

Community Based Care of Central Florida, Inc.

Financial and Compliance Report
June 30, 2018

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Community Based Care of Central Florida, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Community Based Care of Central Florida, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Based Care of Central Florida, Inc., as of June 30, 2018 and 2017, 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.

Other Matters – Supplementary 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 and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Florida 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of Community Based Care of Central Florida, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Community Based Care of Central Florida, Inc.'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 Community Based Care of Central Florida, Inc.'s internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
December 28, 2018

Community Based Care of Central Florida, Inc.

Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 3,767,242	\$ 6,219,174
Restricted cash held for master trust	184,485	231,446
Accounts receivable	125,481	1,671,553
Prepaid expenses and other assets	451,097	457,297
Total current assets	4,528,305	8,579,470
Investment in limited liability company	241,910	441,737
Property and equipment, net	280,859	314,933
Total assets	\$ 5,051,074	\$ 9,336,140
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,698,981	\$ 7,991,021
Due to CBC of Central Florida – Holdings, Inc.	701,614	526,147
Current portion of capital lease obligations	28,991	29,645
Assets held for master trust	184,485	231,446
Total current liabilities	5,614,071	8,778,259
Custodial assets held for others	230,727	236,021
Capital lease obligations, less current portion	-	28,987
Due to affiliates	-	758,260
Total liabilities	5,844,798	9,801,527
Commitments and contingencies (Notes 5, 8 and 9)		
Unrestricted net assets (deficit)	(793,724)	(465,387)
Total liabilities and net assets	\$ 5,051,074	\$ 9,336,140

See notes to financial statements.

Community Based Care of Central Florida, Inc.

**Statements of Activities
Years Ended June 30, 2018 and 2017**

	2018	2017
Revenues:		
Grants and contracts	\$ 73,182,781	\$ 73,178,487
Contributions and other income	295,946	586,504
Total revenues	73,478,727	73,764,991
Expenses:		
Program services:		
Foster care	10,712,271	11,455,836
Adoptions	18,468,541	16,965,253
Residential	11,060,400	10,476,198
Independent living	5,323,615	5,383,423
System of care	13,882,695	13,337,078
Financial assistance	11,693,661	10,975,698
Other program services	1,397,315	2,059,128
Total program services	72,538,498	70,652,614
Supporting services:		
General and administrative	1,268,566	1,512,574
Total supporting services	1,268,566	1,512,574
Total expenses	73,807,064	72,165,188
Change in net assets	(328,337)	1,599,803
Unrestricted net assets (deficit) at beginning of year	(465,387)	(2,065,190)
Unrestricted net assets (deficit) at end of year	\$ (793,724)	\$ (465,387)

See notes to financial statements.

Community Based Care of Central Florida, Inc.

