

**CIRCLES OF CARE, INC.**

**Financial Statements and  
Supplementary  
Information**

**June 30, 2021**



**BERMAN HOPKINS**  
CPAs & ASSOCIATES, LLP

**CIRCLES OF CARE, INC.**

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## INDEPENDENT AUDITOR'S REPORT

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, 2021, 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 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.

#### **MELBOURNE**

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Melbourne, FL 32940  
321-757-2020

#### **ORLANDO**

255 South Orange Avenue, #1200  
Orlando, FL 32801  
407-841-8841

## **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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *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 Chapter 10.650, Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 additional 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 December 29, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CoC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CoC's internal control over financial reporting and compliance.

December 29, 2021  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

**Circles of Care, Inc.**

**BALANCE SHEET**

**June 30, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 15,101,858
Investments	22,999,935
Patient accounts receivable, net of allowances for contractual adjustments and uncollectible accounts of \$2,591,182	1,570,000
Other receivables	1,699,792
Inventory	1,568,481
Prepaid expenses	799,512

**Cash and investments limited as to use**

Internally designated for renewal and replacement	8,000,000
Total current assets	<u>51,739,578</u>

**BENEFICIAL INTEREST IN PERPETUAL TRUST**

772,426

**PROPERTY AND EQUIPMENT, NET**

9,529,967

Total assets \$ 62,041,971

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 407,190
Accrued payroll, payroll taxes and vested leave	2,133,344
Accrued liabilities other	460,000
Deferred revenue	3,658,135
Other current liabilities	98,118
Current portion of bonds payable	343,741
Total current liabilities	<u>7,100,528</u>

**LONG-TERM DEBT**

Bonds payable	<u>2,833,009</u>
Total liabilities	<u>9,933,537</u>

**NET ASSETS**

Without donor restrictions	43,336,009
Without donor restrictions - board designated	8,000,000
With donor restrictions	<u>772,425</u>
Total net assets	<u>52,108,434</u>
Total liabilities and net assets	<u><u>\$ 62,041,971</u></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, 2021

<b>REVENUE AND SUPPORT</b>	
Net patient service revenue	\$ 15,661,838
Pharmacy	9,191,445
Government contracts and other support	
State Mental Health	13,591,568
Medicaid	658,548
Local awards	1,837,507
Other support	2,553,059
Contributions	32,197
	<hr/>
	43,526,162
Rental Income	565,695
Investment income, net	5,290,325
	<hr/>
Total revenues and support	49,382,182
	<hr/>
<b>EXPENSES</b>	
Salaries and employee benefits	24,867,430
Other operating expenses	16,552,442
	<hr/>
Total expenses	41,419,872
	<hr/>
<b>Change in net assets without donor restrictions</b>	7,962,310
	<hr/>
<b>Change in net assets with donor restrictions</b>	175,403
	<hr/>
<b>INCREASE IN NET ASSETS</b>	8,137,713
NET ASSETS AT BEGINNING OF YEAR	43,970,721
	<hr/>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 52,108,434</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, 2021**

	<u>Program</u>	<u>Administration</u>	<u>Total</u>
<b>SALARIES AND EMPLOYEE BENEFITS</b>			
Salaries	\$ 17,586,899	\$ 1,627,887	\$ 19,214,786
Health insurance benefits	2,344,587	87,084	2,431,671
Retirement benefits	1,645,290	116,263	1,761,553
Federal Insurance Contributions Act ("FICA")	1,245,646	85,936	1,331,582
Life and disability benefits	119,214	8,624	127,838
Total salaries and employee benefits	<u>22,941,636</u>	<u>1,925,794</u>	<u>24,867,430</u>
<b>OTHER OPERATING EXPENSES</b>			
Pharmacy	8,766,347	-	8,766,347
Bad debt	1,131,619	-	1,131,619
Food	964,562	8,846	973,408
Insurance	660,542	49,430	709,972
Depreciation and amortization	644,423	47,694	692,117
Information management	550,216	37,642	587,858
Other professional services	431,519	155,814	587,333
Rent	482,359	71,370	553,729
Supplies	477,978	17,868	495,846
Medical services	489,748	471	490,219
Utilities	332,602	31,919	364,521
Repairs and maintenance	231,803	18,825	250,628
Dues and subscriptions	229,888	12,744	242,632
Travel, education and conferences	190,934	19,645	210,579
Telephone	176,586	20,420	197,006
Transportation	126,512	4,798	131,310
Postage and printing	53,543	3,420	56,963
Community awareness	45,585	10,238	55,823
Interest	54,532	-	54,532
Total other operating expenses	<u>16,041,298</u>	<u>511,144</u>	<u>16,552,442</u>
Total expenses	<u>\$ 38,982,934</u>	<u>\$ 2,436,938</u>	<u>\$ 41,419,872</u>

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

**Circles of Care, Inc.**

**STATEMENT OF CASH FLOWS**

**June 30, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 8,137,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	692,117
Unrealized gain on sale of investments, other than trading	(3,948,296)
Unrealized gain on trust	(175,404)
PPP loan forgiveness	(1,336,633)
Change in provision for allowance for doubtful accounts	271,091
(Increase) decrease in assets:	
Patients accounts receivable	(236,091)
Accounts receivable other	(181,797)
Inventory	(141,509)
Prepaid expenses	(45,146)
Increase (decrease) in liabilities:	
Accounts payable	136,179
Accrued payroll, payroll taxes, and vested leave	249,609
Deferred revenue	1,495,886
Other current liabilities	8,555
Net cash provided by operating activities	4,926,274

**CASH FLOW FROM INVESTMENT ACTIVITIES**

Payments for the acquisition of property and equipment	(134,863)
Proceeds from sale of investments	13,522,931
Purchase of investments	(17,521,323)
Net cash used in investing activities	(4,133,255)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments of bonds payable	(329,133)
Net cash provided used in financing activities	(329,133)

**Net increase in cash and cash equivalents**

Cash and cash equivalents at beginning of year	14,637,972
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**CASH AND CASH EQUIVALENTS AT END OF YEAR**

	\$ 15,101,858
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**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid for interests	\$ 54,532
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The accompanying notes are an integral part of this financial statement.

