

SMA HEALTHCARE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

SMA HEALTHCARE, INC.
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JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of,
SMA Healthcare, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of SMA Healthcare, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 SMA Healthcare, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note (1)(u) to the consolidated financial statements, during the year ended June 30, 2020, the entity adopted new accounting guidance for revenue recognition by adopting FASB Accounting Standards Codification™ (ASC) 606, *Revenue from Contracts with Customers*, Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*; and ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. Our opinion is not modified with respect to this matter.

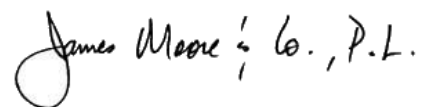
Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance and State Matching of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Section 215.97, Florida Statutes, 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 Schedule of Expenditures of Federal Awards, State Financial Assistance and State Matching of Federal Awards 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 November 24, 2020, on our consideration of the Organization'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 SMA Healthcare, Inc.'s internal control over financial reporting and compliance.



Daytona Beach, Florida
November 24, 2020

SMA HEALTHCARE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	2020	2019
Current assets		
Cash and cash equivalents	\$ 6,826,907	\$ 6,945,861
Cash and cash equivalents - donor restricted	104,575	-
Federal and state grants receivable	4,697,901	3,311,821
Local grants and contracts receivable	843,504	923,180
Client accounts receivable	893,827	779,163
Inventory	1,615,708	2,138,772
Prepaid expenses	261,328	505,042
Total current assets	15,243,750	14,603,839
Property and equipment, net	13,872,571	12,945,916
Other assets		
Investments	2,901,614	3,037,118
Beneficial interest in assets held by Foundation	5,989,518	6,118,208
Deferred compensation plan	178,577	260,639
Equity investment	50,000	-
Total other assets	9,119,709	9,415,965
Total Assets	\$ 38,236,030	\$ 36,965,720
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,628,729	\$ 4,158,250
Deferred revenues	170,000	653,884
Refundable advances	262,176	-
Pharmaceuticals held on behalf of others	1,057,636	1,433,769
Current portion of long-term debt	213,700	226,868
Current portion of obligations under capital lease	165,380	117,509
Total current liabilities	6,497,621	6,590,280
Long-term liabilities		
Deferred compensation plan	178,577	260,639
Long-term debt, less current portion	1,447,976	1,660,056
Obligations under capital lease, less current portion	341,263	203,268
Total long-term liabilities	1,967,816	2,123,963
Total liabilities	8,465,437	8,714,243
Net Assets		
Without donor restrictions:		
Undesignated	11,972,248	11,395,054
Invested in property and equipment, net of related debt	11,704,252	10,738,215
With donor restrictions:		
Time-restricted for future periods		
Purpose restricted	5,764,222	5,793,809
In perpetuity	329,871	324,399
Total net assets	29,770,593	28,251,477
Total Liabilities and Net Assets	\$ 38,236,030	\$ 36,965,720

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

SMA HEALTHCARE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Changes in net assets without donor restrictions		
Revenue, gains and other support		
Federal and state grants	\$ 31,523,824	\$ 30,288,782
Local grants and contracts	11,981,963	11,483,850
Medicaid and Medicare	2,381,931	2,513,346
Pharmacy	4,453,778	4,597,088
Client fees and insurance reimbursements	2,838,557	2,847,083
Contributions and donations	776,213	813,486
Other income	519,218	574,346
Investment income	103,878	623,853
Total revenue, gains and other support	54,579,362	53,741,834
Expenses		
Program and support services	45,984,542	43,797,831
Administrative services	4,955,921	5,047,033
Other supporting services	2,630,072	3,488,318
Total expenses	53,570,535	52,333,182
Change in net assets from operations	1,008,827	1,408,652
Other income (expenses)		
Contributions and donations - capital projects	620,170	-
Contributions and donations - in-kind pharmaceuticals	1,971,498	2,299,012
In-kind pharmaceuticals expense	(2,057,264)	(2,305,349)
Total other income (expenses)	534,404	(6,337)
Increase (decrease) in net assets without donor restrictions	1,543,231	1,402,315
Changes in net assets with donor restrictions		
Contributions - purpose restricted	104,575	-
Change in beneficial interest in assets held by Foundation - purpose restricted	(134,162)	(170,734)
Change in beneficial interest in assets held by Foundation - in perpetuity	5,472	(8,994)
Increase (decrease) in net assets with donor restrictions	(24,115)	(179,728)
Change in Net Assets	1,519,116	1,222,587
Net Assets, beginning of year	28,251,477	27,028,890
Net Assets, end of year	\$ 29,770,593	\$ 28,251,477

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

SMA HEALTHCARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services									
	Assessment	Crisis Support	Crisis Stabilization	Intervention	Outpatient	Fact Team	Case Management/ CCS TEAMS	Residential	Residential Detox	Prevention
Personnel Services										
Salaries	\$ 286,540	\$ 2,148,546	\$ 2,505,082	\$ 431,331	\$ 1,480,010	\$ 1,301,461	\$ 1,651,785	\$ 5,555,665	\$ 1,352,789	\$ 382,149
Fringe benefits	68,150	542,539	474,635	123,339	378,458	271,059	443,817	1,322,924	245,064	78,393
Total Personnel Services	<u>354,690</u>	<u>2,691,085</u>	<u>2,979,717</u>	<u>554,670</u>	<u>1,858,468</u>	<u>1,572,520</u>	<u>2,095,602</u>	<u>6,878,589</u>	<u>1,597,853</u>	<u>460,542</u>
Operating Expenses										
Building occupancy	60,195	209,215	331,649	39,114	122,514	96,946	149,436	1,943,120	136,094	24,509
Professional fees	-	1,412	253,948	114	1,355	1,807	17,099	33,431	1,035	16
Travel	224	6,674	8,934	22,897	31,768	12,574	65,192	21,642	5,804	76,819
Equipment costs	5,670	45,228	43,238	9,699	43,723	54,245	58,212	251,026	20,806	12,491
Food services	143	15,500	158,145	355	1,781	788	1,444	1,030,727	87,286	1,684
Medical and pharmacy	14	29,711	173,598	2,290	22,464	53,009	2,137	143,752	34,912	2,484
Subcontracted services	-	67,362	-	25,000	2,406	-	284,191	270,143	-	41,994
Insurance	6,826	68,833	48,501	15,818	40,251	73,391	69,287	247,029	25,851	8,950
Interest	107	2,256	3,800	676	2,019	7,634	1,936	4,293	1,045	-
Operating supplies	8,045	74,631	52,002	21,090	74,850	26,097	73,111	219,302	29,038	38,065
Client programs & services	17	14,816	15,001	14,387	122,986	289,055	221,170	106,933	20,086	13,652
Donated items	-	-	-	-	-	-	-	215,301	-	-
Total Operating Expenses	<u>81,241</u>	<u>535,638</u>	<u>1,088,816</u>	<u>151,440</u>	<u>466,117</u>	<u>615,546</u>	<u>943,215</u>	<u>4,486,699</u>	<u>361,957</u>	<u>220,664</u>
Total expenses before program administration allocation	<u>435,931</u>	<u>3,226,723</u>	<u>4,068,533</u>	<u>706,110</u>	<u>2,324,585</u>	<u>2,188,066</u>	<u>3,038,817</u>	<u>11,365,288</u>	<u>1,959,810</u>	<u>681,206</u>
Indirect Expenses										
Program administration allocation	55,915	388,944	432,690	101,631	279,242	233,435	426,016	1,377,710	216,446	82,022
Other supporting services allocation	32,428	226,452	250,608	57,241	162,750	136,159	239,803	714,066	126,247	45,751
Other Expenses										
In-kind pharmaceuticals expense	-	-	-	-	-	-	-	-	-	-
	<u>\$ 524,274</u>	<u>\$ 3,842,119</u>	<u>\$ 4,751,831</u>	<u>\$ 864,982</u>	<u>\$ 2,766,577</u>	<u>\$ 2,557,660</u>	<u>\$ 3,704,636</u>	<u>\$ 13,457,064</u>	<u>\$ 2,302,503</u>	<u>\$ 808,979</u>

