

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Years Ended June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Central Florida Cares Health System, Inc.
Orlando, Florida

We have audited the accompanying financial statements of Central Florida Cares Health System, Inc. ("CFCHS"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, 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 audits 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.

To the Board of Directors of
Central Florida Cares Health System, Inc.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of CFCHS as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, as required by the State of Florida Department of Children and Families, and 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*, are presented for purposes of additional analysis and are 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 16, 2021 on our consideration of CFCHS'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CFCHS's internal control over financial reporting and compliance.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
December 16, 2021

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,042,526	\$ 6,329,771
Accounts receivable	7,717,572	6,357,103
Prepaid expenses	35,053	47,524
Other current assets	<u>26,375</u>	<u>26,375</u>
	TOTAL CURRENT ASSETS	12,760,773
	18,821,526	
PROPERTY AND EQUIPMENT, net	<u>123,203</u>	<u>112,538</u>
	TOTAL ASSETS	\$ 12,873,311
	<u>\$ 18,944,729</u>	<u>\$ 12,873,311</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 7,326,385	\$ 6,588,511
Accrued wages and benefits	208,991	120,715
Amounts due to Florida Department of Children and Families	3,581,974	1,784,415
Deferred revenues	<u>7,073,267</u>	<u>3,959,416</u>
	TOTAL CURRENT LIABILITIES	12,453,057
	18,190,617	
COMMITMENTS AND CONTINGENCIES		
NET ASSETS	<u>754,112</u>	<u>420,254</u>
	TOTAL LIABILITIES AND NET ASSETS	\$ 12,873,311
	<u>\$ 18,944,729</u>	<u>\$ 12,873,311</u>

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

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
SUPPORT AND REVENUE		
Grant and contract revenue	\$ 80,586,134	\$ 80,755,264
EXPENSES		
Program services expenses:		
Adult mental health program	39,805,482	39,927,440
Adult substance abuse program	25,560,019	24,315,328
Children/adolescent substance abuse health program	8,207,372	9,362,312
Children/adolescent mental health program	<u>4,221,909</u>	<u>4,641,066</u>
TOTAL PROGRAM SERVICES EXPENSES	77,794,782	78,246,146
Support services - management and general	<u>2,457,494</u>	<u>2,493,648</u>
TOTAL EXPENSES	<u>80,252,276</u>	<u>80,739,794</u>
CHANGE IN NET ASSETS	333,858	15,470
NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	<u>420,254</u>	<u>404,784</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 754,112</u>	<u>\$ 420,254</u>

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

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2021 and 2020

	<u>2021</u>				Support Services	Total Expenses
	Program Services				Management and General	
	Adult Mental Health	Adult Substance Abuse	Children's Substance Abuse	Children's Mental Health		
EXPENSES						
Subcontracted services	\$ 39,805,482	\$ 25,560,019	\$ 8,207,372	\$ 4,221,909	\$ -	\$ 77,794,782
Personnel expenses	-	-	-	-	1,739,535	1,739,535
Professional fees	-	-	-	-	273,306	273,306
Occupancy	-	-	-	-	181,503	181,503
Other	-	-	-	-	40,514	40,514
Dues and subscriptions	-	-	-	-	36,893	36,893
Telephone and internet	-	-	-	-	28,264	28,264
Travel	-	-	-	-	665	665
Training meetings and seminars	-	-	-	-	5,248	5,248
Equipment rental	-	-	-	-	5,980	5,980
Equipment costs	-	-	-	-	31,000	31,000
Supplies	-	-	-	-	1,582	1,582
Advertising	-	-	-	-	49,346	49,346
	39,805,482	25,560,019	8,207,372	4,221,909	2,393,836	80,188,618
TOTAL EXPENSES BEFORE DEPRECIATION						
Depreciation	-	-	-	-	63,658	63,658
	39,805,482	25,560,019	8,207,372	4,221,909	2,457,494	80,252,276
TOTAL EXPENSES BEFORE ALLOCATION OF MANAGEMENT AND GENERAL						
Allocation of management and general:						
Indirect	1,257,433	807,427	259,266	133,368	(2,457,494)	-
	\$ 41,062,915	\$ 26,367,446	\$ 8,466,638	\$ 4,355,277	\$ -	\$ 80,252,276
TOTAL EXPENSES						

