

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

FINANCIAL STATEMENTS

June 30, 2019 and 2018



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com

Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.
Table of Contents
June 30, 2019 and 2018

	Page
REPORT	
Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities	4
Statement of Functional Expenses	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8
REPORT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	
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 <i>Government Auditing Standards</i>	19

INDEPENDENT AUDITORS' REPORT

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

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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2019 and 2018, 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 April 2, 2020, 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
April 2, 2020

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

<i>June 30,</i>	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 244,488	\$ 470,601
Accounts receivable, net	418,234	432,769
Prepaid expenses	77,434	104,771
Total current assets	740,156	1,008,141
Non-current assets		
Investments in marketable securities	604,909	233,236
Other assets	2,926	2,926
Property and equipment, net	2,711,662	2,509,131
Total non-current assets	3,319,497	2,745,293
Total assets	\$ 4,059,653	\$ 3,753,434
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 160,497	\$ 225,892
Accrued expenses	124,859	103,889
Current portion of note payable	76,173	65,679
Deferred revenue	20,833	18,333
Total current liabilities	382,362	413,793
Long-term liabilities		
Compensated absences	85,512	88,021
Note payable, less current portion	2,180,937	2,205,913
Total long-term liabilities	2,266,449	2,293,934
Total liabilities	2,648,811	2,707,727
Net assets		
Without donor restrictions	1,410,842	1,045,707
Total net assets	1,410,842	1,045,707
Total liabilities and net assets	\$ 4,059,653	\$ 3,753,434

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

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

<i>For the year ended June 30,</i>	Without Donor Restrictions	2019 Total
Revenue and Other Support		
Dues and fees	\$ 162,922	\$ 162,922
Contributions	20,668	20,668
Local grants	243,233	243,233
Other grants and contracts	256,133	256,133
Federal and state grants	2,334,561	2,334,561
Medicaid and Medicare	1,729,387	1,729,387
Third-party income	220,877	220,877
Fundraising and special events	19,433	19,433
Other income	51,878	51,878
Total revenue and other support	5,039,092	5,039,092
Expenses		
<i>Program services</i>		
Adult mental health	2,152,687	2,152,687
Adult substance abuse	1,012,372	1,012,372
Children's mental health	689,469	689,469
Children's substance abuse	276,884	276,884
Total program services	4,131,412	4,131,412
<i>Supporting services</i>		
General and administrative	523,906	523,906
Fundraising	18,639	18,639
Total supporting services	542,545	542,545
Total expenses	4,673,957	4,673,957
Change in Net Assets	365,135	365,135
Net assets at beginning of year	1,045,707	1,045,707
Net assets at end of year	\$ 1,410,842	\$ 1,410,842

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

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

<i>For the year ended June 30,</i>	Without Donor Restrictions	2018 Total
Revenue and Other Support		
Dues and fees	\$ 125,364	\$ 125,364
Contributions	11,260	11,260
Local grants	242,983	242,983
Other grants and contracts	136,417	136,417
Federal and state grants	2,072,329	2,072,329
Medicaid and Medicare	1,473,908	1,473,908
Third-party income	195,414	195,414
Fundraising and special events	15,256	15,256
Other income	16,808	16,808
Total revenue and other support	4,289,739	4,289,739
Expenses		
<i>Program services</i>		
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
Total program services	3,619,159	3,619,159
<i>Supporting services</i>		
General and administrative	433,587	433,587
Fundraising	22,372	22,372
Total supporting services	455,959	455,959
Total expenses	4,075,118	4,075,118
Change in Net Assets	214,621	214,621
Net assets at beginning of year	831,086	831,086
Net assets at 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 Functional Expenses

For the year ended June 30,	Program Services					Supporting Services		2019 Total
	Adult Mental Health	Adult Substance Abuse	Children's Mental Health	Substance Abuse	Programs subtotal	General and administrative	Fundraising	
	\$	\$	\$	\$	\$	\$	\$	
Salaries	1,373,125	626,170	449,854	168,469	2,617,618	340,580	-	2,958,198
Payroll taxes and benefits	261,544	119,269	85,685	32,089	498,587	64,871	-	563,459
Building occupancy	91,667	23,604	20,688	8,877	144,836	7,252	-	152,088
Equipment and maintenance	41,841	21,536	18,121	12,307	93,805	19,605	-	113,410
Communications	45,250	15,517	18,821	10,944	90,532	4,752	-	95,284
Travel	29,804	30,242	6,643	2,540	69,229	12,522	6,235	87,986
Subcontractor services	64,846	20,423	15,043	8,067	108,379	30,158	-	138,537
Insurance	31,130	15,112	10,899	4,102	61,243	5,211	-	66,454
Professional fees and services	7,800	2,730	4,680	2,925	18,135	2,010	-	20,145
Interest	63,956	13,667	25,521	11,329	114,473	1,915	-	116,388
Vehicle expenses	11,606	2,875	1,090	457	16,028	563	-	16,591
Client assistance and incidentals	55,906	86,801	4,503	1,897	149,107	-	-	149,107
Personnel and Development	20,391	9,299	6,681	2,502	38,873	5,057	-	43,930
Fundraising	-	-	-	-	-	-	12,404	12,404
Special events	1,359	1,000	694	441	3,494	3,529	-	7,023
Bad Debt	20,097	9,825	7,146	2,680	39,748	4,913	-	44,661
Operations	32,365	14,302	13,400	7,258	67,325	20,968	-	88,293
Total	\$ 2,152,687	\$ 1,012,372	\$ 689,469	\$ 276,884	\$ 4,131,412	\$ 523,906	\$ 18,639	\$ 4,673,957