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

SMA HEALTHCARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services (Continued)					Supporting Services			
	Medical Outpatient	Supported Employment	Sheltered Workshop	Pharmacy	Drop In Center	Total Program	Program Administration	Other Supporting Services	Total
Personnel Services									
Salaries	\$ 4,383,382	\$ 36,583	\$ 2,265,968	\$ 377,275	\$ 168,383	\$ 24,326,949	\$ 2,939,088	\$ 1,345,801	\$ 28,611,838
Fringe benefits	909,275	5,675	464,986	79,703	43,198	5,451,215	747,043	366,888	6,565,146
Total Personnel Services	<u>5,292,657</u>	<u>42,258</u>	<u>2,730,954</u>	<u>456,978</u>	<u>211,581</u>	<u>29,778,164</u>	<u>3,686,131</u>	<u>1,712,689</u>	<u>35,176,984</u>
Operating Expenses									
Building occupancy	317,572	71	635,864	19,611	41,255	4,128,052	270,190	464,137	4,862,379
Professional fees	182,605	12	976	-	-	493,810	335,849	25,261	854,920
Travel	41,449	121	1,637	412	2,247	298,394	39,961	7,423	345,778
Equipment costs	57,193	1,495	80,520	24,618	10,384	735,189	50,117	220,668	1,005,974
Food services	4,818	-	980	341	1,128	1,305,120	6,349	1,257	1,312,726
Medical and pharmacy	493,144	-	69	6,043,772	59	7,001,415	315	78	7,001,808
Subcontracted services	117,036	-	-	-	-	808,132	-	-	808,132
Insurance	75,501	3,833	79,131	5,811	4,096	773,109	56,809	98,202	928,120
Interest	4,951	-	1,312	576	-	30,605	93,066	2,985	126,656
Operating supplies	133,416	720	90,893	22,483	16,325	881,298	417,134	97,348	1,395,780
Client programs & services	134,915	-	177,354	-	4,238	1,134,610	-	24	1,134,634
Donated items	458,127	-	-	-	480	673,908	-	-	673,908
Total Operating Expenses	<u>2,020,727</u>	<u>6,252</u>	<u>1,068,736</u>	<u>6,117,624</u>	<u>80,212</u>	<u>18,263,642</u>	<u>1,269,790</u>	<u>917,383</u>	<u>20,450,815</u>
Total expenses before program administration allocation	<u>7,313,384</u>	<u>48,510</u>	<u>3,799,690</u>	<u>6,574,602</u>	<u>291,793</u>	<u>48,041,806</u>	<u>4,955,921</u>	<u>2,630,072</u>	<u>55,627,799</u>
Indirect Expenses									
Program administration allocation	866,778	3,944	347,965	46,476	31,884	4,955,921	(4,955,921)	-	-
Other supporting services allocation	505,925	2,295	46,896	26,493	18,643	2,630,072	-	(2,630,072)	-
Other Expenses									
In-kind pharmaceuticals expense	-	-	-	(2,057,264)	-	(2,057,264)	-	-	(2,057,264)
	<u>\$ 8,686,087</u>	<u>\$ 54,749</u>	<u>\$ 4,194,551</u>	<u>\$ 4,590,307</u>	<u>\$ 342,320</u>	<u>\$ 53,570,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,570,535</u>

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

SMA HEALTHCARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services									
	Assessment	Crisis Support	Crisis Stabilization	Intervention	Outpatient	Fact Team	Case Management/ CCS TEAMS	Residential	Residential Detox	Prevention
Personnel Services										
Salaries	\$ 286,754	\$ 1,993,773	\$ 2,193,260	\$ 414,075	\$ 1,527,189	\$ 1,211,016	\$ 1,534,983	\$ 5,388,215	\$ 1,339,223	\$ 266,279
Fringe benefits	67,328	483,194	446,015	94,374	406,457	256,178	410,033	1,295,682	249,793	63,865
Total Personnel Services	<u>354,082</u>	<u>2,476,967</u>	<u>2,639,275</u>	<u>508,449</u>	<u>1,933,646</u>	<u>1,467,194</u>	<u>1,945,016</u>	<u>6,683,897</u>	<u>1,589,016</u>	<u>330,144</u>
Operating Expenses										
Building occupancy	52,344	214,136	301,504	36,283	152,485	107,520	155,506	1,756,725	133,842	27,141
Professional fees	-	1,443	488,860	21	7,675	343	30,230	1,038	3,729	1,506
Travel	565	6,772	8,937	22,272	55,604	17,141	65,195	32,718	3,946	31,618
Equipment costs	2,930	102,789	26,743	14,832	44,133	59,712	91,626	242,622	19,765	6,439
Food services	156	16,455	157,108	301	1,615	1,112	1,117	963,530	92,843	360
Medical and pharmacy	38	28,414	207,985	3,542	28,219	71,390	2,776	145,364	37,102	-
Subcontracted services	-	-	-	88,762	327,548	-	202,696	275,758	-	20,349
Insurance	6,996	56,852	36,925	14,470	38,405	59,716	48,083	211,337	25,565	7,478
Interest	597	2,655	3,572	835	566	7,785	2,174	5,700	818	25
Operating supplies	7,590	100,525	47,853	20,974	71,041	22,063	67,857	211,722	26,727	22,710
Client programs & services	25	13,997	22,377	29,919	91,631	398,116	226,796	110,525	18,550	411
Donated items	-	-	-	-	-	-	-	203,947	-	-
Total Operating Expenses	<u>71,241</u>	<u>544,038</u>	<u>1,301,864</u>	<u>232,211</u>	<u>818,922</u>	<u>744,898</u>	<u>894,056</u>	<u>4,160,986</u>	<u>362,887</u>	<u>118,037</u>
Total expenses before program administration allocation	<u>425,323</u>	<u>3,021,005</u>	<u>3,941,139</u>	<u>740,660</u>	<u>2,752,568</u>	<u>2,212,092</u>	<u>2,839,072</u>	<u>10,844,883</u>	<u>1,951,903</u>	<u>448,181</u>
Indirect Expenses										
Program administration allocation	62,707	362,090	482,907	87,816	415,174	262,410	333,183	1,338,390	255,502	52,331
Other supporting services allocation	44,935	259,414	343,017	62,979	297,506	187,786	232,759	862,424	183,089	37,499
Other Expenses										
In-kind pharmaceuticals expense	-	-	-	-	-	-	-	-	-	-
	<u>\$ 532,965</u>	<u>\$ 3,642,509</u>	<u>\$ 4,767,063</u>	<u>\$ 891,455</u>	<u>\$ 3,465,248</u>	<u>\$ 2,662,288</u>	<u>\$ 3,405,014</u>	<u>\$ 13,045,697</u>	<u>\$ 2,390,494</u>	<u>\$ 538,011</u>

