

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

Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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 Florida not-for-profit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Subsequent Event: COVID-19 Pandemic

As discussed in Note 12 to the financial statements, management has evaluated the operational and financial effect on the Organization of the COVID-19 pandemic. Our opinion is not modified with respect to that matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2021, 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.

Abreu, Krueger & Associates CPAs, LLC

St. Augustine, FL
January 7, 2021

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 457,120
Accounts receivable, net	717,950
Prepaid expenses	<u>117,805</u>
Total current assets	<u>1,292,875</u>

PROPERTY AND EQUIPMENT, NET	2,923,362
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OTHER ASSETS

Investments	970,228
Other assets	<u>4,554</u>
Total other assets	<u>974,782</u>

TOTAL ASSETS	<u>\$ 5,191,019</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 92,621
Accrued expenses	286,547
Current portion of long-term liabilities	173,191
Refundable advances	<u>653,920</u>
Total current liabilities	<u>1,206,279</u>

LONG-TERM LIABILITIES

Notes payable, net of current portion	<u>2,224,315</u>
Total long-term liabilities	<u>2,224,315</u>

TOTAL LIABILITIES	<u>3,430,594</u>
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NET ASSETS

Without donor restrictions	<u>1,760,425</u>
Total net assets	<u>1,760,425</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,191,019</u>
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See accompanying notes

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Dues and fees	\$ 177,468	\$ -	\$ 177,468
Contributions	43,791	-	43,791
Local grants		282,608	282,608
Other grants and contracts	325,915	-	325,915
Federal and state grants	2,909,425	-	2,909,425
Medicaid and Medicare	1,461,458	-	1,461,458
Third-party income	256,921	-	256,921
Fundraising and special events	19,578	-	19,578
Other income	<u>53,089</u>	<u>-</u>	<u>53,089</u>
Total revenue and other support	<u>5,247,645</u>	<u>282,608</u>	<u>5,530,253</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>282,608</u>	<u>(282,608)</u>	<u>-</u>
EXPENSES			
Program	4,602,229	-	4,602,229
General and administrative	571,549	-	571,549
Fundraising	<u>6,892</u>	<u>-</u>	<u>6,892</u>
Total expenses	<u>5,180,670</u>	<u>-</u>	<u>5,180,670</u>
CHANGE IN NET ASSETS	349,583	-	349,583
NET ASSETS, BEGINNING	<u>1,410,842</u>	<u>-</u>	<u>1,410,842</u>
NET ASSETS, ENDING	<u>\$ 1,760,425</u>	<u>\$ -</u>	<u>\$ 1,760,425</u>

See accompanying notes

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services			Total
	Adult Mental Health	Adult Substance Abuse	Children's Mental Health	Children's Substance Abuse	Total Program Services	General and Administrative	Fundraising	
Salaries	\$ 1,447,804	\$ 659,524	\$ 622,054	\$ 204,735	\$ 2,934,117	\$ 369,615	\$ -	\$ 3,303,732
Payroll taxes and benefits	266,800	118,642	111,403	35,183	532,028	84,215	-	616,243
Building occupancy	99,941	25,484	22,511	10,421	158,357	13,351	-	171,708
Equipment and maintenance	82,601	42,843	33,886	21,009	180,339	22,424	-	202,763
Communications	51,327	19,486	20,803	10,107	101,723	8,107	-	109,830
Travel	25,781	22,899	12,304	4,089	65,073	8,493	2,161	75,727
Subcontractor services	43,358	31,527	15,835	8,336	99,056	19,850	-	118,906
Insurance	31,640	14,898	10,318	4,127	60,983	7,800	-	68,783
Professional fees and services	7,740	2,709	4,644	2,903	17,996	1,354	-	19,350
Interest	62,308	14,802	25,746	11,569	114,425	2,029	-	116,454
Vehicle expenses	9,759	1,857	1,610	374	13,600	362	-	13,962
Client assistance and incidentals	63,252	118,304	3,569	5,667	190,792	51	-	190,843
Personnel and development	19,934	9,388	11,342	4,127	44,791	5,462	-	50,253
Special events	35	939	14	86	1,074	2,585	-	3,659
Operations	39,040	14,085	17,048	10,148	80,321	25,851	-	106,172
Bad debt	3,475	1,662	1,243	1,174	7,554	-	-	7,554
Other expenses	-	-	-	-	-	-	4,731	4,731
Total	\$ 2,254,795	\$ 1,099,049	\$ 914,330	\$ 334,055	\$ 4,602,229	\$ 571,549	\$ 6,892	\$ 5,180,670