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

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Years Ended June 30, 2021 and 2020

	<u>2020</u>				Support	Total Expenses
	Program Services				Services	
	Adult Mental Health	Adult Substance Abuse	Children's Substance Abuse	Children's Mental Health	Management and General	
EXPENSES						
Subcontracted services	\$ 39,927,440	\$ 24,315,328	\$ 9,362,312	\$ 4,641,066	\$ -	\$ 78,246,146
Personnel expenses	-	-	-	-	1,783,159	1,783,159
Professional fees	-	-	-	-	267,709	267,709
Occupancy	-	-	-	-	177,687	177,687
Other	-	-	-	-	43,881	43,881
Travel	-	-	-	-	22,788	22,788
Telephone and internet	-	-	-	-	29,683	29,683
Dues and subscriptions	-	-	-	-	32,142	32,142
Training meetings and seminars	-	-	-	-	16,033	16,033
Equipment costs	-	-	-	-	5,517	5,517
Equipment rental	-	-	-	-	6,341	6,341
Advertising	-	-	-	-	1,849	1,849
Supplies	-	-	-	-	4,520	4,520
TOTAL EXPENSES BEFORE DEPRECIATION	39,927,440	24,315,328	9,362,312	4,641,066	2,391,309	80,637,455
Depreciation	-	-	-	-	102,339	102,339
TOTAL EXPENSES BEFORE ALLOCATION OF MANAGEMENT AND GENERAL	39,927,440	24,315,328	9,362,312	4,641,066	2,493,648	80,739,794
Allocation of management and general:						
Indirect	1,272,459	774,912	298,370	147,907	(2,493,648)	-
TOTAL EXPENSES	\$ 41,199,899	\$ 25,090,240	\$ 9,660,682	\$ 4,788,973	\$ -	\$ 80,739,794

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

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 333,858	\$ 15,470
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	63,658	102,339
Change in operating assets and liabilities:		
Accounts receivable	(1,360,469)	6,218,142
Prepaid expenses	12,471	(16,956)
Accounts payable and accrued expenses	737,874	(1,443,327)
Accrued wages and benefits	88,276	14,012
Amounts due to Florida Department of Children and Families	1,797,559	286,246
Deferred revenues	<u>3,113,851</u>	<u>541,136</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,787,078	5,717,062
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(74,323)</u>	<u>(56,735)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	4,712,755	5,660,327
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,329,771</u>	<u>669,444</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 11,042,526</u>	<u>\$ 6,329,771</u>

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

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

NOTE 1 - NATURE AND PURPOSE OF THE ORGANIZATION

Central Florida Cares Health System, Inc. (“CFCHS”) is a tax-exempt organization incorporated in the State of Florida. CFCHS is the managing entity for a network of publicly funded, licensed substance abuse and mental health providers who collectively operate a range of behavioral health services to form an integrated system of care. CFCHS’s network providers offer prevention, intervention, treatment and supportive services to clients residing throughout four Central Florida counties: Brevard, Orange, Osceola and Seminole.

As a managing entity, CFCHS receives funding from the State of Florida Department of Children and Families (“DCF”) and enters into subcontracts with substance abuse and mental health providers (the “Providers”) who, in turn, deliver services to eligible clients. CFCHS is responsible to DCF for monitoring and oversight of the Providers’ activities.