Statements of Functional Expenses
Year Ended June 30, 2018

	Program Services								Supporting	Total
	Foster Care	Adoptions	Residential	Independent Living	System of Care	Financial Assistance	Other Program Services	Total Program Services	General and Administrative	
Salaries	\$ 426,447	\$ 583,042	\$ 426,447	\$ 868,836	\$ 1,246,969	\$ 616,509	\$ 198,855	\$ 4,367,105	\$ 134,704	\$ 4,501,809
Payroll taxes and employee benefits	119,277	158,252	119,277	226,765	321,330	167,886	58,013	1,170,800	37,667	1,208,467
Total salaries and related benefits	545,724	741,294	545,724	1,095,601	1,568,299	784,395	256,868	5,537,905	172,371	5,710,276
Purchased services contracts	5,535,337	4,484,491	3,126,193	1,050,745	5,675,715	5,085,341	4,860	24,962,682	733,414	25,696,096
Out of home	3,337,372	-	6,204,274	-	4,136,183	-	607	13,678,436	-	13,678,436
Adoption	-	11,917,623	-	-	-	-	800	11,918,423	-	11,918,423
Professional fees	894,992	783,351	785,363	883,071	809,074	1,045,951	955,935	6,157,737	236,806	6,394,543
Financial assistance	20,161	27,386	20,161	40,476	57,939	4,233,666	-	4,399,789	6,368	4,406,157
Occupancy	250,152	339,799	250,152	502,209	718,887	359,556	117,745	2,538,500	79,012	2,617,512
Independent living	-	-	-	1,493,466	-	-	-	1,493,466	-	1,493,466
Client screening and certifications	-	-	-	-	547,216	-	-	547,216	-	547,216
Supplies	21,533	29,250	21,533	43,230	61,882	30,951	10,135	218,514	6,802	225,316
Communication	20,744	28,178	20,744	41,646	59,614	29,816	9,764	210,506	6,551	217,057
Insurance	20,647	28,047	20,647	41,452	59,336	29,677	9,718	209,524	6,522	216,046
Equipment rental and maintenance	18,003	24,455	18,003	36,143	51,737	25,877	8,474	182,692	5,686	188,378
Fees, bad debts and other	15,400	20,919	15,400	30,917	44,256	22,135	7,249	156,276	4,862	161,138
Conferences, travel, and training	11,959	16,245	11,959	24,010	34,369	17,191	5,629	121,362	3,777	125,139
Advertising and marketing	9,318	12,658	9,318	18,707	26,779	13,394	4,386	94,560	2,943	97,503
Memberships	3,813	5,179	3,813	7,655	10,958	5,481	1,795	38,694	1,204	39,898
Depreciation	3,720	5,053	3,720	7,469	10,691	5,347	1,751	37,751	1,175	38,926
Postage and shipping	3,396	4,613	3,396	6,818	9,760	4,883	1,599	34,465	1,073	35,538
Total expenses	\$ 10,712,271	\$ 18,468,541	\$ 11,060,400	\$ 5,323,615	\$ 13,882,695	\$ 11,693,661	\$ 1,397,315	\$ 72,538,498	\$ 1,268,566	\$ 73,807,064

See notes to financial statements.

Community Based Care of Central Florida, Inc.

Statements of Functional Expenses
Year Ended June 30, 2017

	Program Services								Supporting	Total
									Services	
	Foster Care	Adoptions	Residential	Independent Living	System of Care	Financial Assistance	Other Program Services	Total Program Services	General and Administrative	
Salaries	\$ 833,334	\$ 494,229	\$ 339,516	\$ 533,641	\$ 1,069,670	\$ 600,416	\$ 174,263	\$ 4,045,069	\$ 192,218	\$ 4,237,287
Payroll taxes and employee benefits	219,260	135,371	96,459	146,560	284,155	158,018	49,158	1,088,981	52,575	1,141,556
Total salaries and related benefits	1,052,594	629,600	435,975	680,201	1,353,825	758,434	223,421	5,134,050	244,793	5,378,843
Purchased services contracts	5,498,703	3,976,654	3,612,257	1,622,565	6,029,376	4,670,606	79,300	25,489,461	929,334	26,418,795
Out of home	3,352,745	-	5,581,478	-	3,720,985	-	-	12,655,208	-	12,655,208
Adoption	-	11,362,236	-	-	-	-	-	11,362,236	-	11,362,236
Professional fees	698,223	496,281	499,920	656,543	721,281	977,463	1,607,598	5,657,309	143,857	5,801,166
Financial assistance	135,659	81,143	56,189	87,665	174,481	4,060,875	-	4,596,012	31,548	4,627,560
Occupancy	453,975	271,541	188,033	293,365	583,893	327,106	96,359	2,214,272	105,576	2,319,848
Independent living	-	-	-	1,880,742	-	-	-	1,880,742	-	1,880,742
Client screening and certifications	16,840	-	-	2,664	435,427	3,171	-	458,102	-	458,102
Equipment rental and maintenance	52,105	31,166	21,581	33,671	67,016	37,543	11,060	254,142	12,118	266,260
Communication	42,386	25,353	17,556	27,391	54,516	30,541	8,997	206,740	9,858	216,598
Fees, bad debts and other	32,442	19,405	13,438	20,964	41,726	23,376	6,887	158,238	7,545	165,783
Depreciation	23,984	14,346	9,934	15,499	30,848	17,281	5,091	116,983	5,578	122,561
Conferences, travel, and training	23,205	13,880	9,611	14,995	29,846	16,720	4,925	113,182	5,397	118,579
Insurance	20,315	12,151	8,414	13,128	26,129	14,638	4,312	99,087	4,724	103,811
Advertising and marketing	20,004	11,965	8,286	12,927	25,729	14,414	4,246	97,571	4,652	102,223
Supplies	17,926	10,722	7,425	11,584	23,056	12,917	3,805	87,435	4,169	91,604
Memberships	7,480	4,474	3,098	4,834	9,620	5,389	1,588	36,483	1,739	38,222
Postage and shipping	7,250	4,336	3,003	4,685	9,324	5,224	1,539	35,361	1,686	37,047
Total expenses	\$ 11,455,836	\$ 16,965,253	\$ 10,476,198	\$ 5,383,423	\$ 13,337,078	\$ 10,975,698	\$ 2,059,128	\$ 70,652,614	\$ 1,512,574	\$ 72,165,188

See notes to financial statements.

