



# Central Florida Behavioral Health Network, Inc.

AUDIT RESULTS  
FOR YEAR ENDING JUNE 30, 2020

DECEMBER 18, 2020



# Agenda



- This Year's Audit Results
- Other Audit Matters
- Summary Statements of Financial Position
- Summary Statements of Activities
- Financial Statement Highlights & Graphs
- New Developments
- Board Governance – Best Practices
- Q&A

# This Year's Audit Results

Matter	Conclusion
<ul style="list-style-type: none"> <li>Opinion on Financial Statements</li> </ul>	<ul style="list-style-type: none"> <li>Fairly stated in all material respects</li> <li>Considered a “clean” or “unmodified” report</li> </ul>
<ul style="list-style-type: none"> <li>Reporting on Supplemental Information</li> </ul>	<ul style="list-style-type: none"> <li>Fairly stated in all material respects in relation to the Organization’s financial statements</li> <li>Subjected to the procedures applied in the Organization’s financial statement audit</li> <li>Compared and reconciled information directly to underlying accounting records</li> <li>Certain supplemental information was not subjected to audit and thus we express no opinion on it (<u>DCF Schedules</u>)</li> </ul>
<ul style="list-style-type: none"> <li>Reporting under <i>Government Auditing Standards</i></li> </ul>	<ul style="list-style-type: none"> <li>No instances of non-compliance identified and reported</li> <li>No material weaknesses or significant deficiencies identified</li> </ul>
<ul style="list-style-type: none"> <li>Reporting under the Uniform Guidance and the Florida Single Audit Act</li> </ul>	<ul style="list-style-type: none"> <li>We believe the Organization complied in all material respects with compliance requirements that could have a direct and material effect on each major federal program and major state project</li> <li>No identified and reported matters relating to internal control over compliance over major Federal Programs and State Projects</li> </ul>

# This Year's Audit Results

Matter	Conclusion
<ul style="list-style-type: none"> <li>Revenue Recognition</li> </ul>	<ul style="list-style-type: none"> <li>Footnote 1 contains a summary of revenue recognition policies associated with the activities of the Organization</li> <li>Matters relating to revenue recognition are the most common errors in financial reporting and thus subjected to added assessment and testing</li> <li>Major revenue streams included:               <ul style="list-style-type: none"> <li>We added focus this year to assess management's evaluation of major revenue streams to ensure proper documentation and application of the new contribution accounting standard. We performed certain procedures to concur with management's assessment over such streams consistent with those requirements.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Other Matters</li> </ul>	<ul style="list-style-type: none"> <li>No instances of fraud or illegal acts noted</li> <li>No material uncertainties noted</li> <li>No significant changes to our planned scope or approach were required during year end fieldwork</li> </ul>

# Other Audit Matters

## Changes in Accounting Policies

- The change in accounting for contributions standard was considered for impact during the current year and was determined to have no impact on operating results, but did impact certain disclosures

## Significant or Unusual Transactions

- None

## Alternative Accounting Policies

- No alternative accounting policies were discussed with management

**We consider management's communications with those charged with governance to be in line with best practices.**

Our responsibilities were covered in our planning meeting with the Committee at the start of the audit process.

# Impact of COVID-19 on Controls

Current Year Matters		
Area of Impact/Observations	Impact on Controls	Response to Impact
<b>Revenue, Collections and Billing</b>		
<ul style="list-style-type: none"> <li>Billing has followed past practices which are primarily processed via electronic means.</li> </ul>	<ul style="list-style-type: none"> <li>Management does not consider there to be changes in risk for core billing.</li> </ul>	<ul style="list-style-type: none"> <li>Management should continue to monitor collections closely for possible changes in patterns in core accounts receivable.</li> </ul>
<b>Information Technology</b>		
<ul style="list-style-type: none"> <li>Employees working remotely are using company issued equipment subject to corporate standards which is a positive.</li> </ul>	<ul style="list-style-type: none"> <li>Management is more reliant on remote secured access than in the past.</li> </ul>	<ul style="list-style-type: none"> <li>Management should continue to ensure timely updates to these applications to maintain the best possible security.</li> </ul>

