

**NASSAU COUNTY MENTAL HEALTH,
ALCOHOLISM AND DRUG ABUSE
COUNCIL, INC.**

FINANCIAL STATEMENTS

June 30, 2017 and 2016



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Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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 of 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 Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc. as of June 30, 2017 and 2016, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2018, on our consideration of Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.'s internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
February 9, 2018

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Statements of Financial Position

<i>June 30,</i>	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 260,831	\$ 229,050
Accounts and grant receivable, net of allowance for uncollectible accounts of \$3,791 and \$3,169	329,769	293,993
Prepaid expenses	58,639	27,568
Total current assets	649,239	550,611
Property and equipment, net of accumulated depreciation (Note 3)	2,602,998	2,647,309
Investment in Yulee Professional Plaza, LLC (Note 4)	34,014	35,218
Other assets	2,926	3,726
TOTAL ASSETS	\$ 3,289,177	\$ 3,236,864
LIABILITIES AND NET ASSETS		
Current liabilities:		
Notes payable, due within one year (Note 6)	\$ 285,366	\$ 77,000
Accounts payable and accrued expenses	117,672	96,151
Accrued compensated absences	75,288	60,643
Total current liabilities	478,326	233,794
Notes payable, due after one year (Note 6)	1,979,765	2,264,811
Total liabilities	2,458,091	2,498,605
Net assets:		
Unrestricted	831,086	738,259
Temporarily restricted (Note 9)	-	-
Total net assets	831,086	738,259
TOTAL LIABILITIES AND NET ASSETS	\$ 3,289,177	\$ 3,236,864

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

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Statement of Activities

<i>Year Ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Federal and state grants	\$ 547,891	\$ -	\$ 547,891
State match	1,021,489	-	1,021,489
Medicaid and Medicare	1,361,873	-	1,361,873
Local grants	242,233	-	242,233
Other grants and contracts	160,271	-	160,271
Client fees	114,461	-	114,461
Third-party income	177,202	-	177,202
Contributions	10,267	-	10,267
Fundraising and special events	21,125	-	21,125
Other income (loss)	(2,574)	-	(2,574)
Net assets released from restrictions -- restrictions satisfied by payments	-	-	-
Total revenues and other support	3,654,238	-	3,654,238
Expenses:			
Program services:			
Adult mental health	1,636,789	-	1,636,789
Adult substance abuse	705,925	-	705,925
Children's mental health	604,118	-	604,118
Children's substance abuse	218,993	-	218,993
Total program services	3,165,825	-	3,165,825
Supporting services:			
Management and general	389,946	-	389,946
Development and fundraising	5,640	-	5,640
Total supporting services	395,586	-	395,586
Total expenses	3,561,411	-	3,561,411
Increase in net assets	92,827	-	92,827
Net assets, beginning of year	738,259	-	738,259
Net assets, end of year	\$ 831,086	\$ -	\$ 831,086

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

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Statement of Activities

<i>Year Ended June 30, 2016</i>	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Federal and state grants	\$ 421,457	\$ -	\$ 421,457
State match	1,044,399	-	1,044,399
Medicaid and Medicare	1,167,980	-	1,167,980
Local grants	239,983	-	239,983
Other grants and contracts	227,649	-	227,649
Client fees	119,648	-	119,648
Third-party income	141,074	-	141,074
Contributions	21,800	-	21,800
Fundraising and special events	20,170	-	20,170
Other income	8,832	-	8,832
Net assets released from restrictions -- restrictions satisfied by payments	15,000	(15,000)	-
Total revenues and other support	3,427,992	(15,000)	3,412,992
Expenses:			
Program services:			
Adult mental health	1,548,644	-	1,548,644
Adult substance abuse	595,095	-	595,095
Children's mental health	569,922	-	569,922
Children's substance abuse	206,605	-	206,605
Total program services	2,920,266	-	2,920,266
Supporting services:			
Management and general	388,902	-	388,902
Development and fundraising	6,159	-	6,159
Total supporting services	395,061	-	395,061
Total expenses	3,315,327	-	3,315,327
Increase (decrease) in net assets	112,665	(15,000)	97,665
Net assets, beginning of year	625,594	15,000	640,594
Net assets, end of year	\$ 738,259	\$ -	\$ 738,259