Community Based Care of Central Florida, Inc.

**Statements of Cash Flows
Years Ended June 30, 2018 and 2017**

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (328,337)	\$ 1,599,803
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	38,926	122,561
Earnings in equity method investment	(173)	(254,384)
Provision for doubtful accounts	42,712	53,257
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Restricted cash held for master trust	46,961	(110,311)
Accounts receivable	1,503,360	(1,322,933)
Prepaid expenses and other assets	6,200	(279,339)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,292,040)	944,048
Due to CBC of Central Florida – Holdings, Inc.	175,467	(40,102)
Deferred revenue	-	(15,397)
Assets held for master trust	(46,961)	110,311
Net cash (used in) provided by operating activities	(1,853,885)	807,514
Cash flows from investing activities:		
Purchases of property and equipment	(10,146)	-
Distribution received from investment in limited liability company	200,000	178,000
Net cash provided by investing activities	189,854	178,000
Cash flows from financing activities:		
Change in due to/from affiliates	(758,260)	2,403,714
Repayments of capital lease obligations	(29,641)	(52,656)
Net cash (used in) provided by financing activities	(787,901)	2,351,058
Net (decrease) increase in cash	(2,451,932)	3,336,572
Cash:		
Beginning of year	6,219,174	2,882,602
Ending of year	\$ 3,767,242	\$ 6,219,174
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 2,405	\$ 3,931

See notes to financial statements.

Community Based Care of Central Florida, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Community Based Care of Central Florida, Inc., (CBCCF or the Organization) is a Florida not-for-profit organization dedicated to developing community-based services and support for children and families served by the child welfare system in Orange, Osceola and Seminole Counties in the state of Florida. Operations are directed by a voluntary board who receive no compensation for their services.

The Organization's program services are as follows:

Foster care: Provides recruitment, training, licensing, re-licensing and support for foster care parents.

Adoptions: Provides cost of adoption assistance, subsidy payments and other nonrecurring adoption expenses for adopting families.

Residential: Provides placement of children in relative care, family foster care, therapeutic foster care, medical foster care, residential group care or emergency shelter.

Independent living: Provides pre-independent living assessments, independent life skills assessments, employment training, counseling and after care support services, and provides payments to clients who participate in the program.

System of care: Provides case management, prevention and early intervention and domestic violence support.

Financial assistance: Provides assistance for community, assessments and preventative financial assistance.

Other program services: Includes background screenings, home licensing and home health inspections.

A summary of the Organization's significant accounting policies follows:

Basis of presentation: The accompanying financial statements have been prepared on the accrual basis of accounting.

A not-for-profit organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. The Organization does not have any temporarily restricted net assets.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization does not have any permanently restricted net assets.

Community Based Care of Central Florida, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of the statements of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Organization did not have any cash equivalents at June 30, 2018 and 2017. Cash excludes restricted cash held for master trust.

Accounts receivable: Accounts receivable are stated at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is established based upon management's analysis of specific accounts and other economic factors. In the opinion of management, no allowance for uncollectible accounts receivable was considered necessary at June 30, 2018 and 2017.

Property and equipment: Property and equipment are recorded at cost when purchased or at fair value at the date of gift, if contributed. Property and equipment is capitalized if it has a cost of \$1,000 or more and a useful life, when acquired of more than a year. Property and equipment acquired by the Organization are considered owned by the Organization. However, state and local 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. State and local funding sources have a reversionary interest in those custodial assets purchased with its funds. Depreciation of property and equipment is computed using the straight-line method of accounting over the estimated useful lives of the depreciable assets, which ranges from 3 to 40 years.

Impairment of long-lived assets: The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets or asset groups exceeds the fair value of the assets or asset groups. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of its long-lived assets or asset groups has been recognized during the years ended June 30, 2018 and 2017.