# Summary Statements of Financial Position – June 30,

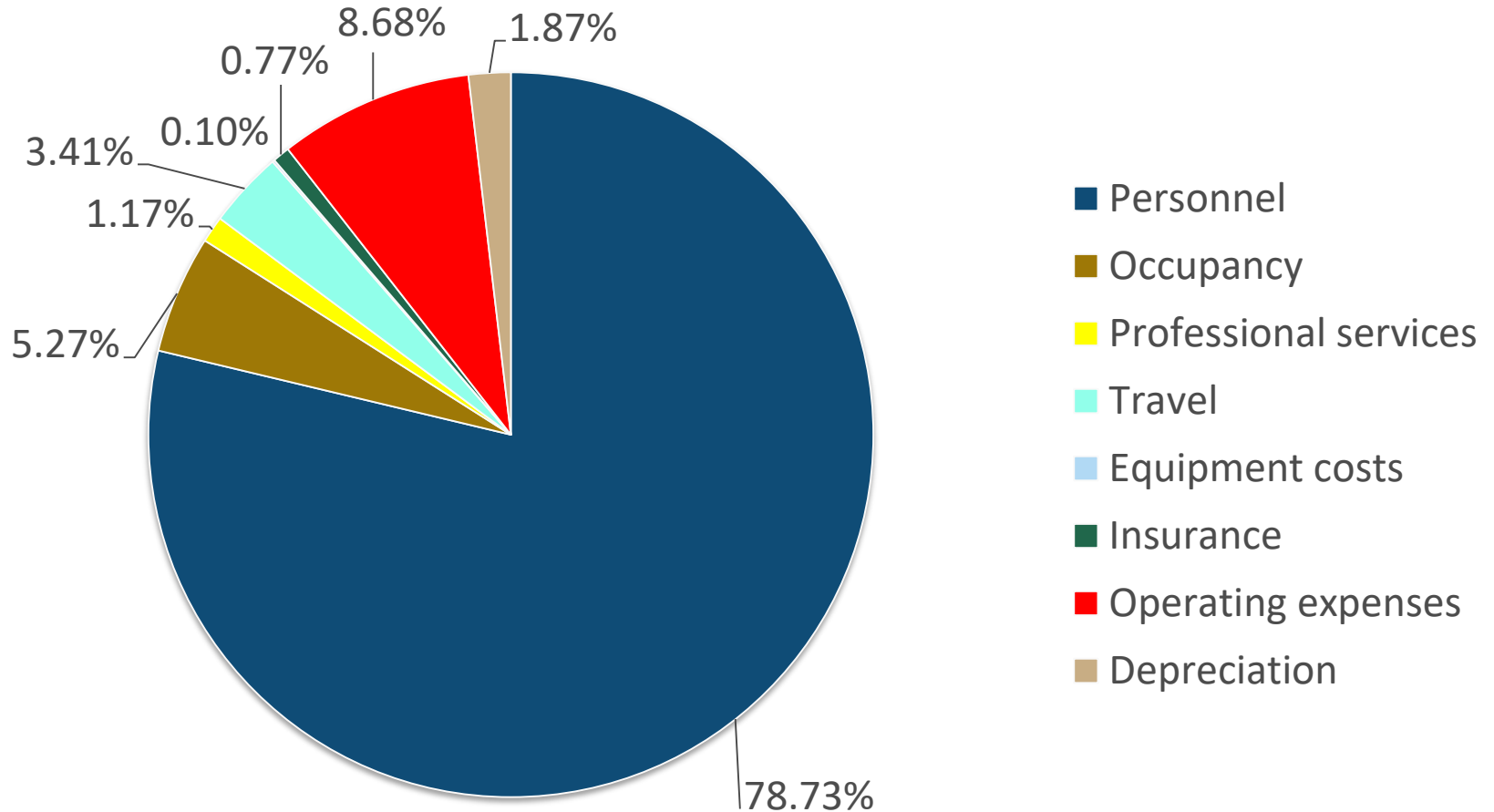
	<u>2020</u>	<u>2019</u>	<u>Change</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 10,090,557	8,003,038	2,087,519
Receivables	17,579,987	17,586,168	(6,181)
Prepaid expenses and other assets	37,159	39,349	(2,190)
Property and equipment, net	<u>167,809</u>	<u>252,383</u>	<u>(84,574)</u>
Total assets	<u>\$ 27,875,512</u>	<u>25,880,938</u>	<u>1,994,574</u>
<b>Liabilities:</b>			
Due to subcontractors	\$ 24,578,700	22,689,538	1,889,162
Line of credit	-	-	-
Accounts payable, deferred revenue and accrued expenses	<u>1,132,507</u>	<u>935,435</u>	<u>197,072</u>
Total liabilities	<u>25,711,207</u>	<u>23,624,973</u>	<u>2,086,234</u>
<b>Net assets:</b>			
Without donor restrictions	<u>2,164,305</u>	<u>2,255,965</u>	<u>(91,660)</u>
Total liabilities and net assets	<u>\$ 27,875,512</u>	<u>25,880,938</u>	<u>1,994,574</u>