CFCHS is governed by a board comprised of consumers, stakeholders and community-based providers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Standard Adoption and Basis of Presentation

On July 1, 2019, CFCHS adopted ASU No. 2014-09, *Revenue from Contracts with Customers* (the “New Revenue Standard”), which outlines a single comprehensive model for recognizing revenue and supersedes most existing revenue recognition guidance, including guidance specific to the health care industry. CFCHS elected to apply the modified retrospective approach with the cumulative transition effect recognized in the beginning net assets as of the date of adoption. The adoption of the New Revenue Standard did not have a material impact on the measurement nor on the recognition of revenue of contracts, for which all revenue had not been recognized, as of July 1, 2019; therefore, no cumulative adjustment has been made to the opening balance of net assets as of July 1, 2019.

Estimates and Functional Expenses

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and Functional Expenses (Continued)

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. As a managing entity, all costs, except for subcontractor expenses, are classified as supporting services expenses. Management and general expenses are allocated to programs based on the proportion of each program's subcontracted services to total subcontracted services.

Cash Equivalents

Highly liquid debt instruments with maturities of three months or less from the date of purchase are considered to be cash equivalents.

Accounts Receivable

Accounts receivable includes amounts due from DCF under grants and funding contracts. Credit risk related to amounts due from DCF is somewhat mitigated by the taxing authority of the State of Florida. Accordingly, the entire amounts due from DCF are considered receivable.

Property and Equipment

Expenditures for property and equipment with unit costs in excess of \$5,000 are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 4 years. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Depreciation expense for the years ended June 30, 2021 and 2020 was approximately \$64,000 and \$102,000, respectively, and accumulated depreciation was approximately \$1,230,000 and \$1,166,000, respectively.

Due to DCF

Amounts due to DCF represent overpayments to be repaid and interest income of approximately \$1,800 and \$2,900 for the years ended June 30, 2021 and 2020, respectively, which was earned on advances received from DCF under CFCHS's managing entity contract. Interest income earned on advances belong to DCF and, accordingly, is not reported as revenues in these financial statements.

Contributions and Restricted Net Assets

Gifts of cash or other assets received with donor stipulations that limit the use of the donated assets are reported as a donor-restricted contribution. When a restriction ends, or the purpose of the restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions in that period. There were no donor-restricted net assets at June 30, 2021 and 2020.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

CFCHS receives funding under a performance and expense reimbursement contract with DCF. Performance contract revenue is recognized when the unit of service has been provided or the performance objective has been completed. Cost reimbursement revenue is recognized when the allowable costs, as defined by the contract, are incurred.

Deferred Revenues

Amounts received under the DCF contract that have not yet been earned and are able to be carried forward to the next fiscal year are reported as deferred revenues in the statements of financial position.

Income Taxes

CFCHS has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). As a result, income earned in furtherance of its tax-exempt purpose is exempt from federal and state income taxes. Accordingly, these financial statements include no provision for income taxes.

Fair Value of Financial Instruments

The carrying values of financial instruments, including cash and cash equivalents, receivables and payables, approximate their fair values.

Subsequent Events

Subsequent events have been evaluated for reporting and disclosure through December 16, 2021, which is the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY

At June 30, 2021 and 2020, CFCHS had approximately \$18,760,000 and \$12,687,000, respectively, of financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures and satisfaction of other obligations. CFCHS’s general expenditures are primarily related to prevention, intervention, treatment and supportive services to clients, and which are needed and/or necessary to meet its mission.

NOTE 3 - LIQUIDITY (Continued)

Cash and cash equivalents, and accounts receivable at June 30, 2021 and 2020 were approximately as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 11,042,000	\$ 6,330,000
Accounts receivable	<u>7,718,000</u>	<u>6,357,000</u>
Total	<u>\$ 18,760,000</u>	<u>\$ 12,687,000</u>

At June 30, 2021 and 2020, the ratio of cash and cash equivalents, and accounts receivable to current liabilities was 1.03 and 1.02, respectively. As part of CFCHS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. CFCHS has not experienced significant liquidity issues in the past, and it is expected that CFCHS will be able to meet day-to-day cash needs for general expenditures within one year of the statements of financial position date. The accounts receivable balance was collected prior to the issuance date of these financial statements. Deferred revenue primarily consists of funding from DCF, which has been carried over to the fiscal year ending 2022.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

DCF Contract

CFCHS has a managing entity contract with DCF which has been extended through June 30, 2023 for approximately \$221 million. CFCHS receives substantially all of its support and revenue from the contract with DCF. CFCHS is economically dependent on the continuation of funding under the contract.