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>For the years ended June 30,</i>	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 365,135	\$ 214,621
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization of loan costs	1,226	-
Amortization of discount on investments	(1,035)	(1,049)
Bad debts	44,661	20,271
Depreciation	66,224	108,720
Loss on sale of property and equipment	49	-
Equity in gains of Yulee Professional Plaza, LLC	(11,270)	(1,665)
Changes in operating assets and liabilities		
Accounts receivable	(30,126)	(123,271)
Prepaid expenses	27,337	(46,132)
Accounts payable	(65,395)	182,819
Accrued expenses	20,970	29,290
Deferred revenue	2,500	18,333
Compensated absences	(2,509)	12,733
Net cash provided by operating activities	417,767	414,670
Investing Activities		
Purchase of property and equipment	(268,804)	(14,853)
Distributions from Yulee Professional Plaza, LLC	21,806	1,385
Purchase of investments	(506,174)	(197,893)
Proceeds from sale of investments	125,000	-
Net cash used in investing activities	(628,172)	(211,361)
Financing Activities		
Payments on note payable	(623,944)	(93,539)
Proceeds from notes payable	608,236	100,000
Net cash (used in) provided by financing activities	(15,708)	6,461
Net change in cash and cash equivalents	(226,113)	209,770
Cash and cash equivalents at beginning of year	470,601	260,831
Cash and cash equivalents at end of year	\$ 244,488	\$ 470,601
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 116,388	\$ 117,349

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: DESCRIPTION OF THE ORGANIZATION

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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for doubtful accounts, useful lives of depreciable property and equipment, fair value of investments and the accrual of compensate absences.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful 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.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments in privately held companies in which the Organization has less than a 20% interest are carried at cost. Dividends received from those companies are included in investment income. Investments in privately held companies in which the Organization has a 20% to 50% interest are carried at cost, adjusted for the Organization's proportionate share of their undistributed earnings or losses.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,500 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily accelerated methods. Estimated useful lives used in computing depreciation are as follows:

Land	Not depreciated
Building and improvements	7 – 40 Years
Furniture and equipment	3 – 7 Years
Automobile	5 Years

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses not identifiable with a specific program service such as depreciation, insurance, utilities, and maintenance 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).

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended June 2019 and 2018, advertising costs totaled \$12,704 and \$13,847, respectively.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. Unrelated business income results from rent, administration of self-insurance activities, and commissions.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2019 and 2018, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. The Organization believes it is no longer subject to income tax examinations for years prior to 2017.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 2, 2020. See Note 12 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

New Accounting Pronouncements

Effective July 1, 2018, the Organization adopted FASB's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. There was no impact to net asset balances. The Organization has elected to present a single year Statement of Functional Expenses, as allowed in the year of implementation.

Note 3: FINANCIAL ASSET AVAILABILITY

The Organization maintains its financial assets primarily in low risk money market accounts to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>June 30,</i>	2019	2018
Cash and cash equivalents	\$ 244,488	\$ 470,601
Accounts receivable, net	418,234	432,769
Investments in marketable securities	604,909	233,236
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,267,631	\$ 1,136,606

Financial assets at year-end as noted in the above schedule exclude property and equipment and prepaid expenses.

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

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

<i>June 30,</i>	2019	2018
Medicare / Medicare	\$ 155,234	\$ 143,452
Grants and contracts	285,142	281,906
First Party	4,321	28,805
Third Party	39,381	44,571
Interest	-	1,059
Total accounts receivable	484,078	499,793
Less allowance for doubtful accounts	(65,844)	(67,024)
Accounts receivable, net	\$ 418,234	\$ 432,769

Bad debts expense totaled \$44,661 and \$20,271 for 2019 and 2018, respectively.

Note 5: PROPERTY AND EQUIPMENT

Property and equipment - net consist of the following:

<i>June 30,</i>	2019	2018
Land	\$ 967,286	\$ 967,286
Building and related improvements	2,021,505	2,005,738
Office and computer equipment	490,924	277,247
Furniture, fixtures and equipment	33,995	29,543
Vehicles	97,751	106,727
Total property and equipment	3,611,461	3,386,541
Less accumulated depreciation	(899,799)	(877,410)
Property and equipment, net	\$ 2,711,662	\$ 2,509,131

Depreciation expense for the years ended June 30, 2019 and 2018 was \$66,224 and \$108,720, respectively.

