

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

**FINANCIAL STATEMENTS**

**June 30, 2018 and 2017**



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**Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.**  
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Carr, Riggs & Ingram, LLC  
637 Park Street  
Jacksonville, Florida 32204

(904) 356-6023  
(904) 353-5836 (fax)  
CRlcpa.com

## **INDEPENDENT AUDITORS' 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, 2018 and 2017, 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.

### **Auditors' Responsibility**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019, 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.

*Carly Riggs & Ingram, L.L.C.*

Jacksonville, Florida  
February 13, 2019

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

<i>June 30,</i>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 470,601	\$ 260,831
Accounts and grants receivable, net of allowance for uncollectible accounts (Note 2)	432,769	329,769
Prepaid expenses	104,771	58,639
Total current assets	1,008,141	649,239
Property and equipment, net of accumulated depreciation (Note 3)	2,509,131	2,602,998
Investments, at fair value (Note 4)	233,236	34,014
Other assets	16,301	2,926
<b>TOTAL ASSETS</b>	<b>\$ 3,766,809</b>	<b>\$ 3,289,177</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Notes payable, due within one year (Note 6)	\$ 65,679	\$ 285,366
Accounts payable and accrued expenses	329,781	117,672
Accrued compensated absences	88,021	75,288
Deferred revenue	18,333	-
Total current liabilities	501,814	478,326
Notes payable, due after one year (Note 6)	2,219,288	1,979,765
Total liabilities	2,721,102	2,458,091
<b>Net assets:</b>		
Unrestricted	1,045,707	831,086
Total net assets	1,045,707	831,086
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,766,809</b>	<b>\$ 3,289,177</b>

*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, 2018</i>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues and other support:</b>			
Federal and state grants	\$ 627,400	\$ -	\$ 627,400
State match	1,444,929	-	1,444,929
Medicaid and Medicare	1,473,908	-	1,473,908
Local grants	242,983	-	242,983
Other grants and contracts	136,417	-	136,417
Client fees	125,364	-	125,364
Third-party income	195,414	-	195,414
Contributions	11,260	-	11,260
Fundraising and special events	15,256	-	15,256
Other income	16,808	-	16,808
Net assets released from restrictions -- restrictions satisfied by payments	-	-	-
<b>Total revenues and other support</b>	<b>4,289,739</b>	<b>-</b>	<b>4,289,739</b>
<b>Expenses:</b>			
Program services:			
Adult mental health	1,891,518	-	1,891,518
Adult substance abuse	877,942	-	877,942
Children's mental health	609,197	-	609,197
Children's substance abuse	240,502	-	240,502
<b>Total program services</b>	<b>3,619,159</b>	<b>-</b>	<b>3,619,159</b>
Supporting services:			
Management and general	433,587	-	433,587
Development and fundraising	22,372	-	22,372
<b>Total supporting services</b>	<b>455,959</b>	<b>-</b>	<b>455,959</b>
<b>Total expenses</b>	<b>4,075,118</b>	<b>-</b>	<b>4,075,118</b>
<b>Increase in net assets</b>	<b>214,621</b>	<b>-</b>	<b>214,621</b>
Net assets, beginning of year	831,086	-	831,086
Net assets, end of year	\$ 1,045,707	\$ -	\$ 1,045,707

*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>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues and other support:</b>			
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	-	-	-
<b>Total revenues and other support</b>	<b>3,654,238</b>	<b>-</b>	<b>3,654,238</b>
<b>Expenses:</b>			
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
<b>Total program services</b>	<b>3,165,825</b>	<b>-</b>	<b>3,165,825</b>
Supporting services:			
Management and general	389,946	-	389,946
Development and fundraising	5,640	-	5,640
<b>Total supporting services</b>	<b>395,586</b>	<b>-</b>	<b>395,586</b>
<b>Total expenses</b>	<b>3,561,411</b>	<b>-</b>	<b>3,561,411</b>
<b>Increase in net assets</b>	<b>92,827</b>	<b>-</b>	<b>92,827</b>
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.**  
**Statements of Cash Flows**

<i>Year Ended June 30,</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 214,621	\$ 92,827
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	108,720	111,489
Provision for losses on accounts receivable	20,271	16,533
Amortization of discount on investments	(1,049)	-
Equity in income of Yulee Professional Plaza, LLC	(1,665)	-
Loss on disposal of property and equipment	-	8,252
Decrease (increase) in operating assets:		
Accounts and grants receivable	(123,271)	(52,309)
Prepaid expenses	(46,132)	(31,071)
Other assets	(13,375)	800
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	212,109	21,521
Accrued compensated absences	12,733	14,645
Deferred revenue	18,333	-
<b>Net cash provided by operating activities</b>	<b>401,295</b>	<b>182,687</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(14,853)	(75,430)
Purchase of investments	(197,893)	-
Distributions from Yulee Professional Plaza, LLC	1,385	1,204
<b>Net cash used for investing activities</b>	<b>(211,361)</b>	<b>(74,226)</b>
<b>Cash flows from financing activities</b>		
Principal payments on notes payable	(80,164)	(76,680)
Proceeds from notes payable	100,000	-
<b>Net cash provided by (used for) financing activities</b>	<b>19,836</b>	<b>(76,680)</b>
<b>Net increase in cash and cash equivalents</b>	<b>209,770</b>	<b>31,781</b>
<b>Cash and cash equivalents</b>		
Beginning of year	260,831	229,050
End of year	\$ 470,601	\$ 260,831

Supplemental disclosures of cash flow information: See Note 9.