The DCF contract provides for reimbursement of the eligible direct and indirect costs of providing certain program services. The contract is subject to audit or review and retroactive adjustment, based on a final determination by DCF of eligible reimbursable expenditures. The likelihood of such adjustment, if any, cannot be determined at this time. Accordingly, no provision has been made for any such adjustment in the financial statements.

Leases

CFCHS has a noncancelable operating lease, for office space. In March 2020, CFCHS extended its noncancelable operating lease with its landlord through June 30, 2022. Rent expense for the operating lease for the years ended June 30, 2021 and 2020 was approximately \$181,000 and \$178,000 respectively.

NOTE 4 - COMMITMENTS AND CONTINGENCIES (Continued)

Leases (Continued)

Future minimum lease payments under the noncancelable operating lease as of June 30, 2021, are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	<u>\$ 179,400</u>

Credit Risk on Bank Deposits

CFCHS maintains its deposits with a large, international commercial bank, which management believes to be of high-credit quality. CFCHS maintains cash deposits in accounts which, at times, may exceed federally insured limited. CFCHS has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk with respect to cash.

NOTE 5 - EMPLOYEE BENEFIT PLAN

CFCHS sponsors a 403(b) defined-contribution retirement plan (the “Plan”) covering all eligible employees. Under the Plan, employees are eligible to make salary deferrals once they have completed three months of service and have attained age 18. CFCHS made discretionary contributions to the Plan of 3% and 5% of each participant’s eligible compensation for the fiscal years ended June 30, 2021 and 2020, respectively. Pension expense for the years ended June 30, 2021 and 2020 was approximately \$44,000 and \$73,000, respectively.

NOTE 6 - MATCHING REQUIREMENTS

Certain contracts require a local match for contracted services performed by the Providers. The Providers are responsible for meeting the match requirements. Based on match information provided to CFCHS by the Providers, the local match requirements have been met.

NOTE 7 - RELATED-PARTY TRANSACTIONS

Members of the Board of Directors include key employees of certain Providers who contract for services with CFCHS. For the years ended June 30, 2021 and 2020, payments to these Providers were approximately \$56.5 million and \$63.5 million, respectively. Amounts payable to these Providers at June 30, 2021 and 2020 were approximately \$5.5 million and \$4.8 million, respectively.

NOTE 8 - COVID-19

In 2019, COVID-19 was identified as the cause of a disease outbreak. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The effect of COVID-19 on CFCHS's operational and financial performance will depend on future developments associated with this disease, which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the potential impact of COVID-19 on CFCHS. However, given the uncertainty as to the duration of the COVID-19 pandemic and the timing and availability of effective medical treatment and vaccines, it could have a material adverse effect on CFCHS's future results of operations, financial condition and cash flows.

NOTE 9 - PAYCHECK PROTECTION PROGRAM

On July 20, 2020, CFCHS, was granted a loan (the "Loan") from TD Bank, N.A. in the amount of \$288,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which was enacted March 27, 2020. The Loan was funded and guaranteed by the Small Business Administration (the "SBA"). Under the terms of the PPP, the entire loan or a portion thereof may be forgiven if they are used for qualifying expenses as defined in the CARES Act.

CFCHS expended the entire amount for qualifying expenses through the fiscal year ended June 30, 2021 and the Loan was forgiven, in its entirety by the SBA on May 18, 2021. Accordingly, these funds have been recognized as support and revenue and are included in grant and contract revenue for the fiscal year ended June 30, 2021.