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE A - REPORTING ENTITY**

Circles of Care, Inc. (CoC or Organization), is a local mental health care system operating in Brevard County, Florida. The organization provides a full range of mental health and substance abuse services to the residents of Brevard County, including an inpatient psychiatric facility, a crisis stabilization unit, outpatient counseling services, and many other mental health services for children and adults. CoC is a nonprofit corporation licensed by the State of Florida and accredited by the Joint Commission on Accreditation of Health Care Organizations.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Basis of accounting

CoC prepares its financial statements on the accrual basis of accounting in accordance with guidelines established in the American Institute of Certified Public Accountants Audit and Accounting Guide, "Health Care Organizations" and generally accepted accounting principles.

2. 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). Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein, are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions or whose restrictions were met during the year.

Net assets without donor restrictions - board designated - Board-designated net assets are net assets without donor restrictions that are subject to self-imposed limits by action of the governing board. They may be earmarked for a specific purpose and they can be undesignated at the board's discretion.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions.

3. Cash and cash equivalents

For the purposes of the statements 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 or agreements, are not considered to be cash or cash equivalents for purposes of the cash flows presentation.

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

4. 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.

5. Investments and investment income

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.

6. Inventory

Inventory 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. CoC reviews its inventory for indicators of impairment by evaluating it during each reporting period and a valuation allowance is provided for obsolete or slow-moving items. Management has determined that a valuation allowance was not necessary at June 30, 2021.

7. Long-lived assets

CoC evaluates its long-lived assets for indicators of possible impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. CoC compares the carrying amount to estimated future net undiscounted cash flows expected to be generated by such assets. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset's fair value. Management has determined that there was no impairment for 2021.

8. Property and equipment, net

Property and equipment acquisitions with an expected life of greater than one year and in excess of \$1,000 are recorded at cost, including capitalized interest, if purchased or constructed, and estimated fair value, if donated.

Depreciation is computed on the straight-line basis for all depreciable assets. Expected useful lives for various asset classes are as follows:

Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 10 years

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Adoption of a new accounting standard

Revenue recognition

CoC adopted the FASB ASC Topic 606 as of July 1, 2020, which requires an entity to recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance addresses, in particular, contracts with more than one performance obligation, as well as the accounting for some costs to obtain or fulfill a contract with the customer; and provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. The adoption of ASC 606 represents a change in accounting principle that is intended to more closely align revenue recognition with the transfer of control of CoC's services to the customer. The amount of revenue recognized reflects the consideration which CoC expects to be entitled to receive in exchange for the products and/or services. With respect to non-public entities, this update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019.

To achieve this principle, CoC applies the following five steps:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to performance obligations in the contract, and
5. Recognize revenue when or as the Organization satisfies a performance obligation.

CoC has various sources of revenue that can be classified by funding type or contract type or simply by funding sources. CoC funding sources are: Medicare, Medicaid, other third party payments and pharmacy (see note B-10 for details ), grant revenue, and investment revenue. Investment income revenue streams are not impacted by FASB ASC Topic 606.

For the grant revenue, the determination of an exchange transaction versus a contribution transaction is based on whether or not there is commensurate value reciprocated between the two parties. If the commensurate value is reciprocated, then the transaction is considered an exchange transaction. The Organization's grants were determined to be contribution transactions and revenue was recognized as the conditions were met. The new guidance did not impact the CoC revenue recognition from grants. The pharmacy revenue is part of the net patient service revenue (note B-10). It is transaction based and recorded at the time of sale thus the revenue recognition is not impacted by the new guidance. Revenue is recognized for the remainder of these categories using the portfolio approach, as allowable by ASC 606.

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Adoption of a new accounting standard (continued)

Revenue recognition (continued)

CoC has determined that the adoption of ASC 606 had no impact to beginning net assets as of July 1, 2020.

10. Revenue recognition - net patient service revenue

Revenues are recognized when control of the promised services is transferred to patients, in an amount that reflects the consideration to which CoC expects to be entitled from patients and third parties. Patient service revenue is distinguished into two categories: outpatient and inpatient. Under the outpatient category, CoC provides services such as counseling/therapy, ad hoc medical help for mental health and substance abuse. This type of contract is very short term, service based, and considered to be delivered upon the completion of the service which is the same day. The inpatient category represents longer term service provided to the patient and considered delivered and completed when patient is discharged.

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers and others and includes variable consideration for retroactive adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills patients and third-party payers after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied. Revenue for performance obligations satisfied over time is recognized based on preestablished rates which are negotiated periodically. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospital receiving inpatient care services. The Organization measures the performance obligation from admission in the Hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge.

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. During 2021, there was no adjustment required to net patient service revenue in the accompanying statement of operations and changes in net assets for changes in the estimated settlements receivable or payable for prior years. Future changes in the Medicare and Medicaid programs and the possible reduction of funding could have an adverse impact on the CoC.

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.

Circles of Care, Inc.

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Revenue recognition - net patient service revenue (continued)

Net patient service revenue consists of the following:

Gross patient service revenue	\$ 56,580,953
Less provisions for contractual adjustments	<u>40,919,115</u>
Net patient service revenue	<u>\$ 15,661,838</u>

The mix of net patient service revenue for the year ended June 30, 2021 and 2020 was as follows:

	<u>2021</u>
Inpatient	70%
Outpatient	15%
Pharmacy	15%

The timing of revenue recognition, billings and cash collections results in billed accounts receivable on the balance sheet. Receivables as of June 30, 2021 and 2020 were approximately \$3,250,000 and \$3,120,000, respectively, including accounts receivable from Medicare and Medicaid as of June 30, 2021 and 2020 which were approximately \$1,570,000 and \$1,605,000, respectively.