Assets held for master trust: The Organization is a representative payee for children in licensed foster care that receive Social Security or other trust benefits. Benefit payments and withdrawals are recorded as assets and liabilities and are not reflected in the accompanying statements of activities. Funds are maintained in separate bank accounts as required by funding sources and reflected on the accompanying statements of financial position as restricted cash held for master trust.

Grants and contracts revenue: The Organization is principally funded by grants and contracts from federal, state and local governmental agencies. Grants and contracts received provide specified amounts for various grant years principally as reimbursement for allowable costs incurred. Revenue from cost reimbursement grants and contracts is recognized as eligible costs are incurred. Accounts receivable is recorded to the extent costs have been incurred but not reimbursed by the granting agencies. Conversely, deferred revenue is recorded when grant or contract advances exceed eligible costs incurred. Deferred revenue will either be offset against subsequent allowable costs incurred or refunded to the granting agencies upon grant termination.

Community Based Care of Central Florida, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contributions: Contributions received are recorded at fair value as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When a restriction is accomplished or it expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Contributed services are recognized and reported at fair value in the period received, if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. There were no contributed services for the years ended June 30, 2018 and 2017.

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

Income taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before June 30, 2015.

Use of estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

Concentrations: At various times throughout 2018 and 2017 and at June 30, 2018 and 2017, cash balances held at a financial institution were in excess of federally insured limits. However, the Organization has not experienced any losses in such accounts and management believes no significant concentration of credit risk exists with respect to this cash account.

Unsecured accounts receivable are limited as the receivables are primarily grants and contracts receivable from governmental entities.

The Organization received substantially all of its revenue from federal and state funding awarded through one contract during the years ended June 30, 2018 and 2017.

Community Based Care of Central Florida, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Investment in limited liability company: Investment in an unconsolidated subsidiary, in which the Organization has a 4% interest or otherwise exercises significant influence, is accounted for using the equity method.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will become effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Nonpublic entities should apply the amendments for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact of this ASU on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 amends guidance on the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. ASU No. 2016-14 replaces the currently required three net asset classes with two net asset classes, net assets with donor restrictions and net assets without donor restrictions. Other amendments within this ASU will improve the usefulness of information provided to donors, grantors, creditors and other users of a not-for-profit's financial statements. The new guidance is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact of this ASU on its financial statements.

The FASB has issued certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASU's described above. The Organization has considered the new pronouncements and does not believe that any other new or modified guidance will have a material impact on the Organization's reported financial position or activities in the near term.

Subsequent events: Management has assessed subsequent events through December 28, 2018, the date the financial statements were available to be issued.

Community Based Care of Central Florida, Inc.

Notes to Financial Statements

Note 2. Investment in Limited Liability Company

Investment in a limited liability company of \$241,910 and \$441,737 as of June 30, 2018 and 2017, respectively, consists of a 4% interest in Community Based Care Integrated Health, LLC (Integrated Health). Integrated Health is a Florida limited liability company engaged in the child welfare managed care business throughout Florida. The investment is accounted for using the equity method as the Organization has significant influence, but not control over the entity. The Organization's share of Integrated Health's net income was \$173 and \$254,384 during the years ended June 30, 2018 and 2017, respectively, and is included in contributions and other income in the accompanying statements of activities. In addition, the Organization received a distribution from Integrated Health in the amount of \$200,000 and \$178,000, during the years ended June 30, 2018 and 2017, respectively.

The following is a summary of financial position and results of operations of Integrated Health, as of and for the years ended June 30, 2018 and 2017:

	2018	2017
Total assets	\$ 5,272,901	\$ 10,056,933
Total liabilities	\$ 975,154	\$ 763,464
Total members' equity	4,297,747	9,293,469
Total liabilities and members' equity	\$ 5,272,901	\$ 10,056,933
Total revenues	\$ 9,599,094	\$ 15,362,250
Total expenses	9,594,816	9,002,615
Net income	\$ 4,278	\$ 6,359,635
CBCCF's share of net income	\$ 173	\$ 254,384

Community Based Care of Central Florida, Inc.