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

SMA HEALTHCARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services (Continued)						Supporting Services			
	Medical Outpatient	Supported Employment	Sheltered Workshop	Overlay	Pharmacy	Drop In Center	Total Program	Program Administration	Other Supporting Services	Total
Personnel Services										
Salaries	\$ 3,301,848	\$ 34,579	\$ 695,248	\$ 312,596	\$ 381,436	\$ 96,618	\$ 20,977,092	\$ 2,862,191	\$ 1,921,225	\$ 25,760,508
Fringe benefits	680,581	5,261	332,387	54,096	82,670	29,948	4,957,862	711,414	541,508	6,210,784
Total Personnel Services	<u>3,982,429</u>	<u>39,840</u>	<u>1,027,635</u>	<u>366,692</u>	<u>464,106</u>	<u>126,566</u>	<u>25,934,954</u>	<u>3,573,605</u>	<u>2,462,733</u>	<u>31,971,292</u>
Operating Expenses										
Building occupancy	273,993	118	547,334	1,894	19,959	30,269	3,811,053	300,039	532,865	4,643,957
Professional fees	276,953	21	6,049	-	-	-	817,868	331,033	31,095	1,179,996
Travel	33,934	-	1,224	583	-	1,282	281,791	46,203	40,426	368,420
Equipment costs	30,103	3,577	78,565	960	36,671	1,532	762,999	85,353	181,809	1,030,161
Food services	4,205	-	944	35	291	838	1,240,910	8,049	2,008	1,250,967
Medical and pharmacy	319,696	-	490	-	6,380,722	35	7,225,773	220	388	7,226,381
Subcontracted services	203,187	-	-	-	-	-	1,118,300	-	-	1,118,300
Insurance	54,638	3,267	53,228	3,629	6,135	2,418	629,142	56,773	124,486	810,401
Interest	4,428	-	720	-	720	-	30,595	100,544	3,655	134,794
Operating supplies	100,541	738	86,759	5,112	23,874	9,805	825,891	545,211	108,779	1,479,881
Client programs & services	102,413	-	1,740,281	2,053	-	4,256	2,761,350	3	74	2,761,427
Donated items	458,127	-	-	-	-	480	662,554	-	-	662,554
Total Operating Expenses	<u>1,862,218</u>	<u>7,721</u>	<u>2,515,594</u>	<u>14,266</u>	<u>6,468,372</u>	<u>50,915</u>	<u>20,168,226</u>	<u>1,473,428</u>	<u>1,025,585</u>	<u>22,667,239</u>
Total expenses before program administration allocation	<u>5,844,647</u>	<u>47,561</u>	<u>3,543,229</u>	<u>380,958</u>	<u>6,932,478</u>	<u>177,481</u>	<u>46,103,180</u>	<u>5,047,033</u>	<u>3,488,318</u>	<u>54,638,531</u>
Indirect Expenses										
Program administration allocation	877,981	6,763	400,577	40,351	48,286	20,565	5,047,033	(5,047,033)	-	-
Other supporting services allocation	628,549	4,846	287,048	7,124	34,607	14,736	3,488,318	-	(3,488,318)	-
Other Expenses										
In-kind pharmaceuticals expense	-	-	-	-	(2,305,349)	-	(2,305,349)	-	-	(2,305,349)
	<u>\$ 7,351,177</u>	<u>\$ 59,170</u>	<u>\$ 4,230,854</u>	<u>\$ 428,433</u>	<u>\$ 4,710,022</u>	<u>\$ 212,782</u>	<u>\$ 52,333,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,333,182</u>

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

SMA HEALTHCARE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 1,519,116	\$ 1,222,587
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,510,581	1,451,230
Unrealized (gain) loss on investments	57,877	(46,766)
Realized (gain) loss on investments	41,594	(3,311)
Gain on disposal of property and equipment	(4,598)	(348,913)
Change in beneficial interest in assets held by Foundation	128,690	179,728
Contributions restricted for long-term purposes	(104,575)	-
Change in donated inventory	(534,404)	6,337
(Increase) decrease in operating assets		
Grants and contracts receivables	(1,306,404)	1,051,304
Client fees receivable	(114,664)	33,990
Inventory	1,057,468	(459,070)
Prepays and other assets	275,776	20,497
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	470,479	(298,000)
Deferred revenue	(483,884)	248,043
Refundable advance	262,176	-
Deferred compensation	(82,062)	49,640
Pharmaceuticals held on behalf of others	(376,133)	384,806
Total adjustments	<u>797,917</u>	<u>2,269,515</u>
Net cash provided by (used in) operating activities	<u>2,317,033</u>	<u>3,492,102</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,108,028)	(1,233,467)
Proceeds from sale of property and equipment	46,247	517,859
Purchases of investments	(1,126,981)	(894,683)
Proceeds from sale of investments	1,163,014	768,259
Net cash provided by (used in) investing activities	<u>(2,025,748)</u>	<u>(842,032)</u>
Cash flows from financing activities		
Principal payments on debt	(225,248)	(220,191)
Principal payments on capital leases	(184,991)	(140,981)
Contributions restricted for long-term purposes	104,575	-
Net cash provided by (used in) financing activities	<u>(305,664)</u>	<u>(361,172)</u>
Net change in cash and cash equivalents	<u>(14,379)</u>	<u>2,288,898</u>
Cash and cash equivalents and restricted cash, beginning of year	6,945,861	4,656,963
Cash and cash equivalents and restricted cash, end of year	<u>\$ 6,931,482</u>	<u>\$ 6,945,861</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 126,656	\$ 134,794
Noncash investing and financing activities:		
Acquisition of equipment financed through long-term debt and obligations under capital lease	\$ 370,857	\$ 39,655
Cash and cash equivalents classified as:		
Without donor restrictions	\$ 6,826,907	\$ 6,945,861
With donor restrictions	104,575	-
	<u>\$ 6,931,482</u>	<u>\$ 6,945,861</u>

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

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of SMA Healthcare, Inc. (the Organization), which affect significant elements of the accompanying financial statements. On December 4, 2018, the Organization changed its name from SMA Behavioral Health Services, Inc. to SMA Healthcare, Inc.

(a) **Nature of activities**—The Organization provides services including, but not limited to, mental health services, substance abuse prevention, chemical dependency treatment, and delinquency rehabilitation programs. The Organization operates programs located in Volusia, Flagler, Putnam, and St. Johns Counties.

(b) **Basis of accounting**—The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, State, and local government and public grants are recorded as support when performance occurs under the terms of the grant agreement.

The costs of providing the various programs and other activities have been detailed in the statements of functional expenses and summarized on a functional basis in the statements of activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Program administration and other supporting services expenses are allocated to the various programs based on each program's direct revenues.