See accompanying notes

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

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 349,583
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization of loan costs	1,388
Depreciation	176,594
Equity in gains of Yulee Professional Plaza, LLC	(153)
Net changes in:	
Accounts receivable, net	(299,716)
Prepaid expenses	(40,371)
Other assets	(1,628)
Accounts payable	(67,876)
Accrued expenses	76,176
Refundable advances	653,920
Deferred revenue	<u>(20,833)</u>
Net cash provided by operating activities	<u>827,084</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(388,294)
Purchase of investments	(749,590)
Proceeds from sale of investments	<u>384,424</u>
Net cash used by investing activities	<u>(753,460)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from issuance of long-term debt	531,082
Principal repayment of long-term debt	<u>(392,074)</u>
Net cash provided by financing activities	<u>139,008</u>

NET CHANGE IN CASH	212,632
CASH, BEGINNING	<u>244,488</u>
CASH, ENDING	<u>\$ 457,120</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	<u>\$ 116,454</u>
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See accompanying notes

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 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

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Revenue Recognition for the contract related services requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an Organization expects to be entitled in exchange for those goods and services. The Organization has adjusted the presentation of these statements accordingly.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organization's" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets are resources over which the Board of Directors (the "Board") has discretionary control including those unrestricted net assets.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. After the donor-imposed time or purpose restriction is satisfied, donor restricted net assets are reclassified to donor unrestricted net assets and reported within the statement of activities as net assets released from restrictions.

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

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

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 uncollectable 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.

Fair Value of Financial Instruments

All financial instruments are carried at amounts that approximate estimated fair value.

Financial Accounting Standards Board ASC 820, *Fair Value Measurement* ("ASC 820"), 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 prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2

Inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

Level 3

Inputs to the valuation methodology are unobservable for the asset or liability. Unobservable inputs are defined as inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

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. at June 30, 2020.

Money Market: valued at the closing price reported on the active market on which the individual funds are traded. Aims to maintain a NAV (Net Realizable Value) 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 year ended June 30, 2020:

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and bank sweep	\$ 120,004	\$ 120,004	\$ -	\$ -
Mutual funds	776,314	776,314	-	-
Membership interest	50,000	-	-	50,000
Limited partnership interest	23,910	-	-	23,910
Total investments	<u>\$ 970,228</u>	<u>\$ 896,318</u>	<u>\$ -</u>	<u>\$ 73,910</u>

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.

In addition, the Organization has 25 membership units in Behavioral Health Partners in Florida, LLC, a Florida limited liability company engaged in managing the behavioral health care needs for lives throughout 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.

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

The following is a reconciliation of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>Fair Value</u>
Fair value, June 30, 2019	\$ 23,757
Equity in income (loss) of earnings	2,020
Distributions	(1,867)
Purchases of membership	50,000
Fair value, June 30, 2020	<u>\$ 73,910</u>

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 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, 2020, there were no significant transfers in or out of Levels 1,2 or 3.

Property and Equipment

Property and equipment are stated at cost, if purchased. Donations of property and equipment are recorded at their estimated fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and furnishings are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies donor restricted net assets to unrestricted net assets at that time. Expenditures for renewals or improvements that either materially add value or prolong the useful lives of assets are capitalized. Expenditures that are less than \$1,500 are expensed as incurred.