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SUPPLEMENTAL INFORMATION

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

SCHEDULE OF STATE EARNINGS

Year Ended June 30, 2021

1 Total expenditures	\$ -
2 Less: other state and federal funds	-
3 Less: non-match SAMH funds	-
4 Less: unallowable costs per 65E-14, F.A.C.	-
5 Total allowable expenditures (sum of lines 1, 2, 3 and 4)	<u>-</u>
6 Maximum available earnings (line 5 x 75%)	-
7 Amount of state funds requiring match	<u>-</u>
8 Amount due to Department	<u><u>\$ -</u></u>

NOTE:

Central Florida Cares Health System, Inc. has met its match requirements related to the amount of state funds requiring match through match provided by its subcontractors. Management has received the Schedule of State Earnings from each subcontractor indicating that their individual matches have been met.

See Independent Auditor's Report.

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

SCHEDULE OF RELATED-PARTY TRANSACTION ADJUSTMENTS

Year Ended June 30, 2021

Allocation of Related-Party Transaction Adjustment

Related Party	State-Designated Cost Centers			Total
	1	2	3	
Revenues from Grantee:	N/A			
Rent	\$ -	\$ -	\$ -	\$ -
Services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES FROM GRANTEE	-	-	-	-
Expenses Associated with Grantee Transactions:				
Personnel services	-	-	-	-
Depreciation	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
TOTAL ASSOCIATED EXPENSES	-	-	-	-
RELATED-PARTY TRANSACTION ADJUSTMENT	\$ -	\$ -	\$ -	\$ -

NOTE: There is no activity to report on this schedule.

See Independent Auditor's Report.

SINGLE AUDIT



**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***

To the Board of Directors of
Central Florida Cares Health System, Inc.
Orlando, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Florida Cares Health System, Inc. ("CFCHS"), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

To the Board of Directors of
Central Florida Cares Health System, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFCHS's financial statements are free of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
December 16, 2021



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

To the Board of Directors of
Central Florida Cares Health System, Inc.
Orlando, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Central Florida Cares Health System, Inc.’s (“CFCHS”) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Compliance Supplement*, and the requirements described in the Department of Financial Services’ *State Projects Compliance Supplement*, that could have a direct and material effect on CFCHS’s major federal program and state project for the year ended June 30, 2021. CFCHS’s major federal program and state project are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance of CFCHS’s major federal program and state project based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”); and Chapter 10.650, *Rules of the Auditor General*. Those standards, 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 CFCHS’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 the major federal program and state project. However, our audit does not provide a legal determination of CFCHS’s compliance.

To the Board of Directors of
Central Florida Cares Health System, Inc.

Opinion on the Major Federal Program and State Project

In our opinion, CFCHS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program and state project for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of CFCHS 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 CFCHS's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 CFCHS's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and 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.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
December 16, 2021

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

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

Year Ended June 30, 2021

Federal/State Agency/Pass-through Grantor Federal Program/State Projects	CFDA/ CSFA Numbers	Contract/ Grant Numbers	Expenditures	Transfer to Sub-recipients
FEDERAL PROGRAMS				
<i>U.S. Department of Health and Human Services</i>				
Passed-through:				
State of Florida Department of Children and Families:				
Temporary Assistance for Needy Families Block Grant	93.558	GHME1	\$ 3,137,208	\$ 1,138,140
Block Grants for Community Mental Health Services	93.958	GHME1	6,958,447	6,958,447
Block Grants for Prevention & Treatment of Substance Abuse	93.959	GHME1	13,676,951	13,676,951
Florida COVID 19 Emergency Response Grant	93.665	GHME1	269,495	260,318
Community Health Services Block Grant of the Homeless	93.150	GHME1	492,750	492,750
Mental Health Disaster Assistance and Emergency Mental Health	93.982	GHME1	527,291	527,291
State Opioid Response Discretionary Grant	93.788	GHME1	6,868,322	6,770,444
<i>Total State of Florida Department of Children and Families</i>			<u>31,930,464</u>	<u>29,824,341</u>
State Department of Agency for Health Care Administration				
Title XXI - State Children's Health Insurance Program	93.767		813,307	813,307
Total Expenditures of Federal Awards			<u>32,743,771</u>	<u>30,637,648</u>
STATE PROJECTS				
<i>State of Florida Department of Children and Families</i>				
Community Forensic Beds and Competency Restoration	60.114	GHME1	509,676	509,676
SAMH - Crisis Prevention & Stabilization Services	60.155	GHME1	834,800	834,800
Centralized Receiving Facilities	60.163	GHME1	4,618,430	4,618,430
SAMH - ME State Funded Federal Excluded Services	60.190	GHME1	232,652	232,652
<i>Total State of Florida Department of Children and Families</i>			<u>6,195,558</u>	<u>6,195,558</u>
Total Expenditures of State Financial Assistance			<u>6,195,558</u>	<u>6,195,558</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 38,939,329</u>	<u>\$ 36,833,206</u>