# Summary Statements of Activities, Years Ended June 30,

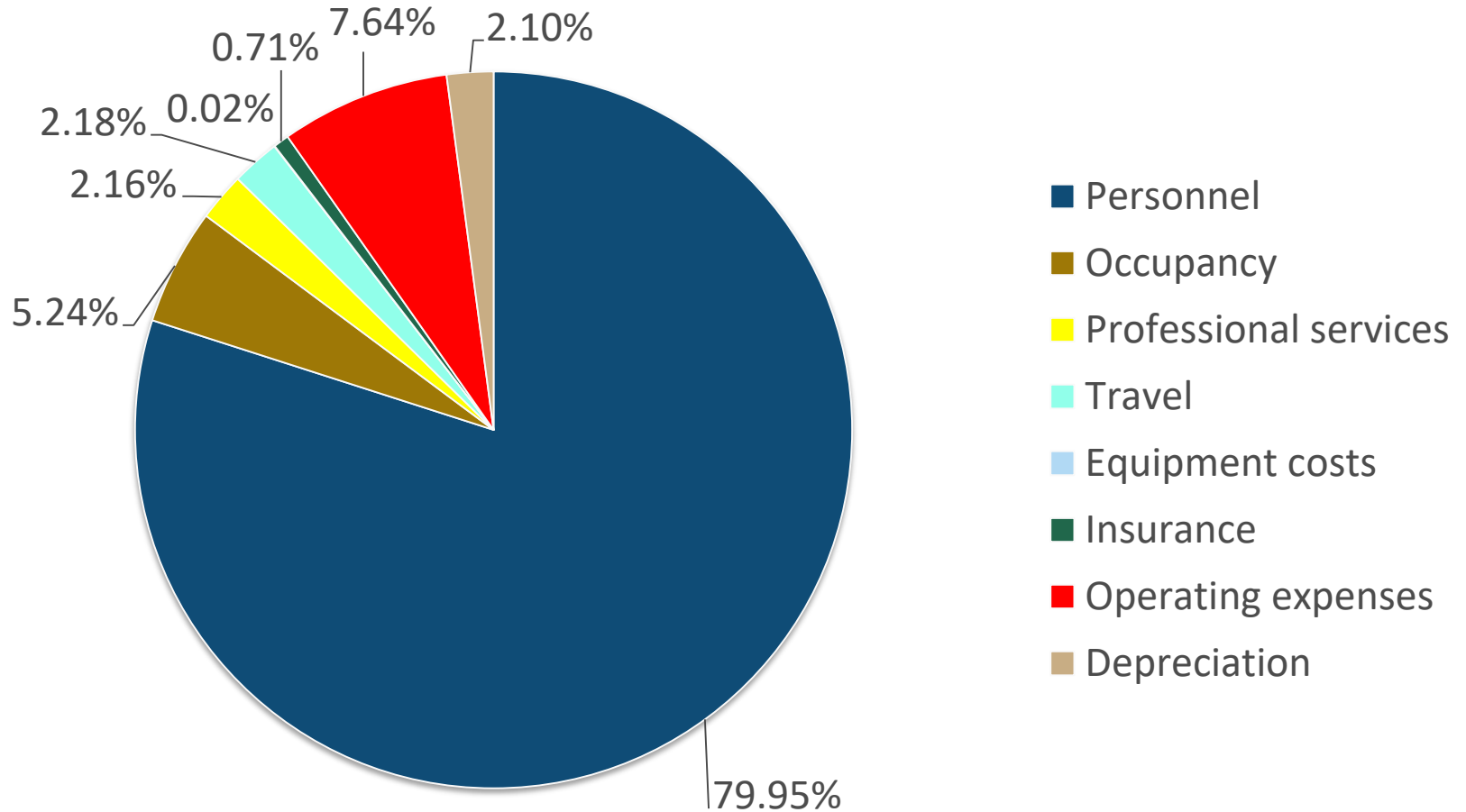
	<u>2020</u>	<u>2019</u>
<b>Support and revenue:</b>		
Florida DCF contract revenue	\$ 209,520,009	200,645,816
Other contract revenue	1,296,036	1,210,370
Other income	4,021	5,577
	<u>210,820,066</u>	<u>201,861,763</u>
<b>Operating expenses:</b>		
Program services	204,738,600	195,592,337
Supporting services	6,173,126	6,231,903
	<u>210,911,726</u>	<u>201,824,240</u>
Increase (decrease) in net assets	\$ <u>(91,660)</u>	<u>37,523</u>