Building and improvements are depreciated using the straight-line method over their estimated useful lives, which range from 7 to 40 years. Furniture, vehicles and equipment are depreciated using the straight-line method over their estimated useful lives, which range from 3 to 7 years. Land is not depreciated. Depreciation expense for the year ended June 30, 2020 was \$176,594.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts, including certain types of assets, liabilities, revenues and expenses, as well as disclosures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results could differ from those estimated. The nature of these estimates, however, is such that variances from actual results are held to be immaterial.

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

In accordance with FASB ASC 958, contributions received are recorded as unrestricted or donor restricted support depending on the existence and/or nature of donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. Under FASB ASC 958, contributions that are required to be reported as donor restricted support are then reclassified to unrestricted net assets upon expiration of time restrictions or satisfaction of donor restrictions.

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.

Functional Expense Allocation

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the statement of activities. 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

Employees of the Organization are entitled to paid vacation. Regular full-time employees accrue vacation according to the following schedule: 96 hours annually, eight hours each month of active employment. Paid time off is recorded as an expense and liability at the time the accrued compensation is earned by the employee. Employees are allowed to carry over up to 80 hours of accrued and unused paid vacation from one year to the next. Unused vacation is paid out upon employment separation if proper resignation is fulfilled. Accrued vacation totaled \$119,058 at June 30, 2020 and is included in accrued expenses on the statement of financial position.

Donated Materials and Services

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated services of a professional or skilled nature are presented at the estimated value of such services. Donated materials and equipment are reflected in the accompanying statements at their estimated value at date of receipt. Additionally, a number of volunteers periodically donate significant amounts of time to the Organization. No amounts are reflected in the statements for these contributed services since the contribution of these services do not create or enhance non-financial assets or require specialized skills.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively, except on net income derived from unrelated business activities.

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Income Taxes

The Organization has adopted FASB ASC 740-10, *Accounting for Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Based on analyses of various federal and state filing positions of the Organization, management believes that its income tax filing positions and deductions are well documented and supported.

As of June 30, 2020, the Organization had no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded. Additionally, as of June 30, 2020, the Organization had no uncertain tax positions that would qualify for either recognition or disclosure in the financial statements. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FASB ASC 740-10. In addition, no cumulative effect adjustment related to the adoption of FASB ASC 740-10 was recorded.

There have been no increases or decreases in unrecognized tax benefits for current or prior years since the date of adoption. Furthermore, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months. When applicable, such interest and penalties will be reported as income tax expense.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. At June 30, 2020, the periods that remain open to examination under federal statute are for the tax years ended June 30, 2017 through 2019.

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 year ended June 30, 2020, advertising costs totaled \$17,601 and included in operations in the statement of functional expenses.

Reclassifications

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

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2020:

Land	\$ 967,286
Buildings	1,925,617
Building improvements	164,283
Office and computer equipment	808,378
Furniture and equipment	36,440
Vehicles	<u>97,751</u>
Total property and equipment	3,999,755
Less, accumulated depreciation	<u>(1,076,393)</u>
Property and equipment, net	<u>\$2,923,362</u>

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 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 4.75%, secured by real property and assets. The credit line expires in April 2021 and renews annually. There was no outstanding balance as of June 30, 2020.

NOTE 5 DONATIONS IN-KIND

The Organization received donated services from a variety of unpaid volunteers who make significant contributions of their time in conjunction with programs and services. No amounts have been recognized for these services in the accompanying statement of activities because the accounting criteria for recognition of such volunteer effort as contributed services has not been satisfied.

NOTE 6 LONG-TERM DEBT

Long-term debt consisted of the following as of June 30, 2020:

Note payable in monthly installments of \$12,130 including interest at 5.25% per annum until August 2028 and collateralized by real estate.	\$ 1,692,412
Note payable in monthly installments of \$2,202, including interest at 4.75% per annum until August 2023 at which and is collateralized by real property.	177,165
Note payable in monthly installments of \$1,209, including interest at 5.25% per annum until December 2025 at which and is collateralized by real property.	223,277
Note payable in monthly installments of \$1,778, including interest at 2.50% per annum until November 2024 at which and is collateralized by personal property.	90,833
Software service fee payable in monthly installments of \$8,852 until August 2023.	224,630
Less loan cost	<u>(10,811)</u>
Total	\$ 2,397,506
Less, current maturities	<u>(173,191)</u>
Long-term debt, net of current maturities	<u>\$ 2,224,315</u>