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

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Statement of Cash Flows

<i>Year Ended June 30,</i>	2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 92,827	\$ 97,665
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	111,489	105,256
Provision for losses on accounts receivable	16,533	97,033
Equity in income of Yulee Professional Plaza, LLC	-	(1,462)
Loss on disposal of property and equipment	8,252	-
Decrease (increase) in operating assets:		
Accounts and grants receivable	(52,309)	(56,256)
Prepaid expenses	(31,071)	(7,567)
Other assets	800	(800)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	21,521	27,189
Accrued compensated absences	14,645	4,631
Net cash provided by operating activities	182,687	265,689
Cash flows from investing activities		
Purchase of property and equipment	(75,430)	(67,520)
Distributions from Yulee Professional Plaza, LLC	1,204	1,024
Net cash used for investing activities	(74,226)	(66,496)
Cash flows from financing activities		
Principal payments on notes payable	(76,680)	(69,029)
Net cash used for financing activities	(76,680)	(69,029)
Net increase in cash and cash equivalents	31,781	130,164
Cash and cash equivalents		
Beginning of year	229,050	98,886
End of year	\$ 260,831	\$ 229,050

Supplemental disclosures of cash flow information: See Note 10.

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

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Notes to Financial Statements

NOTE 1: ORGANIZATION AND OPERATIONS

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc. d/b/a Starting Point Behavioral Health (the "Organization") was incorporated as a non-profit organization on August 6, 1986. The Organization provides outpatient mental health and substance abuse treatment, counseling and prevention services for the residents of Nassau County, Florida. The Organization is funded primarily by Federal and state grants and contracts. The Organization also receives reimbursements from Medicaid and other third-party providers for qualifying outpatient services rendered to clients eligible for such assistance.

Under its contract agreement with Lutheran Services Florida which is funded by grants from the Florida Department of Children and Families, the Organization provides managed-care services for publicly financed behavioral treatment and prevention services within a single private, nonprofit entity at the local level, the objective of which, among other things, is to promote improved access to care and provide for more efficient and effective delivery of substance abuse and mental health services.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization derives most of its revenues from Federal and state grants and contracts, Medicaid reimbursements, and fees for services rendered to its clients. Assets, liabilities, revenues and expenses are recorded on the accrual basis of accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation and Contributions

In accordance with FASB ASC 958, *Not-for-Profit Entities*, the 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.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Time-restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time 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. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization had no permanently restricted or temporarily restricted net assets at June 30, 2017 or 2016.

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for uncollectible accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of clients to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At June 30, 2017 and 2016, the allowance for uncollectible accounts was \$3,791 and \$3,169, respectively.

Patient Service Revenue

Net patient service revenue included in client fees and third-party income is recorded at standard rates which may be reduced by non-reimbursable amounts by third-party payers. Final determination of amounts earned is subject to third-party payer audit and adjustment.

Property and Equipment and Depreciation

Expenditures for property and equipment in excess of \$1,500 are capitalized at cost. Donated assets are capitalized and recorded as contributions at their estimated fair market value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation of property and equipment is computed using primarily accelerated methods based on the assets' estimated useful lives ranging from 3 to 40 years. At the time property or equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and profit or loss is recognized thereon. Ordinary maintenance and repairs are charged to expense when incurred.

Investments

The Organization's non-controlling investment membership in a closely held, private limited liability company (Note 4) is recorded at the value of its capital account as of the reporting date.

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of providing the various program services and other activities of the Organization have been summarized on a functional basis in the statements of activities. Costs and expenses incurred directly for a specific program service are recorded as an expense for that particular program. Functional expenses not identifiable with a specific program service are allocated to program services, management and general and other activities based on the estimated personnel effort involved in each program service generally measured by the ratio of gross payroll expenses for each program service to the total gross payroll expenses for all program services.

Compensated Absences

The Organization's employees may accrue paid time off based upon their length of service, subject to certain limitations. Paid time off is recorded as an expense and liability at the time the accrued compensation is earned by the employee. Employees are paid for such accrued vacation and personal days upon resignation (with proper written four weeks' notice provided to the Organization).