(c) **Basis of presentation**—Net assets, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions—Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions—Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

(d) **Measure of operations**—The Organization's change in net assets from operations include all operating revenues and expenses which are an integral part of its programs and supporting activities, and net assets released from donor restrictions to support operating expenditures to support current operating activities. The measure of operations excludes contributions, donations, and expenses for in-kind pharmaceuticals as well as contributions for capital projects.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Cash and cash equivalents**—For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(f) **Federal and state grants receivable**—Grants receivable consist of amounts due to the Organization from governmental units under the terms of various grant contracts. Due to the nature of these agencies, no allowance for uncollectible amounts has been established.

(g) **Local grants and contracts receivable**—Contracts receivable consist primarily of amounts due to the Organization from governmental units and taxing authorities under the terms of various contracts and are stated at the amount management expects to collect from outstanding balances. Due to the nature of these agencies, no allowance for uncollectible amounts has been established.

(h) **Client accounts receivable**—Client accounts receivable consist primarily of receivables from third parties and clients and are stated at net realizable value. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization does not charge late fees or interest on past due receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to client accounts receivable. No allowance for uncollectible receivables has been recorded as all receivables are deemed collectible by management at June 30, 2020 and 2019. Receivables from contracts with customers are reported as clients accounts receivable, net in the accompanying statements of financial position. At June 30, 2020, 2019, and 2018 client accounts receivable totaled \$893,827, \$779,163, and \$813,153, respectively.

(i) **Inventory**—Inventory is largely comprised of medicines purchased for resale on behalf of clients and donated inventory for clients approved for the Patient Assistance Program administered by pharmaceutical companies. Inventory is valued at current purchase prices, which approximates cost on the specific identification method.

(j) **Investments**—Investments are stated at fair value, with the exception of certificates of deposit which are recorded at cost plus accrued interest, which approximates fair value. Investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investment income is accounted for as unrestricted revenue unless it is restricted for a specified purpose by the donor.

(k) **Property and equipment**—The Organization capitalizes all expenditures and donations in excess of \$2,500 for property and equipment. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year. The Federal Government has a reversionary interest in any assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year. The County of Volusia contributed land and building with a reversionary interest if the property is not used as a residential treatment facility. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 – 40 years
Furniture and equipment	3 – 25 years
Vehicles	3 – 5 years

(l) **Deferred revenue**—Deferred revenue, if any, primarily consists of advances received for contracted programs and fundraising events that apply to future periods. Contract liabilities are reported as deferred revenue in the accompanying consolidated statements of financial position. At June 30, 2020, 2019, and 2018 deferred revenue totaled \$170,000, \$653,884, and \$405,841, respectively.

(m) **Revenue and Revenue Recognition**—We recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization bills federal, state, and local governmental entities and clients for services provided. Revenue is recognized when fees are declared and billed. All charges for services revenue (Medicaid, Medicare, pharmacy, client fees and insurance reimbursements) is recognized as performance obligations are satisfied, which is at a point in time when the services are provided.

A portion of our revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as without donor restricted grant revenue when we have met performance requirements and incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures or meeting other conditional performance requirement barriers are reported as refundable advances in the statement of financial position. The Organization received amounts in advance under state and local contracts and grants of \$262,176 that have not been recognized at June 30, 2020, because qualifying expenditures have not yet been incurred. There were no such advances as of June 30, 2019.

(n) **Donated materials and services**—The Organization recognizes donated materials and services that create or enhance non-financial assets or that require skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Donated materials and services that meet the above criteria are recognized as revenues and are reported in the accompanying financial statements at their estimated fair value at the time of receipt.

(o) **Client fee revenue**—The Organization bills for services at various amounts based on payment arrangements. A summary of payment arrangements is as follows:

Charity Care—the Organization provides care to its clients who meet certain criteria under its discount policy based on a sliding scale as required by its contracts with the Florida Department of Children & Families. Accordingly, the portion of the fee for service, which qualifies as a discount, is not reported as client fee revenue.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

Non-Medicaid—includes amounts due from patients and insurance companies for services rendered. Revenue is recorded at the amount due from the client, and is net of any discount given.

Medicaid—the portion of charge reimbursed by Medicaid. The difference between the Organization's standard charge and the amount allowed by Medicaid is not recorded as revenue. The Organization bills Medicaid at Medicaid established rates for eligible services performed. Services rendered are reimbursed by Medicaid subject to specific documentation requirements. Compliance audits are conducted periodically by the Medicaid fiscal intermediaries, as well as the Organization's corporate compliance program, which can result in the recoupment of fees paid to the Organization.

(p) **Advertising costs**—All costs associated with advertising and promoting the Organization are expensed in the year incurred. For the years ended June 30, 2020 and 2019, advertising costs were approximately \$30,000 and \$105,000, respectively.

(q) **Income taxes**—The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. Since the Organization had no taxable unrelated business income during the years ended June 30, 2020 and 2019, no provision for income taxes is provided in the financial statements.

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements. The Organization's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

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

(s) **Subsequent events**—The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 24, 2020, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed, except for the following and the lease extension in Note (16). During the year ended June 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Company as of November 24, 2020, management believes that a material impact on the Company's financial position and results of future operations is reasonably possible.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(t) **Reclassification**—Certain prior year amounts have been reclassified to conform to the current year presentation.

(u) **Recently issued accounting pronouncements**—The Financial Accounting Standards Board (FASB) and other entities issued new or modifications to, or interpretations of existing accounting guidance during the year. The Organization has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements, does not believe that any other new or modified principles will have a material impact on the Organization's reported financial position or operations in the near term.

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. ASU 2016-02 established the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. ASU 2016-02 is effective to the Organization for fiscal years beginning after December 15, 2021, with earlier adoption permitted. The effects of this change are still being determined.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The rules establish a core principle requiring the recognition of revenue to depict the transfer of promised goods or services to customers in an amount reflecting the consideration to which the entity expects to be entitled in exchange for such goods or services. The Organization adopted ASC 606 as of July 1, 2019. In accordance with ASC 606, the modified retrospective method was applied that requires the cumulative effect of applying the standard at the date of initial application. Results for reporting periods beginning after July 1, 2019, are presented under ASC 606. In implementing ASC 606, there was no impact to opening net assets. As such, no retrospective analysis of account balance changes was required.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction and clarifies how an entity determines whether a resource provider is participating in an exchange transaction. The Organization adopted ASU 2018-08 as of July 1, 2019, on a modified prospective basis. There were no material impacts to the financial statements as a result of implementing ASU 2018-08.

In 2016, FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which added ASC Topic 321, *Investments—Equity Securities*. ASU 2016-01 provides the ability to measure certain equity securities without a readily determinable fair value at cost, minus impairment, if any, unless an observable transaction for an identical or similar security occurs (the measurement alternative). The Organization early adopted ASU 2016-01 as July 1, 2019.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(2) **Liquidity and Availability:**

The Organization strives to maintain liquid financial assets sufficient to cover general expenditures. Financial assets in excess of daily cash requirements are invested. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 6,826,907
Federal and state grants receivable	4,697,901
Local grants and contracts receivable	843,504
Client accounts receivable	893,827
	<u>\$ 13,262,139</u>

(3) **Investments:**

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's financial instruments consist principally of cash and cash equivalents, certificates of deposit, grants and other receivables, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants.

Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

Investments held by the Organization at June 30, 2020 and 2019, consisted of mutual funds and certificates of deposit with maturities within five years of the balance sheet date and are unrestricted. The fair value of the majority of the Organization's cash equivalents was determined based on Level 1 inputs. Investments in marketable securities with readily determinable fair values are reported at fair value in the accompanying statements of financial position. Mutual funds are valued using Level 1 inputs, which are based on unadjusted quoted market prices within active markets. Certificates of deposit are recorded at cost plus accrued interest, which approximates fair value. There have been no changes in Level 1, Level 2, and Level 3, and no changes in valuation techniques for these assets or liabilities for the years ended June 30, 2020 and 2019.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(3) **Investments:** (Continued)

At June 30, investments consisted of the following:

Description	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2020:				
Registered investment companies:				
Money Market	\$ -	\$ -	\$ -	\$ -
Mutual Funds – Fixed Income	1,336,627	-	-	1,336,627
Mutual Funds – Equity	1,564,987	-	-	1,564,987
Total assets in fair value hierarchy	<u>\$ 2,901,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,901,614</u>
June 30, 2019:				
Registered investment companies:				
Money Market	68,369	-	-	68,369
Mutual Funds – Fixed Income	1,267,226	-	-	1,267,226
Mutual Funds – Equity	1,701,523	-	-	1,701,523
Total assets in fair value hierarchy	<u>\$ 3,037,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,037,118</u>

The following schedule summarizes the investment income for the years ended June 30:

	2020	2019
Interest income	\$ 57,648	\$ 76,958
Dividends on long-term investments	139,607	147,905
Unrealized gain (loss)	(57,877)	46,766
Realized gains (losses)	(35,500)	352,224
Total investment income	<u>\$ 103,878</u>	<u>\$ 623,853</u>

(4) **Property and Equipment:**

Property and equipment consists of the following at June 30, 2020 and 2019:

	2020	2019
Land	\$ 1,990,724	\$ 1,990,724
Buildings and improvements	22,757,758	20,952,946
Furniture and equipment	5,740,326	5,700,681
Vehicles	1,580,632	1,564,831
	32,069,440	30,209,182
Less: Accumulated depreciation	18,196,869	17,263,266
	<u>\$ 13,872,571</u>	<u>\$ 12,945,916</u>

For the years ended June 30, 2020 and 2019, depreciation expense was \$1,510,581 and \$1,451,230.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(5) Long-term Debt:

Long-term debt consisted of the following at June 30, 2020 and 2019:

	2020	2019
Note payable to a financial institution, payable in monthly installments of \$12,671 including interest at 3.50%, final payment due May 2024, collateralized by land and buildings.	\$ 555,162	\$ 684,940
Note payable to a financial institution, payable in monthly installments of \$10,325 including interest at 4.41%, final payment due March 2032, collateralized by land and buildings.	1,131,807	1,202,869
Note payable to a financial institution, payable in monthly installments of \$999 including interest of 3.99%, final payment due June 2020, collateralized by vehicles.	-	11,724
Note payable to a financial institution, payable in monthly installments of \$560 including interest of 4.99%, final payment due August 2020, collateralized by vehicles, paid off early in June 2020.	-	7,589
Note payable to a financial institution, payable in monthly installments of \$677 including interest of 2.99%, final payment due January 2021, collateralized by vehicles.	4,684	12,534
	1,691,653	1,919,656
Less: Current portion	213,700	226,868
Less: Unamortized debt issuance costs	29,977	32,732
	\$ 1,447,976	\$ 1,660,056

Aggregate principal payments on long-term debt in the succeeding years are due as follows:

Year Ending June 30,	Amount
2021	\$ 213,700
2022	217,185
2023	225,765
2024	221,814
2025	88,949
Thereafter	724,240
	\$ 1,691,653

(6) Obligations Under Capital Lease:

The Organization leases certain equipment and property under capital leases. The economic substance of these leases is that the Organization is financing the acquisition of the assets through the leases and, accordingly, the assets are recorded along with a corresponding liability.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(6) **Obligations Under Capital Lease:** (Continued)

The following is an analysis of leased assets included in property and equipment at June 30:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 503,500	\$ 526,897
Vehicles	257,511	193,117
Less: Accumulated depreciation	258,673	409,041
	<u>\$ 502,338</u>	<u>\$ 310,973</u>

The following is a schedule by year of future minimum payments required under the leases together with their present value as of year-end:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 195,147
2022	169,289
2023	150,605
2024	41,436
2025	11,790
Total minimum lease payments	<u>568,267</u>
Less: Amounts representing interest ranging from 4.88%-11.47%	<u>61,624</u>
Present value of minimum lease payments	506,643
Less: Current portion of obligations under capital lease	<u>165,380</u>
Obligations under capital lease, net of current portion	<u>\$ 341,263</u>

(7) **Lines of Credit:**

The Organization has obtained a \$1,000,000 line of credit in August 2012. The line had no outstanding balance as of June 30, 2020 and 2019. Advances under the line of credit accrue interest at the Prime Rate (3.25% at June 30, 2020) plus 0.25%. Any advances under the line of credit were collateralized by substantially all cash and investment assets of the Organization. The line of credit was renewed during the year and expires April 24, 2021.

(8) **Net Assets With Donor Restrictions:**

At June 30, 2020, the Organization had \$104,575 of net assets with donor restrictions for renovation of the Chet Bell Crisis Center (CBCC) received from SMA Healthcare Foundation, Inc (the Foundation). As discussed in Note (13), the Organization had net assets with donor restrictions from a beneficial interest in assets held by the Foundation. The Organization had the following net assets with donor restrictions at June 30:

	<u>2020</u>	<u>2019</u>
Purpose restricted – CBCC	\$ 104,575	\$ -
Purpose restricted – Foundation	5,659,647	5,793,809
In perpetuity- Foundation	329,871	324,399
Total	<u>\$ 6,094,093</u>	<u>\$ 6,118,208</u>

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(9) Donated Services:

Donated services are recognized at values consistent with those amounts which would be paid to salaried personnel for similar services. During the year, the Volusia County School Board provided educators for the Department of Juvenile Justice programs. These services would have had to be purchased if not provided. For the years ended June 30, 2020 and 2019, contributions for these services of \$123,321 and \$110,252, respectively, were recognized as a contribution in the accompanying statements of activities.

(10) Non-Recognized Contributions:

During the years ended June 30, 2020 and 2019, respectively, a substantial number of volunteers provided approximately 11,000 and 22,000 hours of service performing maintenance, administrative, and program assistance services. These services are valued at approximately \$277,000 and \$524,000, respectively; however, they were not recognized as a contribution in the accompanying statement of activities as they do not meet recognition criteria prescribed by generally accepted accounting principles.

(11) Employee Retirement Plans:

The Organization has a contributory defined contribution retirement plan qualifying under the provisions of Internal Revenue Service Code Section 403(b) covering substantially all employees. Contribution expense is determined in accordance with the plan formula. For the years ended June 30, 2020 and 2019, the employer matched employee contributions at 100% up to 3% of salary, then 50% up to 6% of salary. Eligibility requirements for the plan include provisions which require employees to have one year of service and work 1,000 hours per year. For the years ended June 30, 2020 and 2019, pension expense was \$731,848 and \$717,582, respectively.