The accompanying notes are an integral part of this schedule.
See Independent Auditor's Report.

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

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

Year Ended June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the federal and state grant activity for Central Florida Cares Health System, Inc. ("CFCHS") under programs of the federal government and the State of Florida for the year ended June 30, 2021. 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 Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of CFCHS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CFCHS. Pass-through entity identifying numbers are presented, where available.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CFCHS's indirect cost rate is dictated by its contract terms with the State of Florida Department of Children and Families ("DCF"). The 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance, is not in effect, nor is it available under its GHME1 contract with DCF.

NOTE 3 - OTHER FINANCIAL ASSISTANCE RECEIVED

CFCHS received funding from DCF that was not subject to Section 215.97, Florida Statutes, as follows:

A. Matching Funds for Federal Programs:	Agency or Pass-through Number	Current Year Expenditure	Transfer to Sub- recipients
<i>State Department of Children and Families</i> State Matching Funds-93.958 Block Grants for Community Mental Health Services	GHME1	\$ 25,216,832	\$ 25,216,832
<i>State Department of Agency for Health Care Administration</i> State Matching Funds-93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	GHME1	2,977,025	2,977,025
<i>U.S. Department of Health and Human Services</i> Federal Matching Funds-93.959 Block Grants for Prevention and Treatment of Substance Abuse	GHME1	<u>13,102,363</u>	<u>12,767,717</u>
Total Matching Funds for Federal Programs		<u>\$ 41,296,220</u>	<u>\$ 40,961,574</u>

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:

Unmodified Opinion

Internal control over financial reporting:

- Significant deficiency(ies) identified? ___ Yes ___X None reported
- Material weakness(es) identified? ___ Yes ___X No

Noncompliance material to financial statements noted? ___ Yes ___X No

Federal Awards and State Financial Assistance

Internal control over major federal programs and state projects:

- Significant deficiency(ies) identified? ___ Yes ___X None reported
- Material weakness(es) identified? ___ Yes ___X No

Type of auditor's report issued on compliance for major federal programs and state projects:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance or Chapter 10.650, *Rules of Auditor General*? ___ Yes ___X No

Identification of Major Federal Programs and State Projects:

CFDA Number

Name of Federal Program

93.558 Temporary Assistance for Needy Families Block Grant
93.958 Block Grants for Community Mental Health Services
93.767 Title XXI - State Children's Health Insurance Program

CSFA Number

Name of State Project

60.163 Centralized Receiving Facilities

Dollar threshold used to distinguish between
Type A and Type B programs: Federal \$ 2,200,000
 State \$ 750,000

Auditee qualified as low-risk auditee? ___X Yes ___ No

CENTRAL FLORIDA CARES HEALTH SYSTEM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS SECTION

None reported.

SECTION III - FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS SECTION

None reported.

SECTION IV - PRIOR-YEAR AUDIT FINDINGS

None reported.

No management letter will be issued in current year.