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

Note 6: LONG-TERM DEBT

Long-term debt consists of the following:

<i>June 30,</i>	2019	2018
Mortgage payable to Florida Community Loan Fund Inc., monthly payments totaling \$12,130, plus interest of 5.25% per annum, maturity of August 2028, collateralized by real property on location.	\$ 1,747,287	\$ 1,748,926
Mortgage payable to Florida Community Loan Fund Inc., monthly payments totaling \$2,002, plus interest of 4.75% per annum, maturity of August 2023, collateralized by real property on location.	194,693	205,193
Mortgage payable to Florida Community Loan Fund Inc., monthly payments totaling \$1,209, plus interest of 5.25% per annum, maturity of December 2025, collateralized by real property on location.	227,279	230,848
Term loan payable to Florida Community Loan Fund, Inc., to be determined monthly payments and interest of 2.5% to commence on November 2019, maturity of November 2024.	100,000	100,000
Loan cost	(12,149)	(13,375)
Total long-term debt	2,257,110	2,271,592
Less current portion	(76,173)	(65,679)
Long-term debt, less current portion	\$ 2,180,937	\$ 2,205,913

Interest expense related to the mortgage agreements were \$113,712 and \$115,971 for the years ended June 30, 2019 and 2018, respectively.

The mortgage payable agreements contain certain financial covenants to include debt service coverage. The Company was in compliance with these covenants as of June 30, 2019 and 2018.

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

Note 6: LONG-TERM DEBT (Continued)

Principal maturities for each of the next five years and thereafter follow:

<i>For the years ending June 30,</i>	Amount
2020	\$ 76,173
2021	80,486
2022	84,718
2023	89,175
2024	191,486
Thereafter	1,747,221
Total	\$ 2,269,259

Note 7: LINE OF CREDIT

The Organization maintains a line of credit agreement with a financial institution. Available borrowings related to the agreement are \$250,000 with an interest rate of 5.75%, secured by real property and assets. The credit line expires in 2020 and renews annually. There was no outstanding balance as of June 30, 2018 and 2019.

Note 8: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

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

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

Note 8: FAIR VALUE MEASUREMENTS (Continued)

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Money Market: Valued at the closing price reported on the active market on which the individual funds are traded. Aims to maintain a NAV of \$1 per share, with any excess earnings being distributed.

U.S. Treasury bonds: Valued using market value pricing models maximizing the use of observable inputs for similar securities.

Limited Partnership: Valued at the fair market value of the assets less the fair market value of liabilities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets and liabilities measured at fair value on a recurring basis, are summarized for the years ended June 30, 2019 and 2018:

June 30, 2019	Level 1	Level 2	Level 3	Total
Money Market fund - Governr \$	506,174	\$ -	\$ -	\$ 506,174
U.S Treasury bonds	-	74,978	-	\$ 74,978
Limited partnership interest	-	-	23,757	23,757
Total investments at fair value \$	506,174	\$ 74,978	\$ 23,757	\$ 604,909

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

Note 8: FAIR VALUE MEASUREMENTS (Continued)

<i>June 30, 2018</i>	Level 1	Level 2	Level 3	Total
U.S Treasury bonds	\$ -	198,942	\$ -	\$ 198,942
Limited partnership interest	-	-	34,294	34,294
Total investments at fair value	\$ -	\$ 198,942	\$ 34,294	\$ 233,236

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>	2019	2018
Fair value, beginning of year	\$ 34,294	\$ 34,014
Equity in income (loss) of earnings	11,752	1,665
Distributions	(22,289)	(1,385)
Fair value, end of year	\$ 23,757	\$ 34,294

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended June 30, 2019, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 9: CONCENTRATIONS OF CREDIT RISK

At times, the Organization maintains cash with a financial institution in excess of the FDIC limit of \$250,000. Cash balances were not in excess of FDIC limits at June 30, 2019 and exceed the FDIC limit by \$219,954 at June 30, 2018.

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

Note 10: COMMITMENTS

The Organization leases certain office equipment accounted for as operating leases. The leases expire in various years through 2023.

Minimum lease payments under noncancellable operating leases are as follows:

For the years ending June 30,

2020	\$	45,330
2021		36,498
2022		32,221
2023		54,217
Total future minimum lease payments		\$ 168,266

Rent expense for the years ended June 30, 2019 and 2018 was \$44,777 and \$31,660, respectively.

Note 11: DEFINED CONTRIBUTION PLAN

The Organization sponsors a defined contribution plan (the Plan) covering all employees with at least three months of service and are 21 years of age. The Organization makes a contribution to the Plan each year equal to 50% of all participants' contributions to the Plan, up to a maximum of 3% of the employee's compensation of the individual participant's compensation. Total expense for the years ended June 30, 2019 and 2018 was \$31,153 and \$13,079, respectively.

Note 12: SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Company. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

**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, 2019, 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 April 2, 2020.

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 an 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 Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.'s internal control.

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

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

Carly Riggs & Ingram, L.L.C.

Jacksonville, Florida
April 2, 2020