*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, 2018 or 2017.

**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, 2018 and 2017, the allowance for uncollectible accounts was \$67,024 and \$3,791, 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 investments consist primarily of U.S. Treasury bonds which are recorded at fair value, net of any unamortized discount or premium. The Organization also has a noncontrolling investment membership in a closely-held, private limited liability company (Note 4) which 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 contributions 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 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***New Accounting Pronouncements***

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which amends the existing accounting standards for the presentation of financial statements of nonprofit entities, including restricted and unrestricted net asset classifications, certain footnote disclosures, and the functional allocation of expenses. The new guidance is expected to be useful in assessing a nonprofit entity's liquidity, financial performance and cash flows. The ASU is effective for annual reporting periods beginning after December 15, 2017. The Organization is currently evaluating the impact of ASU 2016-14, but does not expect it to have a material impact on its financial statements.

**NOTE 3: PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows:

<i>June 30,</i>	<i>Useful Life</i>	<b>2018</b>	<b>2017</b>
Land	-	<b>\$ 967,286</b>	\$ 967,286
Building and improvements	7 - 40	<b>2,005,738</b>	1,997,354
Office and computer equipment	3 - 7	<b>277,247</b>	272,897
Furniture and fixtures	5 - 7	<b>29,543</b>	27,424
Vehicles	5	<b>106,727</b>	106,727
		<b>3,386,541</b>	3,371,688
Less accumulated depreciation		<b>(877,410)</b>	(768,690)
		<b>\$ 2,509,131</b>	\$ 2,602,998

Depreciation expense totaled \$108,720 and \$111,489 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 4: INVESTMENTS**

**Fair Value Measurements**

Financial Accounting Standards Board ASC 820, *Fair Value Measurement and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The hierarchy is measured in three levels based on the reliability of the inputs:

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

**NOTE 4: INVESTMENTS (continued)**

**Level 1:** Valuations based on unadjusted quoted prices in active markets for identical assets that the Organization has the ability to access at the measurement date.

**Level 2:** Valuations based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. Observable inputs include quoted prices for similar assets in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

**Level 3:** Valuations derived through the use of valuation models or methodologies using significant unobservable inputs. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and as a result significant professional judgment may be used in determining the fair values.

The following is a description of the valuation methodologies used for assets measured at fair value:

- **U.S. Treasury bonds:** Valued using market value pricing models maximizing the use of observable inputs for similar securities.
- **Mutual funds:** Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) which is the price at which units can be traded at the measurement date.

Investments in marketable securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, and the level of uncertainty related to changes in the value of the marketable securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statement of financial position and the statement of activities.

The following are the major categories of assets measured at fair value on a recurring basis:

	Fair Value Hierarchy Level			
	Total	Level 1	Level 2	Level 3
<i>June 30, 2018</i>				
U.S. Treasury bonds	\$ 198,942	\$ -	\$ 198,942	\$ -
Limited partnership interest	34,294	-	-	34,294
<b>Total</b>	<b>\$ 233,236</b>	<b>\$ -</b>	<b>\$ 198,942</b>	<b>\$ 34,294</b>
<i>June 30, 2017</i>				
Limited partnership interest	\$ 34,014	\$ -	\$ -	\$ 34,014
<b>Total</b>	<b>\$ 34,014</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,014</b>

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

**NOTE 4: INVESTMENTS (continued)**

The Organization also has a noncontrolling 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 and, therefore, is reported as Level 3 within the fair value hierarchy. The following is a reconciliation of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

<i>Year Ended June 30,</i>	<b>2018</b>	<b>2017</b>
Fair value, beginning of year	\$ 34,014	\$ 35,218
Equity in income (loss) of earnings	1,665	-
Distributions	(1,385)	(1,204)
Fair value, beginning of year	\$ 34,294	\$ 34,014

**NOTE 5: BANK LINE OF CREDIT**

Effective March 28, 2018, the Organization renewed its 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 under the line of credit is payable monthly at the bank's prime rate plus 1% (5.5% at June 30, 2018), with a floor rate of 4%. The line of credit is collateralized by the Organization's accounts receivable balances and matures on March 28, 2019.

At June 30, 2018 and 2017, there were no outstanding borrowings under the line of credit. No interest expense was incurred for the year ended June 30, 2018 or 2017.

**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 was due. The note is secured by real property in Nassau County, Florida. At June 30, 2018 and 2017, the balance outstanding under the mortgage note totaled \$1,401,764 and \$1,455,122, respectively. In connection with the land and building purchase, the Organization also borrowed \$400,000 from Yulee Professional Plaza (YPP). The YPP note was payable in monthly installments of \$2,640, including interest at 5% through May 22, 2019, at which time the unpaid principal balance was due. The note is collateralized by a second mortgage on the real property in Nassau County referenced above. At June 30, 2018 and 2017, the balance outstanding under the YPP mortgage note totaled \$347,162 and \$361,099, respectively.