In-kind Donations

In-kind donations are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor restrictions specify how donated assets must be used. The Organization recognizes the fair value of contributed services if such services create or enhance financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been provided. The Organization is not a private foundation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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. Estimates also affect the reported amounts of revenues and expenses and change in net assets during the reporting period. Actual results could differ from those estimates.

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Notes to Financial Statements

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

<i>June 30,</i>	<i>Useful Life</i>	2017	2016
Land	-	\$ 967,286	\$ 967,286
Building and improvements	7-39	1,997,354	1,956,446
Office and computer equipment	3-7	272,897	326,570
Furniture and fixtures	5-7	27,424	23,250
Vehicles	5	106,727	90,183
		3,371,688	3,363,735
Less accumulated depreciation		(768,690)	(716,426)
		\$ 2,602,998	\$ 2,647,309

Depreciation expense totaled \$111,489 and \$105,256 for the years ended June 30, 2017 and 2016, respectively.

NOTE 4: INVESTMENT IN YULEE PROFESSIONAL PLAZA, LLC

The Organization has a non-controlling membership interest in Yulee Professional Plaza, LLC, a closely held, private limited liability company engaged in rental real estate activities in Nassau County, Florida. The Organization's investment is recorded at the value of its capital account balance as of the reporting date (\$34,014 and \$35,218 at June 30, 2017 and 2016, respectively.)

NOTE 5: BANK LINE OF CREDIT

The Organization has a revolving line of credit agreement with First Coast Community Bank, a division of Synovus Bank. Under the terms of the agreement, maximum available borrowings are \$100,000. Interest on outstanding borrowings is payable monthly at the bank's prime rate plus 1%, with a floor rate of 4.75%. The line of credit is collateralized by the Organization's accounts receivable balances and matures February 9, 2018. The annual renewal of the line of credit is presently being negotiated.

At June 30, 2017 and 2016, there were no outstanding borrowings under the line of credit. No interest expense was incurred for the year ended June 30, 2017. Interest expense totaled \$1,306 for the year ended June 30, 2016.

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Notes to Financial Statements

NOTE 6: NOTES PAYABLE

On May 22, 2014, the Organization financed the acquisition of commercial land and building for its Yulee facility using the proceeds of a mortgage note of \$1,600,000 with Florida Community Loan Fund, Inc. (FCLF). The note is payable in monthly installments of \$11,006, including interest at 5.50% through May 22, 2019, at which time the unpaid principal balance is due. The note is secured by real property in Nassau County, Florida. At June 30, 2017 and 2016, the balance outstanding under the mortgage note totaled \$1,455,122 and \$1,505,629, respectively.

In connection with the land and building purchase, the Organization also borrowed an additional \$400,000 from Yulee Professional Plaza (see Note 4). The mortgage note is payable in monthly installments of \$2,640, including interest at 5% through May 22, 2019, at which time the unpaid principal balance will be due. The note is secured by a second mortgage on the real property in Nassau County referenced above. At June 30, 2017 and 2016, the balance outstanding under the mortgage note totaled \$361,099 and \$374,415, respectively.

The Organization also has a mortgage note payable with First Coast Community Bank (FCCB). On April 4, 2013, the Organization refinanced the mortgage note with FCCB. Proceeds from the refinancing totaled \$250,000, of which \$168,702 was disbursed to pay off the former mortgage note with the bank. The note is payable in monthly installments of \$1,556, including interest at 4.25% through April 4, 2018, at which time the unpaid principal balance is due. The note is secured by real property in Hilliard, Florida. At June 30, 2017 and 2016, the balance outstanding under the mortgage note totaled \$214,030 and \$223,267, respectively.

On December 18, 2015, the Organization financed the acquisition of certain property located in Fernandina Beach to be used as a drop-in center facility. Proceeds from the mortgage note from Florida Community Loan Fund totaled \$238,500. The note is payable in interest-only installments at 4.5% from January 31, 2016 through June 30, 2016. Subsequent to that date, monthly payments due under the note are \$1,209, including interest at 4.5% through December 18, 2018, at which time the interest rate increases to 5.25% through December 18, 2025. On that date, the unpaid principal balance is due. The note is secured by real property in Nassau County, Florida. At June 30, 2017 and 2016, the balance outstanding under the mortgage note totaled \$234,880 and \$238,500.