11. Contributions and donations

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 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.

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.

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

11. Contributions and donations (continued)

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.

12. 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 200% of the current federal poverty guidelines, will be classified as a charity care patient. Because CoC does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as gross patient service revenue. The amounts of charges forgone for services and supplies, furnished under the charity care policy of CoC, were \$14,145,238 and \$12,915,928, for the fiscal years ended June 30, 2021 and 2020, respectively.

13. Income taxes

CoC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization. CoC's accounts for income taxes in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, (*Income Taxes*), which clarifies the accounting and disclosure requirements for uncertainty in tax positions. It requires a two-step approach to evaluate tax positions and determine if they should be recognized in the financial statements. The two-step approach involves recognizing any tax positions to determine if they are recognizable in the financial statements. Management regularly reviews and analyzes all tax positions and has determined that no uncertain tax positions requiring recognition have occurred.

CoC is subject to audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. CoC believes it is no longer subject to income tax examinations for periods prior to 2018.

14. 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.

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

15. Functional expenses

All allowable direct cost that are effectively and efficiently identifiable to a specific function are charged to that function based on direct expenditures incurred. All other expenditures or support costs not directly chargeable to a specific function are allocated by management using a base most appropriate to the particular expense being allocated such as the square footage, patient days, ratio of the expense to total organization expenses, Full Time Equivalents (the "FTE"), and are clearly defined in CoC's cost allocation plan that is reviewed and update on an annual basis.

**NOTE C - LIQUIDITY MANAGEMENT**

As part of the CoC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, CoC invests in primarily short-term investments to help manage unanticipated liquidity needs. CoC assets available within one year of the balance sheet date to meet cash needs consisting of:

Cash and cash equivalents	\$ 15,101,858
Investments	30,999,935
Patient account receivable, net	1,570,000
Other receivables	1,699,792
Inventory	<u>1,568,481</u>
	50,940,066
Board designation	<u>(8,000,000)</u>
Financial assets available within one year	<u>\$ 42,940,066</u>

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 \$42,940,066. See information about maturity and liquidity of liabilities at Note I - Bonds Payable.

Circles of Care, Inc.

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE D - INVESTMENTS

1. Cash and investments internally designated for renewal and replacement

The composition of assets, whose use is internally designated for future asset renewal and replacement at June 30, 2021, is set forth in the following table. Marketable debt and equity securities are stated at fair value. Assets internally designated for renewal and replacement included \$120,000 for future potential losses due to self-insured windstorm damage.

Cash and cash equivalents	\$ 2,819,545
Marketable debt securities	774,632
Marketable equity securities	<u>4,405,823</u>
	<u>\$ 8,000,000</u>

2. Investments

Investments consists of the following at June 30, 2021:

Certificates of deposit	\$ 1,962,998
Marketable debt securities	1,664,908
Marketable equity securities	<u>19,372,029</u>
	<u>\$ 22,999,935</u>

3. Total investments recorded at fair value

All of the following investments are recorded at fair value as detailed in Note E.

Certificates of deposit	\$ 1,962,998
Marketable debt securities	2,439,540
Marketable equity securities	<u>23,777,852</u>
	<u>\$ 28,180,390</u>

Circles of Care, Inc.

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE D - INVESTMENTS (continued)

3. Total investments recorded at fair value (continued)

Investment income and gains from assets limited as to use, cash equivalents, and investments, net of investment custodial and advisory fees of \$100,077 for fiscal year ended June 30, 2021 is comprised of the following:

Interest and dividend income	\$ 861,889
Realized gains on sale of securities, other than trading	480,138
Unrealized gains and losses on other than trading securities	<u>3,948,298</u>
Investment income, net	<u>\$ 5,290,325</u>

NOTE E - FAIR VALUE MEASUREMENTS

FASB 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the standard are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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Level 2 Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in active markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE E - FAIR VALUE MEASUREMENTS (continued)**

Fair values of assets measured on a recurring basis using Level 1 inputs, those that are quoted in identical active markets, and consists of the following as of June 30, 2020:

Certificates of deposit	\$ 1,962,998
Marketable debt securities	2,439,540
Marketable equity securities	<u>23,777,852</u>
Investments at Fair Value (Note D)	28,180,390
Beneficial interest in perpetual trust	<u>772,426</u>
Total investments	<u><u>\$ 28,952,816</u></u>

There are no investment valuations utilizing Levels 2 or 3 inputs.

**NOTE F - PROPERTY AND EQUIPMENT**

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

	Cost	Accumulated depreciation	Net
Land	\$ 1,110,682	\$ -	\$ 1,110,682
Buildings and improvements	17,865,696	11,838,316	6,027,380
Furniture and equipment	3,471,037	3,180,456	290,581
Land and buildings not used in operations	<u>2,101,324</u>	<u>-</u>	<u>2,101,324</u>
	<u><u>\$ 24,548,739</u></u>	<u><u>\$ 15,018,772</u></u>	<u><u>\$ 9,529,967</u></u>

Depreciation and amortization expense for the year ended June 30, 2021 was \$692,117.

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 \$100,301 for the year ended June 30, 2021.

**NOTE G - LEASES**

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.

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE G - LEASES (continued)**

The term of the lease is for 40 years, beginning with the date construction was completed, with two 5-year options to renew. The initial annual base rent, for the first 10 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 may increase, based on changes to the Consumer Price Index, every five years. The lease terms remained the same for the year ended June 30, 2021. 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:	
2022	\$ 76,452
2023	76,452
2024	76,452
2025	76,452
2026	76,452
Total	<u>\$ 382,260</u>

Lease expense recorded under the land lease agreement was \$68,774 for the year ended June 30, 2021.