Notes to Financial Statements

Note 3. Property and Equipment

Property and equipment at June 30, 2018 and 2017, consisted of the following:

	2018		
	CBCCF	Custodial Assets	Total
Land	\$ -	\$ 55,600	\$ 55,600
Buildings	-	211,722	211,722
Furniture and equipment	1,022,044	-	1,022,044
Software	460,316	-	460,316
	1,482,360	267,322	1,749,682
Less accumulated depreciation	(1,432,228)	(36,595)	(1,468,823)
	<u>\$ 50,132</u>	<u>\$ 230,727</u>	<u>\$ 280,859</u>

	2017		
	CBCCF	Custodial Assets	Total
Land	\$ -	\$ 55,600	\$ 55,600
Buildings	-	211,722	211,722
Furniture and equipment	1,145,221	69,694	1,214,915
Software	460,179	-	460,179
	1,605,400	337,016	1,942,416
Less accumulated depreciation	(1,526,488)	(100,995)	(1,627,483)
	<u>\$ 78,912</u>	<u>\$ 236,021</u>	<u>\$ 314,933</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$38,926 and \$122,561, respectively.

Note 4. Line of Credit

CBCCF has an unsecured revolving line of credit of \$5,000,000, bearing interest at the greater of the prime rate of interest plus .75% (5.75% at June 30, 2018) or 4.0%, payable monthly. There was no outstanding balance on the line of credit at June 30, 2018 and 2017. The line of credit is due on demand and is reviewed annually, with an expiration date of December 31, 2055.

Community Based Care of Central Florida, Inc.

Notes to Financial Statements

Note 5. Leases

Obligations under capital leases consisted of the following at June 30, 2018 and 2017:

Description	2018					
	Cost	Accumulated Depreciation	Net Book Value	Monthly Principal and Interest Payments	Implicit Rate	Termination Date
Phone system	\$ 134,031	\$ 107,225	\$ 26,806	\$ 2,468	4.0%	6/3/2019
Description	2017					
	Cost	Accumulated Depreciation	Net Book Value	Monthly Principal and Interest Payments	Implicit Rate	Termination Date
Data storage unit	\$ 60,836	\$ 35,488	\$ 25,348	\$ 1,796	4.0%	7/1/2017
Phone system	134,031	80,419	53,612	2,468	4.0%	6/3/2019
	<u>\$ 194,867</u>	<u>\$ 115,907</u>	<u>\$ 78,960</u>	<u>\$ 4,264</u>		

Interest expense was \$2,405 and \$3,931 for the years ended June 30, 2018 and 2017, respectively, and is included in fees, bad debts and other expenses in the accompanying statements of functional expenses.

The following is a schedule by years of the future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2018:

Year ending June 30:	
2019	\$ 29,622
Total minimum capital lease payments	29,622
Less amounts representing interest	(631)
Present value of net minimum lease payments	28,991
Less current portion of capital lease obligations	(28,991)
Capital lease obligations, less current portion	<u>\$ -</u>

In addition, CBCCF leases facilities and equipment under various operating leases that expire through February 2028. Facilities leases include early termination clauses in the event the Organization's funding contracts are terminated. The aggregate rental expense paid under these leases totaled approximately \$2,269,000 and \$1,999,000 for the years ended June 30, 2018 and 2017, respectively.

Community Based Care of Central Florida, Inc.

Notes to Financial Statements

Note 5. Leases (Continued)

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

Years ending June 30:	
2019	\$ 2,079,001
2020	2,088,125
2021	1,856,558
2022	1,167,963
2023	757,410
Thereafter	3,593,165
	<u>\$ 11,542,222</u>

Note 6. Retirement Plan

The Organization's employees are eligible to participate in a defined contribution 401(k) profit sharing plan (the Plan). Employees become eligible to participate in the Plan on the first monthly date following the attainment of age 18 and the completion of one hour of service. Plan participants may voluntarily contribute, on a pre-tax basis, up to 100% of their qualified annual compensation, as defined in the Plan, up to the Internal Revenue Code maximum limits. The Organization makes matching contributions equal to 100% of each participant's contribution to a maximum of 4% of compensation, as defined in the Plan document. Contributions to the Plan for the years ended June 30, 2018 and 2017, was approximately \$111,000 and \$102,000, respectively, and is included in payroll taxes and employee benefits in the accompanying statements of functional expenses.

