programs	Unmodified
6. Audit findings required to be reported in accordance with 2 CFR 200.516(a)	None
7. Identification of Major Federal Program U.S. Department of Health and Human Services: State Opioid Response Discretionary Grant	CFDA #93.788
8. Dollar threshold for Type A programs	\$750,000
9. Low risk auditee	Yes
II. Findings required to be reported in accordance with generally accepted <i>Government Auditing Standards</i>	None
III. Findings and questioned costs for federal awards	None

CIRCLES OF CARE, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEDERAL AWARDS PROGRAMS
For the year ended June 30, 2019

No prior year findings.

CIRCLES OF CARE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE PROJECTS
For the year ended June 30, 2019

I. Summary of Auditor's Results	Answers
1. Type of report issued on financial statements	Unmodified
2. Significant deficiencies in internal control disclosed by the audit of the financial statements	None
3. Noncompliance which is material to the audited financial statements	None
4. Significant deficiencies in internal control over major programs disclosed by the audit	None
5. Type of report on compliance for major programs	Unmodified
6. Audit findings required to be reported under Chapter 10.656 of the Rules of the Auditor General	None No Management Letter Issued
7. Identification of Major State Projects	
Florida Department of Children and Families: SAMH – Crisis Prevention and Stabilization	CSFA #60.155
Forensic Services and Competency Restoration Training	CSFA #60.114
8. Dollar threshold for Type A programs	\$300,000
II. Findings required to be reported in accordance with generally accepted <i>Government Auditing Standards</i>	None
III. Findings and questioned costs for State projects as defined under Chapter 10.656(1)(h)4d, Rules of the Auditor General	None
IV. Prior year's audit findings	None