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

**NOTE 6: NOTES PAYABLE (continued)**

On August 1, 2018, in conjunction with a loan modification with FCLF, the Organization borrowed an additional \$398,236, a portion of which was used to pay off the outstanding balance of the YPP loan. Additionally, the terms of the original FCLF \$1.6 million note described in the preceding paragraph were modified. Under the terms of the mortgage modification, the loan was increased to \$1.8 million with required monthly payments of \$12,130, including interest at 5.25% beginning August 31, 2018. Accordingly, the amounts outstanding have been classified as long-term debt at June 30, 2018.

The Organization also has a mortgage note payable with First Coast Community Bank (Synovus). On April 4, 2013, the Organization refinanced the mortgage note with Synovus. 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 outstanding principal balance was due. The note is secured by real property in Nassau County (Hilliard), Florida. At June 30, 2018 and 2017, the balance outstanding under the mortgage note totaled \$205,193 and \$214,030, respectively. On August 1, 2018, the Organization borrowed \$210,000 from Florida Community Loan Fund (see Note 13). A portion of the proceeds of the loan was used to refinance the entire amount of the Synovus loan, and accordingly, that amount has been classified as long-term debt.

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, 2018 and 2017, the balance outstanding under the mortgage note totaled \$230,848 and \$234,880.

On November 7, 2017, the Organization secured a \$100,000 unsecured term loan with Florida Community Loan Fund, Inc. for the purpose of financing hurricane damage repairs and renovations and to provide working capital for certain program services. The note is non-interest bearing for the first 24 months and will increase to a fixed rate of 2.5% thereafter. Monthly principal payments on the note commence December 24, 2019 and continue through the maturity date of November 7, 2024.

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

**NOTE 6: NOTES PAYABLE (continued)**

Annual principal maturities of notes payable for years succeeding June 30, 2018 are as follows:

<i>Year Ending June 30,</i>	
2019	\$ 65,679
2020	90,263
2021	102,918
2022	107,806
2023	112,939
Thereafter	1,805,362
	<b>\$ 2,284,967</b>

Interest expense totaled \$115,971 and \$120,254 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 7: LEASE COMMITMENTS**

The Organization leases certain office and other equipment under various noncancelable operating lease agreements requiring monthly and quarterly payments through February 2021. Rent expense under operating leases totaled \$31,660 and \$37,608 for the years ended June 30, 2018 and 2017, respectively.

Future estimated minimum rental payments under agreements classified as operating leases for fiscal years succeeding June 30, 2018 are as follows:

<i>Year Ending June 30,</i>	
2019	\$ 28,229
2020	28,229
2021	6,947
	<b>\$ 63,405</b>

**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 participants' contributions to the Plan, up to a maximum of 3% of the employee's compensation. Employer contributions to the Plan totaled \$13,079 and \$15,049 for the years ended June 30, 2018 and 2017, respectively.



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

**NOTE 9: SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

***Supplemental Cash Flow Information***

Cash paid in interest totaled \$117,239 and \$122,661 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 10: 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, 2018 and 2017, approximately 48% and 43%, respectively, 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 35% and 37%, 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.

With respect to the Organization's investments, adverse economic conditions either domestically or internationally may result in a reduction of the investments' carrying amounts. Market risk of the Organization's investment portfolio is monitored through ongoing review of asset allocations and evaluation by independent investment advisors.

**NOTE 11: 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 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 programs.



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

**NOTE 12: 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, 2018.

The Organization's Form 990 information tax returns for fiscal years ending on or after June 30, 2015 remain subject to examination by federal and state taxing authorities.

**NOTE 13: SUBSEQUENT EVENTS**

On August 1, 2018, in conjunction with a loan modification with Florida Community Loan Fund (FCLF), the Organization borrowed an additional \$398,236, a portion of which was used to pay off the outstanding balance of the YPP loan. Additionally, the terms of the original FCLF \$1.6 million note were modified (see Note 6). Under the terms of the mortgage modification, the loan was increased to \$1.8 million with required monthly payments of \$12,130, including interest at 5.25%, beginning August 31, 2018.

Additionally, on August 1, 2018, an outstanding note payable to First Coast Community Bank (Synovus) was paid off through a separate loan refinancing with FCLF. Loan proceeds from the refinancing totaled \$210,000. Under the terms of the note, monthly payments of \$2,202, including interest at 4.75%, commence August 31, 2018. The note has a maturity date of August 1, 2023, at which time the entire outstanding balance is due and payable. The note is collateralized by real property in Nassau County (Hilliard), Florida.

The Organization's management has evaluated other subsequent events through February 13, 2019, the date which the financial statements were available to be issued.

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

To the Board of Directors  
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, 2018, 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 13, 2019.

**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.

*Caru, Riggs & Ingram, L.L.C.*

Jacksonville, Florida  
February 13, 2019