Note 7. Related Party Transactions

In July 2013, the Organization signed a five-year agreement (after the initial term, this agreement will automatically continue for successive one-year periods, unless either party gives written notice to the other of its intent not to renew this agreement within 30 days prior to the expiration of each term) with its parent company, CBC of Central Florida – Holdings, Inc., to receive management and administrative services. Fees are charged based on a schedule of both direct and indirect costs incurred monthly. Expenses incurred by the Organization during the years ended June 30, 2018 and 2017, for these services was approximately \$6,200,000 and \$5,556,000, respectively, which is included in professional fees in the accompanying statements of functional expenses. Amounts due to CBC of Central Florida – Holdings, Inc., at June 30, 2018 and 2017 related to this agreement totaled approximately \$701,600 and \$526,100, respectively, which is included in the accompanying statements of financial position.

At June 30, 2018 and 2017, the Organization has short-term, unsecured, non-interest bearing advances due to affiliates, which are included in the accompanying statements of financial position as follows:

	2018	2017
CBC of Central Florida – Holdings, Inc.	\$ -	\$ 718,460
Community Initiatives, Inc.	-	39,800
	<u>\$ -</u>	<u>\$ 758,260</u>

Community Based Care of Central Florida, Inc.

Notes to Financial Statements

Note 7. Related Party Transactions (Continued)

The Organization made payments to an affiliate, Community Initiatives, Inc., under a subrecipient agreement, of approximately \$610,200 and \$939,400, during the years ended June 30, 2018 and 2017, respectively. Amounts due to Community Initiatives, Inc., at June 30, 2018 and 2017, related to this subrecipient agreement, totaled approximately \$119,200 and \$155,800, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of financial position.

Note 8. Commitments and Contingencies

CBCCF, as an authorized agent of the state of Florida in accordance with Section 409.1671, F.S. has contracted with organizations to deliver quality child welfare services. The contracts have five-year terms, but often can be renewed for additional five-year terms.

The Organization is subject to state and federal audit examination to determine compliance with grant or contract requirements. In the event that expenditures would be disallowed, repayment could be required. Management is of the opinion that such expenditures, if any, would not have a material adverse impact on the Organization.

Note 9. State Funding and Impact on Net Assets

The Organization receives a substantial amount of grants and contracts from the state of Florida to operate as a child welfare organization to benefit children and families in the service area discussed in Note 1. Servicing children and families who are at risk under a contract with the State of Florida's Department of Children and Families puts the Organization at risk if funding is not sufficient to meet those welfare needs. The state of Florida has several funding mechanisms to help make up any deficit incurred as follows: a) the state of Florida established risk pools to assist organizations to ensure those organizations are adequately funded and that no children or families are denied assistance; b) organizations can apply for an increase in core funding from the state of Florida's legislature; and c) organizations can also make direct funding requests from the state of Florida's legislature. During the year ended June 30, 2017, the Organization received approximately \$1,399,000 from the state of Florida's risk pool and approximately \$1,424,000 increase in core funding from the state of Florida's legislature. The Organization did not request additional funds during the year ended June 30, 2018, from the state of Florida's risk pool or from the state of Florida's legislature. Other funding mechanisms to cover the operating needs of the Organization include drawing on the unused \$5 million line of credit (see Note 4).

The Organization has been successful in the prior years by obtaining additional funding through the risk pool, core funding and direct requests of the state of Florida legislature. However, successful efforts for additional state of Florida funding in prior years is no guarantee of success in the future. The line of credit is available to fund operations but is subject to annual bank reviews and is due on demand (see Note 4).

Community Based Care of Central Florida, Inc.