The Organization also has a deferred compensation plan qualifying under the provisions of Internal Revenue Code Section 457(b), covering a select group of management or highly compensated employees, which is not matched with employer contributions. As of June 30, 2020 and 2019, plan assets totaled \$178,577 and \$260,639, respectively.

(12) Operating Leases:

The Organization has entered into various operating leases for administrative space, counseling, and treatment centers. The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2020, that have initial or remaining lease terms in excess of one year:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 421,977
2022	265,700
2023	260,000
2024	260,000
2025	260,000
Thereafter	780,000
	<u>\$ 2,247,677</u>

For the years ended June 30, 2020 and 2019, rent expense was \$451,609 and \$394,855, respectively.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(13) Related Party Transactions:

On September 29, 1997, the Stewart-Marchman Foundation, Inc. was formed and name was changed effective September 11, 2018, to SMA Healthcare Foundation, Inc. (the Foundation). The purpose of this Foundation is to seek and receive planned and/or outright gifts whose earnings can be used to promote and support only SMA Healthcare, Inc.'s activities. The beneficial interest in the assets held by the Foundation is adjusted annually to reflect changes in the net assets of the Foundation and as of June 30, 2020 and 2019, totaled \$5,989,518 and \$6,118,208, respectively. The amount receivable from the Foundation as of June 30, 2020 and 2019, was \$0 and \$36,010, respectively.

The Organization also leases a building owned by the Foundation for the Vince Carter Sanctuary treatment center. For the years ended June 30, 2020 and 2019, the total amount of rent expense related to the Foundation was \$260,000 and \$203,295, respectively. The amount payable to the Foundation as of June 30, 2020 and 2019, was \$56,705 and \$0, respectively. The lease expires December 2028 and provides for annual base rent of \$260,000, payable monthly at \$21,666. The base rent is based upon the debt payment the Foundation is required to make per the Vince Carter Sanctuary's bond documents. If the Foundation's debt service payments are paid in whole or in part by third party grants or donations for that purpose, the base rent shall be adjusted accordingly to reflect such grants or donations. If the Foundation's debt service payments under the bond documents are increased, the base rent shall immediately be increased by the amount of the increase in debt service payments. Regardless of any provision in this lease, the base rent for this lease shall never be below \$60,000 annually, payable monthly at \$5,000.

The Foundation awarded one-time uses of Foundation monies to benefit the Organization during the year. During the years ended June 30, 2020 and 2019, these monies totaled \$253,658 and \$208,724, respectively. At June 30, 2020, \$104,575 is included in net assets with donor restrictions for amounts awarded from the Foundation. There were no such amounts as of June 30, 2019.

During the years ended June 30, 2020 and 2019, vehicles were purchased from a company related to two board members. The total amount paid to the related party during the years ended June 30, 2020 and 2019 totaled \$108,313 and \$54,000, respectively.

(14) Concentrations:

Significant concentrations of the Organization are as follows:

(a) **Concentration of revenue**—During the years ended June 30, 2020 and 2019, revenues were derived from the following agencies as a percentage of total revenues, respectively:

	<u>2020</u>	<u>2019</u>
Federal and state agencies	61%	61%
Local grants and contracts	22%	21%
Client fees and insurance reimbursements	13%	14%

(b) **Concentration of business risk**—The Organization is highly dependent on contracts, which reimburse the Organization for its services. These contracts are executed with various state, local, and other entities. Each of these contracts is subject to change. Significant changes to any of these contracts could have a material impact on the Organization's financial statements and its ability to comply with laws, rules, regulations, and contract provisions.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(14) **Concentrations:** (Continued)

(c) **Concentrations of credit risk**—The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates of net accounts receivable and because substantial portions of the outstanding amounts are due from governmental agencies. Investments are made by investment managers whose performance is monitored by the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes the investment policies and guidelines are prudent for the long-term welfare of the Organization.

(15) **Equity Investments:**

The Organization, along with similar not-for-profits across the State, invested \$50,000 on January 28, 2020 for 25 shares of stock in Behavioral Health Partners of Florida, LLC. The company was formed as a Florida limited liability company to invest in and be a 50% member in Integrated Care Network of Florida, LLC, a Delaware limited liability company. Integrated Care Network of Florida, LLC will operate a behavioral health independent practice association that will contract with managed care insurance plans to provide behavioral health services through contracted providers. As of June 30, 2020, there has been no other additional activity in Behavioral Health Partners of Florida, LLC. The investment of \$50,000, which approximates fair value, is shown as an equity investment on the accompanying statements of financial position.

Investments in equity securities of nonpublic entities without readily determinable fair values are carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer and totaled \$50,000 as of June 30, 2020. The Organization reviews its equity securities without readily determinable fair values on a regular basis to determine if the investment is impaired. For purposes of this assessment, the Organization considers the investee's cash position, earnings and revenue outlook, liquidity and management ownership, among other factors, in its review. If management's assessment indicates that an impairment exists, the Organization estimates the fair value of the equity investment and recognizes in current earnings an impairment loss that is equal to the difference between the fair value of the equity investment and its carrying amount. There was no deemed impairment for the year ended June 30, 2020.

(16) **Commitments and Contingencies:**

The Organization leases property from the Florida Council of the Blind and the Department of Children and Families, located at Willis Avenue, Daytona Beach, Florida for an annual rent of \$1 per parcel. These leases expire in December 2026, at which point the buildings and improvements made on the property will revert back to the lessor. Subsequent to year-end, the lease was extended through December 2070.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any to be immaterial.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(16) **Commitments and Contingencies:** (Continued)

The Organization is involved in various claims against the Organization arising in the normal course of business. Management believes that their insurance coverage will be sufficient to pay any liabilities that may be incurred.

(17) **Grants and Match Requirements:**

The Organization has entered into agreements to provide services on a reimbursement of allowable cost basis with certain agencies. In addition, one agreement has a requirement that a specified amount of federal program activities be funded by matching funds from specified sources. The Organization is subject to audit by the granting agencies and, if these audits are unfavorable, the agencies can require a refund of a portion of the contracts. It is management's opinion that the terms of the agreements have been substantially met and costs submitted for reimbursements are allowable under the agreements.

The Organization receives a substantial portion of its support directly and passed-through from the United States Government and the State of Florida. Under certain terms of these contracts, expenditures for funded program services could exceed the amount of the grant.

Management believes that the matching requirements were met, as expenditures for programs funded by the grant exceeded the amount required to receive the maximum amount of reimbursement.