Annual maturities of the notes payable at June 30 are as follows:

2021	\$ 173,191
2022	179,851
2023	185,413
2024	213,330
2025	87,099
Thereafter	<u>1,569,434</u>
Total	<u>\$ 2,408,317</u>

NOTE 7 OTHER CONCENTRATIONS OF RISK

For the year ended June 30, 2020, the Organization received 53% of its revenues from federal and state grants and contracts which are subject to annual renewal provisions.

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Organization to concentrations of risk, consist primarily of bank accounts with balances in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The Organization maintains its cash balances with high quality financial institutions. Accounts at these institutions currently are insured by the FDIC up to \$250,000. At times, such balances may be in excess of FDIC insurance limits. As of June 30, 2020, the Organization had a total of \$269,610 in cash balances which exceeded FDIC insurance limits.

NOTE 9 COMMITMENTS

Operating Leases

The Organization leases certain office equipment accounted for as operating leases. The leases expire in various years through 2025.

Minimum lease payments under noncancelable operating leases at June 30 are as follows:

2021	\$ 89,998
2022	74,638
2023	71,242
2024	55,736
2025	<u>36,832</u>
Total	<u>\$ 328,446</u>

Rent expenses for the year ended June 30, 2020, was \$72,028.

NOTE 10 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 year ended June 30, 2020, was \$31,824.

NOTE 11 LIQUIDITY

The Organization has \$2,145,298 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$457,120, accounts receivable of \$717,950, and investments of \$970,228. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 12 CORONAVIRUS (COVID-19)

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 Organization. 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, (vi) the effects of the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 7, 2020. The impact of Coronavirus (COVID-19) to the Organization is discussed in Note 12. No other events were identified as necessary to be disclosed to keep these financial statements from being misleading or that provide additional evidence about conditions that existed at June 30, 2020, including estimates inherent in the process of preparing these financial statements.

SUPPLEMENTAL INFORMATION

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2020

	<u>Period</u>	<u>CFDA</u>	<u>Contract/ Grant</u>	<u>Award</u>	<u>Expenditure</u>
U.S. Department of Health and Human Services					
Pass-through programs from:					
Lutheran Service Florida, Inc.					
Block Grants for Community Mental Health Services	7/1/2019-6/30/2020	93.958	EH003	\$ 1,921,646	\$ 1,921,646
Block Grant for Prevention and Treatment of Substance Abuse	7/1/2019-6/30/2020	93.959	EH003	780,438	780,438
Medical Assistance Program	7/1/2019-6/30/2020	93.788	EH003	207,341	<u>207,341</u>
Total Expenditures of Federal Awards					<u>\$ 2,909,425</u>

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flow of Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 DE MINIMIS INDIRECT COST RATE ELECTION

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

ABARE, KRESGE & ASSOCIATES CPAS, LLC

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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 of
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 not-for-profit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 7, 2021.

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*. We noted certain matters that we reported to the management of Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc. in a separate letter dated January 7, 2021.

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.

Abare, Kresge & Associates CPAs, LLC

St. Augustine, FL
January 7, 2021

ABARE, KRESGE & ASSOCIATES CPAS, LLC

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE*

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

Report on Compliance for Each Major Federal program

We have audited Nassau County Mental Health, Alcoholism and Drug Abuse Council, Inc. (a not-for-profit corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

Adam, Krueger & Associates CPAs, LLC

St. Augustine, FL
January 7, 2021

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.958	Block Grants for Community Mental Health Services
93.959	Block Grant for Prevention and Treatment of Substance Abuse

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

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None.

NASSAU COUNTY MENTAL HEALTH, ALCOHOLISM AND DRUG ABUSE COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020

There are no prior audit findings.