**NOTE H - DEFERRED REVENUE**

The deferred revenue consists of the following at June 30, 2021:

Low Income Pool (LIP)	\$ 1,560,590
Pharmacy	805,942
CARES Act Funding	460,776
Residential clients fees	395,642
Medicare	242,000
Other	193,185
	<u>\$ 3,658,135</u>

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE H - DEFERRED REVENUE (continued)**

The deferred revenue consists of the Agency For Healthcare Administration (AHCA) Low Income Pool payment distribution of \$1,560,590 that was not spent in fiscal year 2021 (see Note N). CoC also received two payments under the CARES Act from the Department of Health and Human Services totaling \$460,776. The grant amount was determined by HHS from CoC's Medicare service delivery without reports from CoC. The HHS grant is recorded as part of other deferred revenue, until all of the requirements and conditions are fully known and met. The remaining deferred revenue balance consists of the Drug Company Sponsored Indigent Drug Program inventory and other small deferrals.

**NOTE I - BONDS PAYABLE**

Concurrent with the negotiation of the land lease (see Note G), CoC entered into a commitment for financing with Bank of America (Bank) for the purpose of financing the acquisition, construction, and equipping of a new 30-bed health care facility to be utilized as an involuntary mental health treatment facility authorized pursuant to Chapter 394, Part I, Florida Statutes (commonly known as a Baker Act Crisis Stabilization Unit); renovation of the existing health care 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 are 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 ( 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 (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. 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.

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE I - BONDS PAYABLE (continued)**

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, 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, plus accrued interest, commenced November 1, 2010.

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. The swap agreement terminated on July 1, 2020. The interest rate is equal to LIBOR, plus the 1.7% per annum to the termination of agreement on June 18, 2023.

The Series 2009A and B Bonds payable are collateralized by security interest in assets and rights to revenue. Terms and conditions are described above. Outstanding bonds payable were as follows as of June 30:

Bonds payable	\$ 3,176,750
Less amount due within one year	<u>343,741</u>
Long-term portion	<u>\$ 2,833,009</u>

Estimated maturities of the Series 2009A and B Bonds for each of the succeeding years ending on June 30, 2021 and in the aggregate are as follows:

	Series 2009A	Series 2009B	Total
2022	\$ 253,568	\$ 90,173	\$ 343,741
2023	<u>2,660,046</u>	<u>172,963</u>	<u>2,833,009</u>
Total	<u>\$ 2,913,614</u>	<u>\$ 263,136</u>	<u>\$ 3,176,750</u>

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE J - PAYCHECK PROTECTION PROGRAM LOAN (the “PPP”)**

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act is in response to the widespread, and negative economic impact of COVID-19. Within the provisions of the CARES Act, is the Paycheck Protection Program (the “PPP”). On April 23, 2020, CoC was granted a PPP loan in the aggregate amount of \$4,801,165, pursuant to the PPP under Division A, Title I of the CARES Act. Funds from the PPP were only used for qualifying costs, as defined within the CARES Act.

The Paycheck Protection Flexibility Act (the “Act”) of 2020, P.L. 116-142, extended the deferral period for loan payments to either the date that SBA remitted the borrower’s loan forgiveness amount to the lender or if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness covered period.

On June 5, 2020, Congress signed into law the Act that made it easier for small businesses and other PPP borrowers to qualify for full loan forgiveness. Within the Act, the covered period was extended from eight weeks to 24 weeks and allowed for a higher level of non-personnel operating costs. CoC recognized \$3,464,532 of loan forgiveness as other revenue in the June 30, 2020 financial statements. On June 15, 2021, the full amount of the PPP loan was approved for forgiveness and the remaining portion of the PPP loan of \$1,336,633 was recognized as other revenue in June 30, 2021 financial statements.

**NOTE K - DONATED GOODS**

CoC received in-kind pharmaceuticals from drug manufacturers to assist with the treatment of CoC's patients. The goods were valued at approximately \$890,000 for the fiscal year ended June 30, 2021. Donated pharmaceuticals valued at \$805,942 has been included in inventory as of June 30, 2021.

**NOTE L - 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. Pension contributions were \$1,761,553 for the fiscal year ended June 30, 2021.

**NOTE M - SUPPORT FROM THE STATE OF FLORIDA WHICH REQUIRED MATCH**

CoC received a substantial portion of its support from Central Florida Cares Health Systems, Inc. (CFCHS), under grant contracts with department of Children and Families’ (the “DCF”) Alcohol, Drug Abuse, and Mental Health Program. These contracts are 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 contracts required a 25% local match for certain community mental health services. These matching requirements have been fulfilled for the year ended June 30, 2021.

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE M - SUPPORT FROM THE STATE OF FLORIDA WHICH REQUIRED MATCH  
(continued)**

As of July 1, 2012, DCF amended and assigned the contract between the 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 N - LOW INCOME POOL (LIP)**

CoC entered into an agreement with Brevard County and the State of Florida Agency for Health Care Administration (AHCA) to participate in the Low Income Pool (LIP) for the fiscal year ending June 30, 2021. The LIP provides governmental support as a safety net to providers for uncompensated Charity Care rendered to uninsured individuals within the scope of mental health and substance abuse inpatient services. The agreement specified that Brevard County will issue an Intergovernmental Transfer (IGT) of \$1,041,805 to AHCA. CoC also has an agreement with Brevard County for funding related to the Baker Act Services they provide. The IGT is redirected from CoC's Baker Act Services agreement totaling \$1,041,805. That transfer was completed on January 28, 2021. The remaining amount of the County Baker Act Services funding of \$706,702 shall continue to be remitted to CoC as specified in the agreement.

The IGT serves as a match to allow CoC to draw down additional federal Medicaid funding up to \$2,230,195. The LIP valuation is calculated prospectively on the estimated cost to provide services for the estimated number of charity care days. Following the end of the year, reports for actual costs and days are submitted. Under the modified terms of the County Baker Act services agreement, CoC will continue to earn the funding of \$1,748,507 under the previous terms. Revised terms of the agreement authorize Brevard County to redirect the IGT portion to AHCA and remit the remainder to CoC. Within these financial statements, the County Baker Act funding will be recognized in total and the AHCA match is recognized separately as AHCA - Low Income Pool. CoC received the full payment of \$3,272,000 (\$2,230,195 net of IGT) on February 25, 2021. \$1,560,590 of this amount is recorded in deferred revenue as of June 30, 2021 (see note H).