SUPPLEMENTARY INFORMATION

SMA HEALTHCARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

FEDERAL/ STATE AGENCY PASS THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT	CFDA/ CSFA NUMBER	FUNDING PERIOD	PASS THROUGH IDENTIFYING NUMBER/ GRANT CONTRACT IDENTIFICATION NUMBER	EXPENDITURES
FEDERAL AGENCY				
Department of Health and Human Services				
Direct:				
Substance Abuse and Mental Health Services	93.243	9/30/16-9/29/20	1H79SM062330-01	\$ 553,870
Substance Abuse and Mental Health Services	93.243	9/30/18-9/29/23	1H79SM080334-01	395,385
Substance Abuse and Mental Health Services	93.243	9/30/18-9/29/21	1H79SM081105-01	119,464
Substance Abuse and Mental Health Services	93.243	11/30/18-11/29/23	1H79SM080675-01	580,747
Total Substance Abuse and Mental Health Services				<u>1,649,466</u>
Telehealth Programs	93.211	9/30/18-9/29/19	G25RH32474	<u>103,529</u>
Basic Center Grant	93.623	10/1/18-9/30/21	90CY7069-01-00	<u>114,846</u>
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	5/1/20-4/30/21	CCBHC	<u>23,478</u>
Rural Health Care Services Outreach	93.912	9/1/19-8/31/22	GA1RH33540	<u>219,074</u>
Passed through Lutheran Services Florida:				
Temporary Assistance to Needy Families	93.558	7/1/19-6/30/20	LS036/ MS0TB	238,558
Temporary Assistance to Needy Families	93.558	7/1/19-6/30/20	LS036/ MH0TB	151,217
Total Temporary Assistance to Needy Families (TANF)				<u>389,775</u>
Passed through FL Network of Youth and Family Services:				
Foster Care Title IV-E	93.658	7/1/19-6/30/20	IV-E	<u>7,998</u>
Passed through Lutheran Services Florida:				
Projects for Assistance in Transition from Homelessness	93.150	7/1/19-6/30/20	LS036/ MHOPG	<u>153,838</u>
Passed through Lutheran Services Florida:				
Medical Assistance Program	93.778	7/1/19-6/30/20	LS036/ MH073	266,141
Passed through Florida Alcohol and Drug Abuse Association:				
Medical Assistance Program	93.778	9/18 - 9/19	DCF	35,859
Total Medicaid Cluster				<u>302,000</u>
Passed through Lutheran Services Florida:				
Opioid STR	93.788	7/1/19-6/30/20	LS036/ MSSOH	139,941
Opioid STR	93.788	7/1/19-6/30/20	LS036/ MSSOW	21,797
Opioid STR	93.788	7/1/19-6/30/20	LS036/ MSSM2	1,274,957
Opioid STR	93.788	7/1/19-6/30/20	LS036/ MSSOR	322,497
Total Opioid STR				<u>1,759,192</u>
Passed through Lutheran Services Florida:				
Block Grants for Community Mental Health Services	93.958	7/1/19-6/30/20	LS036/ MH000	325,170
Block Grants for Community Mental Health Services	93.958	7/1/19-6/30/20	LS036/ MH073	140,712
Total Block Grants for Community Mental Health Services				<u>465,882</u>
Passed through Florida Alcohol and Drug Abuse Association:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	9/19 - 9/20	DCF	33,101
Passed through Lutheran Services Florida:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/19-6/30/20	LS036/ MS000	4,556,886
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/19-6/30/20	LS036/ MS023	55
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/19-6/30/20	LS036/ MS025	262,264
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/19-6/30/20	LS036/ MS091	466,142
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/19-6/30/20	LS036/ MS0CN	71,115
Total Block Grants for Prevention and Treatment of Substance Abuse				<u>5,389,563</u>
Total Department of Health and Human Services				<u>10,578,641</u>

The accompanying notes to the schedule of expenditures of federal awards, state financial assistance, and state matching of federal awards are an integral part of this schedule.

SMA HEALTHCARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE AND STATE MATCHING OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2020

FEDERAL/ STATE AGENCY PASS THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT	CFDA/ CSFA NUMBER	FUNDING PERIOD	PASS THROUGH IDENTIFYING NUMBER/ GRANT CONTRACT IDENTIFICATION NUMBER	EXPENDITURES
Department of Housing and Urban Development				
Direct:				
Supportive Housing Program	14.235	4/1/19-3/31/20	FL0064L4H041710	\$ 46,582
Total Supportive Housing Program				<u>46,582</u>
Total Department of Housing and Urban Development				<u>46,582</u>
Department of Justice				
Passed through the County of Volusia, Florida:				
Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838	1/1/2020-9/30/2021	2019-RURAL-0054	57,740
Passed through Florida Department of Legal Affairs Office of Attorney General:				
Crime Victim Assistance	16.575	10/1/18-09/30/19	VOCA-2018-00301	45,772
Crime Victim Assistance	16.575	10/1/19-09/30/20	VOCA-2019-00973	151,281
Total Crime Victim Assistance				<u>197,053</u>
Passed through the County of Volusia, Florida:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10/1/18-9/30/19	CS-1903	37,627
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1/1/20-12/31/20	N/A	56,772
Total Edward Byrne Memorial Justice				<u>94,399</u>
Total Department of Justice				<u>349,192</u>
Department of Transportation				
Passed through the County of Volusia, Florida:				
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	10/1/18-9/30/19	ARM76	51,469
Total Highway Safety Cluster				<u>51,469</u>
Total Department of Transportation				<u>51,469</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 11,025,884</u>
STATE AGENCY				
Florida Department of Children and Families				
Passed through Flagler County:				
Criminal Justice Mental Health and Substance Abuse	60.115	8/1/18-7/31/21	LHZ78	\$ 231,727
Passed through Putnam County				
Criminal Justice Mental Health and Substance Abuse	60.115	1/1/18-12/31/20	LH772	399,000
Total Criminal Justice Mental Health and Substance Abuse				<u>630,727</u>
Passed through Lutheran Services Florida:				
Centralized Receiving Systems	60.163	7/1/19-6/30/20	LS036/ MHSCR	2,582,529
Total Department of Children and Families				<u>3,213,256</u>
Florida Department of Health				
Passed through the Florida Council Against Sexual Violence:				
Rape Crisis Center	64.069	7/1/19-6/30/20	16TFGR15	47,317
Rape Crisis Program Trust Fund	64.061	7/1/19-6/30/20	16TFGR15	27,415
Total Department of Health				<u>74,732</u>
Florida Department of Legal Affairs and Attorney General				
Direct:				
Florida Council Against Sexual Violence	41.010	7/1/19-6/30/20	19OAG15	9,463
Total Department of Legal Affairs and Attorney General				<u>9,463</u>
Florida State Courts System				
Direct:				
VIVITROL Naltrexone FADAA	22.022	7/1/19-6/30/20	DCF	225,970
Total State Courts System				<u>225,970</u>

The accompanying notes to the schedule of expenditures of federal awards, state financial assistance, and state matching of federal awards are an integral part of this schedule.