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2018**

Grantor/Pass-Through/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Contract/ Grant Period	Federal Expenditures	Amount Provided to Subrecipients
Federal Awards:					
U.S. Department of Health and Human Services:					
Passed-through:					
State of Florida Department of Children and Families:					
Promoting Safe and Stable Families Program	93.556	GJL57	7/1/17 – 6/30/18	\$ 1,450,570	\$ 1,404,471
Temporary Assistance for Needy Families Program	93.558	GJL57	7/1/17 – 6/30/18	4,263,163	2,349,814
Grants to States for Access and Visitation Program	93.597	GJL57	7/1/17 – 6/30/18	25,549	25,549
Chafee Education and Training Vouchers Program	93.599	GJL57	7/1/17 – 6/30/18	16,118	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	GJL57	7/1/17 – 6/30/18	2,001,647	1,256,452
Foster Care – Title IV-E Program	93.658	GJL57	7/1/17 – 6/30/18	13,637,813	8,750,769
Adoption Assistance – Title IV-E Program	93.659	GJL57	7/1/17 – 6/30/18	8,231,786	1,511,121
Social Services Block Grant Program	93.667	GJL57	7/1/17 – 6/30/18	2,720,941	2,132,876
Child Abuse and Neglect State Grants Program	93.669	GJL57	7/1/17 – 6/30/18	115,965	84,710
Chafee Foster Care Independence Program	93.674	GJL57	7/1/17 – 6/30/18	1,416,703	524,296
Medical Assistance Program	93.778	GJL57	7/1/17 – 6/30/18	163,615	-
Total expenditures of federal awards				\$ 34,043,870	\$ 18,040,058

Grantor/Pass-Through/Program Title	State CSFA Number	Pass-Through Entity Identifying Number	Contract/ Grant Period	State Expenditures	Amount Provided to Subrecipients
State Financial Assistance:					
State of Florida Department of Children and Families:					
Direct programs:					
Out-of-Home Supports Program	60.074	GJL57	7/1/17 – 6/30/18	\$ 4,039,897	\$ 598,642
In-Home Supports Program	60.075	GJL57	7/1/17 – 6/30/18	661,688	52,573
Independent Living Program	60.112	GJL57	7/1/17 – 6/30/18	1,183,502	1,183,502
Motor Vehicle Insurance for Kids in Care Program	60.123	LJ951 / LJ973	9/1/14 – 6/30/21	771,495	-
CBC-Sexually Exploited Children Program	60.138	GJL57	7/1/17 – 6/30/18	728,818	154,895
Chafee Extended Foster Care Program	60.141	GJL57	7/1/17 – 6/30/18	391,777	52,573
Total expenditures of state financial assistance				7,777,177	2,042,185
Total federal awards and state financial assistance				\$ 41,821,047	\$ 20,082,243

See notes to schedule of expenditures of federal awards and state financial assistance.

Community Based Care of Central Florida, Inc.

Notes to Schedule of Expenditures of Federal Awards and State Assistance

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal award and state financial assistance project activity of Community Based Care of Central Florida, Inc., under programs of the federal government and the state of Florida for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of Community Based Care of Central Florida, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Community Based Care of Central Florida, Inc.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

Community Based Care of Central Florida, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**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***

Independent Auditor's Report

To the Board of Directors
Community Based Care of Central Florida, Inc.

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 Community Based Care of Central Florida, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Based Care of Central Florida, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Based Care of Central Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Based Care of Central Florida, Inc.'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 the 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 considered material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Based Care of Central Florida, 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 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 Community Based Care of Central Florida, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Based Care of Central Florida, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Orlando, Florida
December 28, 2018



RSM US LLP

**Report on Compliance for Each Major Federal Program and State Financial Assistance Project
and Report on Internal Control Over Compliance Required by The Uniform Guidance
and State of Florida Chapter 10.650, *Rules of the Auditor General***

Independent Auditor's Report

To The Board of Directors
Community Based Care of Central Florida, Inc.

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

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Based Care of Central Florida, Inc.'s major federal programs and state financial assistance 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 State of Florida Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance and the State of Florida 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 financial assistance project occurred. An audit includes examining, on a test basis, evidence about Community Based Care of Central Florida, Inc.'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 financial assistance project. However, our audit does not provide a legal determination of Community Based Care of Central Florida, Inc.'s compliance.

Opinion on Each Major Federal Program and State Financial Assistance Projects

In our opinion, Community Based Care of Central Florida, 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 state financial assistance projects for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Community Based Care of Central Florida, Inc. 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 Community Based Care of Central Florida, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of Florida 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 Community Based Care of Central Florida, Inc.'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 financial assistance 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 financial assistance 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 financial assistance 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 designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

RSM US LLP

Orlando, Florida
December 28, 2018

Community Based Care of Central Florida, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

<u> </u> Yes	<u> X </u> No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families Program
93.658	Foster Care – Title IV-E Program

Dollar threshold used to distinguish between Type A and Type B federal programs: \$ 1,021,316

Auditee qualified as low-risk auditee? X Yes No

(Continued)