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Notes to Financial Statements

NOTE 6: NOTES PAYABLE (continued)

Annual principal maturities of mortgage notes payable for years succeeding June 30, 2017 are as follows:

<i>Year Ending June 30,</i>	
2018	\$ 285,366
2019	1,753,132
2020	4,382
2021	4,611
2022	4,823
Thereafter	212,817
	\$ 2,265,131

Interest expense totaled \$120,254 and \$119,132 for the years ended June 30, 2017 and 2016, respectively.

NOTE 7: OPERATING LEASES

The Organization leases certain office and other equipment under various noncancellable operating lease agreements. The leases require monthly payments totaling \$2,352 through September 2021.

Future estimated minimum rental payments under agreements classified as operating leases for fiscal years succeeding June 30, 2017 are as follows:

<i>Year Ending June 30,</i>	
2018	\$ 28,068
2019	28,229
2020	28,229
2021	6,300
	\$ 90,826

Rent expense under operating leases totaled \$37,608 and \$32,537 for the years ended June 30, 2017 and 2016, respectively.

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Notes to Financial Statements

NOTE 8: RETIREMENT PLAN

The Organization has a defined contribution 401(k) retirement plan (the "Plan") covering substantially all employees who have completed at least three months of service and are 21 years of age. The Organization matches 50% of the participants' contributions to the Plan up to a maximum of 3% of the employee's compensation. Employer contributions to the Plan totaled \$15,049 and \$17,854 for the years ended June 30, 2017 and 2016, respectively.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2016, net assets were released from restrictions by incurring expenses of \$15,000, satisfying the purpose restrictions specified by the grantor or donor.

There were no temporarily restricted net assets at June 30, 2017 and 2016.

NOTE 10: SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION

Supplemental Cash Flow Information

Cash paid in interest totaled \$122,661 and \$121,063 for the years ended June 30, 2017 and 2016, respectively.

Noncash Investing and Financing Activities

Note payable borrowings used to purchase property and equipment totaled \$234,880 for the year ended June 30, 2016.

NOTE 11: CONCENTRATIONS OF CREDIT RISK

The Organization maintains its operating cash account and a savings account at one bank. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. The Organization has not experienced any losses in such accounts, and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

For the years ended June 30, 2017 and 2016, approximately 43% of the Organization's total revenues and support for both years was earned through its contract with the Florida Department of Children and Families to provide adult and children mental health and substance abuse services. In addition, Medicaid and Medicare billings for outpatient services provided by the Organization accounted for 37% and 34%, respectively, of total revenues and support. A reduction in the level of support from federal, state or local government agencies could have a significant effect of the Organization's programs and activities.



Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Notes to Financial Statements

NOTE 12: COMMITMENTS AND CONTINGENCIES

Federal, state and local grant awards are subject to audit by the respective grantor agencies. Such audits may result in requests for reimbursement if the grantor agencies determine that the terms of the related grant contract have not been complied with. It is management's opinion that no material liabilities will result from any such audits.

Laws and regulations governing Medicaid and Medicare are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation. While no regulatory inquiries have been made, compliance with such laws and regulations may be subject to future government review, as well as significant regulatory action, including fines and penalties related to the Medicaid program.

NOTE 13: UNCERTAIN TAX POSITIONS

The Organization evaluates its tax positions taken for any uncertainties in accordance with authoritative guidance. The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld upon examination by taxing authorities. Management believes that it has appropriate support for any tax positions taken and does not have any uncertain tax positions that would require recognition of a liability or disclosure in the financial statements as of June 30, 2017. The Organization's Form 990 information tax returns for fiscal years ending on or after June 30, 2014 remain subject to examination by federal and state taxing authorities.

NOTE 14: SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through February 9, 2018, the date which the financial statements were available to be issued.

**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
Nassau County Mental Health, Alcoholism and Drug Abuse Council, 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 Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nassau County Mental Health, Alcoholism and Drug Abuse Council, 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 Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nassau County Mental Health, Alcoholism and Drug Abuse Council, 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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carri Riggs & Ingram, L.L.C.

Jacksonville, Florida
February 9, 2018