SMA HEALTHCARE, INC.
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE AND STATE MATCHING OF FEDERAL AWARDS (Continued)**
FOR THE YEAR ENDED JUNE 30, 2020

FEDERAL/ STATE AGENCY PASS THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT	CFDA/ CSFA NUMBER	FUNDING PERIOD	PASS THROUGH IDENTIFYING NUMBER/ GRANT CONTRACT IDENTIFICATION NUMBER	EXPENDITURES
Florida Department of Juvenile Justice				
Passed through Florida Network of Youth & Family Services:				
Children and Families in Need of Services (CINS/FINS)	80.005	7/1/19-6/30/20	15-16 Non Res	\$ 318,463
Children and Families in Need of Services (CINS/FINS)	80.005	7/1/19-6/30/20	15-16 Non Res	824,874
Total Children and Families in Need of Services				<u>1,143,337</u>
Total Department of Juvenile Justice				<u>1,143,337</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE				<u>\$ 4,666,758</u>
State Matching of Federal Awards - MH000 (93.958)	N/A	7/1/19-6/30/20	LS036	\$ 6,396,992
State Matching of Federal Awards - MH072 (93.958)	N/A	7/1/19-6/30/20	LS036	148,002
State Matching of Federal Awards - MH073 (93.958)	N/A	7/1/19-6/30/20	LS036	801,486
State Matching of Federal Awards - MH076 (93.958)	N/A	7/1/19-6/30/20	LS036	51,300
State Matching of Federal Awards - MHTRV (93.958)	N/A	7/1/19-6/30/20	LS036	29,149
State Matching of Federal Awards - MH011 (93.958)	N/A	7/1/19-6/30/20	LS036	1,250,000
State Matching of Federal Awards - MHDRF (93.958)	N/A	7/1/19-6/30/20	LS036	16,647
State Matching of Federal Awards - MH0CN (93.958)	N/A	7/1/19-6/30/20	LS036	88,028
State Matching of Federal Awards - MHMCT (93.958)	N/A	7/1/19-6/30/20	LS036	587,631
State Matching of Federal Awards - MS000 (93.959)	N/A	7/1/19-6/30/20	LS036	4,934,124
State Matching of Federal Awards - MS081 (93.959)	N/A	7/1/19-6/30/20	LS036	278,308
State Matching of Federal Awards - MS091 (93.959)	N/A	7/1/19-6/30/20	LS036	466,142
State Matching of Federal Awards - MSTRV (93.959)	N/A	7/1/19-6/30/20	LS036	37,471
State Matching of Federal Awards - MS0CN (93.959)	N/A	7/1/19-6/30/20	LS036	71,115
State Matching of Federal Awards - MSCBS (93.959)	N/A	7/1/19-6/30/20	LS036	610,376
State Matching of Federal Awards - MS920 (93.959)	N/A	7/1/19-6/30/20	LS036	64,411
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE AND MATCHING OF FEDERAL AWARDS				<u>\$ 15,831,182</u>
				<u>\$ 31,523,824</u>

The accompanying notes to the schedule of expenditures of federal awards, state financial assistance, and state matching of federal awards are an integral part of this schedule.

SMA HEALTHCARE, INC.
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
STATE FINANCIAL ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance and State Matching of Federal Awards include federal award and state financial assistance activity of SMA Healthcare, Inc. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Section 215.97, Florida Statutes. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

No amounts were passed through to subrecipients during the fiscal year ended June 30, 2020.

(3) **De Minimis Indirect Cost Rate Election:**

SMA Healthcare, Inc. did not elect to use the 10% de minimis indirect cost rate as covered in §200.414, *Indirect (F&A) costs*, of the Uniform Guidance.

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

To the Board of Directors of,
SMA Healthcare, Inc.:

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

We have audited SMA Healthcare, Inc.'s (the Organization) compliance with the types of compliance requirements described in *OMB Compliance Supplement* and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and major state projects for the year ended June 30, 2020. The Organization's major federal programs and major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Section 10.650, Rules of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.650 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 major state project occurred. An audit includes examining, on a test basis, evidence about the Organization'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 major state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and Major State Project

In our opinion, SMA Healthcare, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended June 30, 2020.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program and state project is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit are described in the accompanying management's response as listed in the table of contents. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

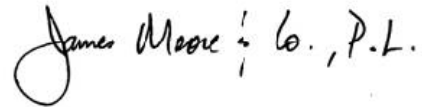
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program or major state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Section 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 Organization'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance findings identified in our audit are described in the accompanying management's response as listed in the table of contents. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
November 24, 2020

SMA HEALTHCARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes _____ no

Identification of major Federal programs:

CFDA Number	Program Name
93.958	Block Grants for Community Mental Health Services
93.150	Projects for Assistance in Transition from Homelessness
93.243	Substance Abuse and Mental Health Services

Dollar threshold used to distinguish between type A and type B Federal programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

State Financial Assistance:

Internal control over major State projects:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major State projects: *Unmodified*

Any audit findings disclosed that are required to be reported for state financial assistance projects? _____ yes X none reported

SMA HEALTHCARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Auditors' Results: (Continued)

Dollar threshold used to distinguish between type A and type B State projects: \$750,000

Identification of major State projects:

CSFA Number	Program Name
60.163	Centralized Receiving Systems

II. Financial Statement Findings:

No financial statement findings were noted.

III. Federal Programs and State Projects Findings and Questioned Costs:

2020-001 – CFDA 93.958 – Block Grant for Community Mental Health Services – Activities Allowed/Allowable Costs: Financial Assessment Documentation (Repeat Comment)

Criteria: The Block Grant for Community Mental Health Services provides for a set of documentation requirements for clients in the program, including the completion of a Financial Assessment Form to document activities allowed. This form is required to be completed when clients are discharged after being provided mental health services.

Condition: Financial Assessment Forms were not completed for 1 of the 60 clients tested.

Cause: The requirement to perform this control element was overlooked by the case managers.

Effect: The missing Financial Assessment Forms could result in noncompliance with the grant agreement.

Recommendation: We recommend that the process be reviewed and staff be trained and have regular training updates to ensure that the required Financial Assessment Forms are completed for all clients.

IV. Prior Audit Findings:

See Schedule of Prior Audit Findings on page 35.

V. Corrective Action Plan:

See Management's Response to Findings on page 36.

VI. Management Letter:

No management letter pursuant to Sections 215.97(9)(f) and 215.97(10)(d), Florida Statutes is required since there are no items related to state financial assistance required to be reported in the management letter, not already reported in this schedule.

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

To the Board of Directors of,
SMA Healthcare, Inc.:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of SMA Healthcare, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2020, 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 November 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

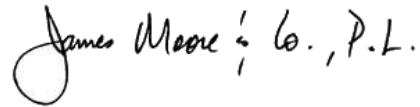
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 SMA Healthcare, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in cursive script that reads "James Moore & Co., P.L." The signature is written in black ink and is positioned to the right of the main text block.

Daytona Beach, Florida
November 24, 2020



150 Magnolia Ave.
Daytona Beach, FL 32114
P 800-539-4228 | smahealthcare.org
access@smahealthcare.org

November 24, 2020

Schedule of Prior Audit Findings:

2019-001 – CFDA 93.958 – Delinquent Comprehensive Assessment: Corrective action not taken. See repeat comment 2020-001.

2019-002 – CFDA 60.613 – Financial Assessment Documentation: Corrective action taken.

Thank you,

Eric Horst
Chief Financial Officer





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November 24, 2020

Management Response to Auditor Findings:

Recommendation: 2020-001 Financial Assessment Documentation

In October of 2017, management implemented an electronic assessment form within the electronic clinical record. The financial assessment staff now prepares the form while the client is present, with both parties signing the form electronically upon completion. As further corrective action, in November of 2018, we added presence of the financial assessment form to the compliance review process. The compliance percentage of that measure is reported monthly to staff and also to the Quality Performance Review Committee of the board of directors. Our internal tracking indicates compliance now exceeds 98%. We will continue the monitoring and education efforts and expect to move toward full compliance.

Thank you,

Eric Horst
 Chief Financial Officer