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE O - COMMITMENTS AND CONTINGENCIES**

1. 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, 2021, and prior, have been audited or subjected to a desk review and final settlements have been determined.

2. Pending litigation

As is common in the health care industry, CoC is in the process of defending a number of lawsuits. CoC has maintained continuous professional liability insurance coverage and management does not believe it has any exposure in excess of coverage limits. Management believes the suits hold little merit and is vigorously defending its position.

3. Concentration of credit risk

CoC places its temporary cash investments with financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") for you to \$250,000 per depositor. At June 30, 2021, approximately \$10 million of CoC balances, respectively, were subject to custodial credit risk.

4. Self-insurance

As disclosed in Note D-1, 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 nonprofit 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 designated \$120,000, as a reserve for potential uninsured future losses as of June 30, 2021. It is management's intent to continue to add to this reserve until such time it feels the potential loss is reasonably covered.

**Circles of Care, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2021**

**NOTE O - COMMITMENTS AND CONTINGENCIES (continued)**

5. Beneficial interest in perpetual trust

CoC is 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, 2021, was \$772,426, and has been recorded as net assets with donor restrictions due to its perpetual nature. The trust consists of the following as of June 30, 2021:

Cash and cash equivalents	\$	743
Marketable debt securities		626,910
Marketable equity securities		144,773
		<hr/>
	\$	<u>772,426</u>

**NOTE P - 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 the CoC 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 accrued liability as of June 30, 2021 was \$340,000.

**NOTE Q - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 (*Leases (Topic 842)*), which requires an entity to recognize a liability and corresponding asset for leases that meet certain criteria. With respect to nonpublic entities, this update is effective for fiscal years beginning after December 15, 2021, and interim periods beginning after the year ended before December 15, 2022 and early adoption is permitted. The effect of this guidance on the financial statements of CoC has not been determined.

**NOTE R - SUBSEQUENT EVENTS**

CoC has evaluated subsequent events through December 29, 2021, the date which the financial statements were available to be issued, and has determined that no material transactions have occurred that would warrant additional disclosures in the financial statements.

## **SUPPLEMENTARY INFORMATION**

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

For the year ended June 30, 2021

Employer ID#: 59-1101553

Grantor/Pass-through Grantor/Program Title	CFDA/ CSFA Number	Pass-through Entity and/ or Contract Number	Amounts Expended	Passed Through to Subrecipient
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	COC21	\$ 1,699,112	\$ -
Block Grants for Community Mental Health Services	93.958	COC21	1,012,934	-
TANF Block Grant	93.558	COC21	282,673	-
Community Health Services Block Grant of the Homeless	93.150	COC21	177,519	-
State Opioid Response Discretionary Grant	93.788	COC21	976,102	-
Total expenditures of federal awards			<u>4,148,340</u>	<u>-</u>
State of Florida assistance:				
Passed through from the Central Florida Cares Health System, Inc.:				
Community Forensic Beds and Competency Restoration Training	60.114	COC21	480,068	-
SAMH - Crisis Prevention and Stabilization	60.155	COC21	699,732	-
Total expenditures of state financial assistance			<u>1,179,800</u>	<u>-</u>
Total expenditures of federal awards and state financial assistance			<u>\$ 5,328,140</u>	<u>\$ -</u>

**Circles of Care, Inc.**

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

**For the year ended June 30, 2021**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the Federal and State grant activity of Circles of Care, Inc. ("CoC"), and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE B - INDIRECT COST RATE**

CoC has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - SUB-RECIPIENTS**

During the year ended June 30, 2021, CoC had no sub-recipients.

**NOTE D - NON-CASH ASSISTANCE AND OTHER**

CoC did not receive any noncash assistance, federal loans, or federally funded insurance during the year ended June 30, 2021.

**NOTE E - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

CoC's reporting entity is defined in Note A of CoC's financial statements. The accounting policies and presentation of the Schedule have been designed to conform to accounting principles generally accepted in the United States of America.

**NOTE F - RECONCILIATION**

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.

## SCHEDULE OF REVENUES

For the year ended June 30, 2021

State SAMH grants:	
Mental health	\$ 9,050,423
Substance abuse	4,541,145
Total state SAMH grants	<u>13,591,568</u>
Other government funding:	
Other state grants	228,760
Local government	1,837,507
Medicaid	658,548
Total other government funding	<u>2,724,815</u>
All other funding and revenues:	
Medicare	2,095,995
First and third-party fees	13,565,843
Contributions and donations	32,197
Investment income, net	5,290,325
Rental revenue	565,695
Pharmacy revenue	9,191,445
Other	2,324,299
Total other funding and revenues	<u>33,065,799</u>
Total all funding and revenues	<u><u>\$ 49,382,182</u></u>

## PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES

For the year ended June 30, 2021

FUNDING SOURCES & REVENUES	Mental Health					Room & Board Sup II	Room & Board Sup III
	Incidental Expenses	Medical Outpatient	Outpatient (Indiv.)	Case Management	Crisis Stabilization		
Total state SAMH funding:							
District Seven funding	\$ 136,967	\$ 415,194	\$ 39,307	\$ 541,082	\$ 3,015,226	\$ 1,255,650	\$ 1,079,670
Other government funding:							
Other state funding	-	-	-	-	-	-	-
Medicaid	-	41,043	-	-	-	-	-
Local government	-	138,397	-	-	1,245,494	-	-
Total other government funding	-	179,440	-	-	1,245,494	-	-
All other funding and revenues:							
Net first-party fees (1)	-	108,022	-	-	47,237	-	-
Net third-party fees (except Medicare) (1)	-	697,330	-	-	4,731,015	-	-
Medicare (1)	-	150,728	-	-	-	-	-
Other revenue	-	1,166,739	-	-	998,421	550,850	812,645
Total other funding and revenues	-	2,122,819	-	-	5,776,673	550,850	812,645
Total all funding and revenues	\$ 136,967	\$ 2,717,453	\$ 39,307	\$ 541,082	\$ 10,037,393	\$ 1,806,500	\$ 1,892,315
<b>EXPENSE CATEGORIES</b>							
Personnel expenses:							
Salaries and contractual services	\$ -	\$ 873,656	\$ 52,715	\$ 232,506	\$ 3,600,411	\$ 757,502	\$ 321,674
Fringe benefits	-	253,560	15,493	77,701	995,543	257,556	178,989
Total personnel expenses	-	1,127,216	68,208	310,207	4,595,954	1,015,058	500,663
Operating expenses:							
Building occupancy	-	65,389	10,494	17,574	511,388	218,477	287,368
Professional services	109,194	17,234	404	716	255,942	5,564	3,595
Travel	-	13,200	185	13,565	31,981	14,492	1,731
Food services	-	71	80	180	317,764	54,579	118,263
Medical and pharmacy	33,704	1,004,204	-	-	214,016	117,996	323,226
Insurance	-	86,897	2,517	10,611	138,350	22,019	18,668
Interest	-	3,748	162	-	35,481	23	46
Operating supplies	-	72,148	4,846	15,506	246,911	61,192	46,338
Equipment costs	-	2,704	-	13,204	4,527	28,856	18,181
Total operating expenses	142,898	1,265,595	18,688	71,356	1,756,360	523,198	817,416
Total personnel and operating expenses	142,898	2,392,811	86,896	381,563	6,352,314	1,538,256	1,318,079
Distributed indirect cost:							
Administration	9,200	162,964	5,595	24,566	489,161	99,036	84,860
Total allowable operating expenses	152,098	2,555,775	92,491	406,129	6,841,475	1,637,292	1,402,939
Unallowable costs	-	216,289	-	-	1,617,626	-	-
Total actual operating expenses	\$ 152,098	\$ 2,772,064	\$ 92,491	\$ 406,129	\$ 8,459,101	\$ 1,637,292	\$ 1,402,939
Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Total is reported net of \$1,131,619, which is reported separately in the statement of operations and changes in net assets as bad debt expense.

Circles of Care, Inc.

PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES (continued)

For the year ended June 30, 2021

Mental Health								
Inpatient	Crisis Support	Outreach	Assessment	Residential II	Residential IV	CAT Program	FMT	Total Mental Health
\$ 294,509	\$ 799,337	\$ 58,852	\$ 3,271	\$ 62,640	\$ 77,775	\$ 790,875	\$ 480,068	\$ 9,050,423
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	41,043
98,170	266,446	-	-	-	-	-	-	1,748,507
98,170	266,446	-	-	-	-	-	-	1,789,550
70,705	-	-	-	-	-	-	3	225,967
2,791,792	-	-	-	-	-	3,813	2,445	8,226,395
1,613,848	-	-	-	-	-	-	81	1,764,657
421,363	-	-	-	-	-	-	-	3,950,018
4,897,708	-	-	-	-	-	3,813	2,529	14,167,037
\$ 5,290,387	\$ 1,065,783	\$ 58,852	\$ 3,271	\$ 62,640	\$ 77,775	\$ 794,688	\$ 482,597	\$ 25,007,010
\$ 3,573,046	\$ 360,799	\$ 57,216	\$ 13,555	\$ 47,908	\$ 126,507	\$ 469,873	\$ 275,090	\$ 10,762,458
1,100,431	102,377	19,121	3,984	16,444	49,593	131,090	88,806	3,290,688
4,673,477	463,176	76,337	17,539	64,352	176,100	600,963	363,896	14,053,146
302,327	5,337	4,325	2,699	14,096	18,644	33,203	8,489	1,499,810
238,780	3,306	176	104	349	662	14,720	18,365	669,111
19,804	3,066	3,338	48	929	1,174	16,304	11,150	130,967
245,550	197	44	21	3,534	62	837	354	741,536
207,344	-	-	-	7,642	-	-	-	1,908,132
121,799	17,618	2,611	647	1,393	4,728	18,025	11,870	457,753
9,380	-	-	42	-	-	-	-	48,882
306,721	23,099	3,816	1,246	3,834	10,576	33,136	17,406	846,775
14,947	-	3,249	-	1,838	1,156	-	532	89,194
1,466,652	52,623	17,559	4,807	33,615	37,002	116,225	68,166	6,392,160
6,140,129	515,799	93,896	22,346	97,967	213,102	717,188	432,062	20,445,306
401,633	50,362	6,045	1,439	6,307	13,720	79,687	48,007	1,482,582
6,541,762	566,161	99,941	23,785	104,274	226,822	796,875	480,069	21,927,888
446,789	266,446	-	-	-	-	297	198	2,547,645
\$ 6,988,551	\$ 832,607	\$ 99,941	\$ 23,785	\$ 104,274	\$ 226,822	\$ 797,172	\$ 480,267	\$ 24,475,533
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Circles of Care, Inc.

PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES

For the year ended June 30, 2021

Substance Abuse

FUNDING SOURCES & REVENUES	Substance Abuse							
	Residential Level IV	Residential Level I	Residential Level II	Detox	Crisis Support	Incidental Expenses	Prevention	Assessment
Total state SAMH funding:								
District Seven funding	\$ 6,100	\$ 583,770	\$ 238,728	\$ 1,485,172	\$ 419,479	\$ 136,401	\$ 278,730	\$ 59,492
Other government funding:								
Other state funding	-	-	-	-	-	-	-	-
Medicaid	-	-	-	-	-	-	-	-
Local government	-	-	-	-	-	-	-	-
Total other government funding	-	-	-	-	-	-	-	-
All other funding and revenues:								
Net first-party fees (1)	-	-	-	6,015	-	-	9,471	-
Net third-party fees (except Medicare) (1)	-	162,400	-	1,001,021	-	-	-	-
Medicare (1)	-	-	-	-	-	-	-	-
Donations and contributions	-	-	-	-	-	-	-	-
Other revenue	-	64,046	-	132,174	-	-	-	-
Total other funding and revenues	-	226,446	-	1,139,210	-	-	9,471	-
Total all funding and revenues	\$ 6,100	\$ 810,216	\$ 238,728	\$ 2,624,382	\$ 419,479	\$ 136,401	\$ 288,201	\$ 59,492
<b>EXPENSE CATEGORIES</b>								
Personnel expenses:								
Salaries and contractual services	\$ 24,402	\$ 571,432	\$ 182,130	\$ 1,141,915	\$ 227,659	\$ -	\$ 192,593	\$ 37,654
Fringe benefits	9,566	185,599	62,514	370,854	64,599	-	70,721	11,066
Total personnel expenses	33,968	757,031	244,644	1,512,769	292,258	-	263,314	48,720
Operating expenses:								
Building occupancy	3,596	35,224	53,587	70,561	2,138	-	11,064	7,496
Professional services	128	8,614	1,325	17,423	1,324	58,076	2,270	289
Travel	226	2,887	3,532	5,771	1,228	-	5,507	132
Food services	12	60,775	13,434	121,281	79	-	575	57
Medical and pharmacy	-	11,609	29,050	30,512	-	26,220	-	-
Insurance	912	19,535	5,296	39,038	7,057	-	14,590	1,798
Interest	-	391	-	777	-	-	-	116
Operating supplies	2,040	35,054	14,576	70,099	9,252	-	15,430	3,461
Equipment costs	223	47	6,989	92	-	-	-	-
Total operating expenses	7,137	174,136	127,789	355,554	21,078	84,296	49,436	13,349
Total personnel and operating expenses	41,105	931,167	372,433	1,868,323	313,336	84,296	312,750	62,069
Distributed indirect cost:								
Administration	2,646	59,950	23,978	120,286	20,173	5,427	20,136	3,996
Total allowable operating expenses	43,751	991,117	396,411	1,988,609	333,509	89,723	332,886	66,065
Unallowable costs	-	12,648	-	120,286	-	-	737	-
Total actual operating expenses	\$ 43,751	\$ 1,003,765	\$ 396,411	\$ 2,108,895	\$ 333,509	\$ 89,723	\$ 333,623	\$ 66,065
Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Total is reported net of \$1,131,619, which is reported separately in the statement of operations and changes in net assets as bad debt expense.

Circles of Care, Inc.

PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES

For the year ended June 30, 2021

Substance Abuse								
Outpatient Individual	Outpatient Group	Intervention Individual	Outreach	Medical Services	Recovery Support	Case Management	Federal Project Grant	Total Substance Abuse
\$ 258,013	\$ 76,299	\$ 209,876	\$ 22,978	\$ 333,492	\$ 120,532	\$ 184,165	\$ 127,918	\$ 4,541,145
-	-	-	-	-	-	-	-	-
-	-	-	-	297	-	-	1,525	1,822
-	-	-	-	-	-	-	-	-
-	-	-	-	297	-	-	1,525	1,822
-	-	-	-	-	-	-	5	15,491
15,810	-	-	-	-	-	-	26,609	1,205,840
-	-	-	-	279	-	-	1,371	1,650
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	196,220
15,810	-	-	-	279	-	-	27,985	1,419,201
\$ 273,823	\$ 76,299	\$ 209,876	\$ 22,978	\$ 334,068	\$ 120,532	\$ 184,165	\$ 157,428	\$ 5,962,168
\$ 140,728	\$ 24,627	\$ 128,618	\$ 18,725	\$ 53,195	\$ 72,123	\$ 124,965	\$ 264,761	\$ 3,205,527
55,722	9,751	41,775	1,410	21,063	28,557	41,760	71,714	1,046,671
196,450	34,378	170,393	20,135	74,258	100,680	166,725	336,475	4,252,198
6,844	1,198	7,928	3,903	2,587	3,507	5,767	8,561	223,961
1,196	209	1,939	1,888	452	613	383	1,581	97,710
2,665	466	650	167	1,007	1,366	7,291	4,283	37,178
1,839	322	13,679	2,369	695	943	97	216	216,373
-	-	-	-	200,639	-	-	-	298,030
4,794	839	4,397	429	1,812	2,457	5,704	8,460	117,118
-	-	88	311	-	-	-	-	1,683
10,046	1,758	7,890	1,710	25,115	5,149	8,334	13,638	223,552
2	-	11	36	5	1	7,098	-	14,504
27,386	4,792	36,582	10,813	232,312	14,036	34,674	36,739	1,230,109
223,836	39,170	206,975	30,948	306,570	114,716	201,399	373,214	5,482,307
14,411	2,522	13,325	1,992	19,738	7,386	12,966	24,042	352,974
238,247	41,692	220,300	32,940	326,308	122,102	214,365	397,256	5,835,281
-	-	-	-	-	-	-	-	133,671
\$ 238,247	\$ 41,692	\$ 220,300	\$ 32,940	\$ 326,308	\$ 122,102	\$ 214,365	\$ 397,256	\$ 5,968,952
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Circles of Care, Inc.**

**PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**

**For the year ended June 30, 2021**

<b>FUNDING SOURCES &amp; REVENUES</b>	Total for State SAMH Funded	Total for Non-state Funded SAMH	Total for All State Designated SAMH	Administrative	Total Revenue
Total state SAMH funding:					
District Seven funding	\$ 13,591,568	\$ -	\$ 13,591,568	\$ -	\$ 13,591,568
Other government funding:					
Other state funding	-	228,760	228,760	-	228,760
Medicaid	42,865	615,683	658,548	-	658,548
Local government	1,748,507	89,000	1,837,507	-	1,837,507
Total other government funding	1,791,372	933,443	2,724,815	-	2,724,815
All other funding and revenues:					
Net first-party fees (1)	241,458	132,887	374,345	-	374,345
Net third-party fees (except Medicare) (1)	9,432,235	2,627,643	12,059,878	-	12,059,878
Medicare (1)	1,766,307	329,688	2,095,995	-	2,095,995
Donations and contributions	-	32,197	32,197	-	32,197
Other revenue	4,146,238	13,225,527	17,371,765	-	17,371,765
Total other funding and revenues	15,586,238	16,347,942	31,934,180	-	31,934,180
Total all funding and revenues	\$ 30,969,178	\$ 17,281,385	\$ 48,250,563	\$ -	\$ 48,250,563

**EXPENSE CATEGORIES**

Personnel expenses:					
Salaries and contractual services	\$ 13,967,985	\$ 2,183,891	\$ 16,151,876	\$ 1,627,886	\$ 17,779,762
Fringe benefits	4,337,359	614,895	4,952,254	297,907	5,250,161
Total personnel expenses	18,305,344	2,798,786	21,104,130	1,925,793	23,029,923
Operating expenses:					
Building occupancy	1,723,771	229,952	1,953,723	182,466	2,136,189
Professional services	766,821	31,697	798,518	155,814	954,332
Travel	168,145	22,789	190,934	19,645	210,579
Food services	957,909	6,653	964,562	8,846	973,408
Medical and pharmacy	2,206,162	6,683,035	8,889,197	471	8,889,668
Insurance	574,871	85,671	660,542	49,430	709,972
Interest	50,565	3,965	54,530	-	54,530
Operating supplies	1,070,327	200,834	1,271,161	89,674	1,360,835
Equipment costs	103,698	22,814	126,512	4,798	131,310
Total operating expenses	7,622,269	7,287,410	14,909,679	511,144	15,420,823
Total personnel and operating expenses	25,927,613	10,086,196	36,013,809	2,436,937	38,450,746
Distributed indirect cost:					
Administration	1,835,556	601,381	2,436,937	(2,436,937)	-
Total allowable operating expenses	27,763,169	10,687,577	38,450,746	-	38,450,746
Unallowable costs	2,639,460	329,667	2,969,126	-	2,969,126
Total actual operating expenses	\$ 30,402,629	\$ 11,017,244	\$ 41,419,872	\$ -	\$ 41,419,872
Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Total is reported net of \$1,131,619, which is reported separately in the statement of operations and changes in net assets as bad debt expense.

**SCHEDULE OF STATE EARNINGS FOR ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH SERVICES - MATCH CALCULATION**

**For the year ended June 30, 2021**

Total expenditures	\$ 41,419,872
Less:	
Medicaid and other state and federal funds	(887,308)
Non-Match SAMH Funds	(3,633,880)
Unallowable costs per 65E-14, FAC	<u>(2,969,126)</u>
Total allowable expenditures	<u>\$ 33,929,558</u>
Maximum available earnings	<u>\$ 25,447,168</u>
Amount of state funds requiring match	<u>\$ 9,957,688</u>
Amount due to department	<u>\$ -</u>

## SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS

For the year ended June 30, 2021

Program	Cost Center	State Contracted Rate	Total Units of Services Provided	Total Units of Service Paid for by 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
Child Mental Health	Crisis Stabilization	\$ 372	4,745	1,877	2,868	\$ 235,780	\$ 1,066,896	\$ -
Adult Mental Health	Crisis Stabilization	\$ 372	17,520	4,137	13,383	\$ 2,779,446	\$ 4,978,476	-
Adult Substance Abuse	Detox	\$ 253	8,030	1,639	6,391	\$ 1,280,559	\$ 1,616,923	-
Child Substance Abuse	Detox	\$ 253	1,095	53	1,042	\$ 204,613	\$ 263,626	-
Total Amount Owed to Department								<u>\$ -</u>

Circles of Care, Inc.

**SCHEDULE OF RELATED PARTY TRANSACTIONS ADJUSTMENTS**

**For the year ended June 30, 2021**

There were no related party transactions adjustments during the year ended June 30, 2021.



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Circles of Care, Inc. (“CoC”), (a nonprofit organization), which comprise the balance sheet as of June 30, 2021, and the related statements of operations, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2021.

**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) 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 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 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 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.

December 29, 2021  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*



**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, 2021. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state 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, 2021.

### **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.

December 29, 2021  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

**Circles of Care, Inc.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS FEDERAL AWARDS**

**For the year ended June 30, 2021**

**A. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

Material weaknesses identified? **No**

Significant deficiencies identified? **None reported**

Noncompliance material to the financial statements? **No**

**Federal Awards**

Internal control over financial reporting:

Material weaknesses identified? **No**

Significant deficiencies identified? **None reported**

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

Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The programs tested as major are as follows:

U.S. Department of Health and Human Services:

Block grant for community mental health services **CFDA # 93.958**

Dollar threshold for Type A programs **\$750,000**

Did the auditee qualify as a low-risk auditee? **Yes**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**None**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS**

**None**

**D. SUMMARY OF PRIOR YEAR FINDINGS**

**None**

Circles of Care, Inc.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE FINANCIAL ASSISTANCE PROJECTS**

**For the year ended June 30, 2021**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? **No**

Significant deficiencies identified? **None reported**

Noncompliance material to the financial statements? **No**

State Awards

Internal control over financial reporting:

Material weaknesses identified? **No**

Significant deficiencies identified? **None reported**

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

Audit findings required to be reported under Chapter 10.650 of the Rules of the Auditor  
General **No**

The programs tested as major are as follows:

SAMH - Crisis Prevention and Stabilization - **CSFA # 60.155**

Dollar threshold for Type A programs **\$353,940**

Did the auditee qualify as a low-risk auditee? **Yes**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

**None**

C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE AWARDS PROJECTS

**None**

D. SUMMARY OF PRIOR YEAR FINDINGS

**None**