# 2020 Management and General Expenses



# 2019 Management and General Expenses



# New Developments

Development	What's Changing	When Are the Changes Effective	Recommended Actions
<b>Lease Accounting Standards</b>	<ul style="list-style-type: none"> <li>Will require most leases to be accounted for like capital leases with right of use assets and corresponding obligations being recorded at inception with forward amortization</li> </ul>	<ul style="list-style-type: none"> <li><i>Year ended June 30, 2023</i></li> </ul>	<ul style="list-style-type: none"> <li>Understand the standard</li> <li>Model the effects</li> <li>Review with external auditors</li> <li>Communicate impact</li> </ul>
<b>Fair Value Disclosure Changes</b>	<ul style="list-style-type: none"> <li>Updates disclosure requirements for fair value items eliminating some while adding others</li> </ul>	<ul style="list-style-type: none"> <li><i>Year ended June 30, 2021</i></li> </ul>	<ul style="list-style-type: none"> <li>Understand the standard</li> <li>Consider disclosure impact</li> </ul>
<b>Simplification of Cloud Computing Costs</b>	<ul style="list-style-type: none"> <li>Reduces the complexity of application of these standards to such arrangements and allows for certain items to be capitalized that previously had to be expensed</li> </ul>	<ul style="list-style-type: none"> <li><i>Year ended June 30, 2022</i></li> </ul>	<ul style="list-style-type: none"> <li>Understand the standard</li> <li>Model the effects</li> <li>Review with external auditors</li> <li>Communicate impact</li> </ul>

# Board Governance

## Best Practices for NFP Organizations

- **Independent Board Members**
  - ✓ Conflict of Interest Policy
  - ✓ Duty of Loyalty and Duty of Care
- **Code of Ethics**
  - ✓ Whistleblower Policy
- **Executive Compensation**
  - ✓ Rebuttable Presumption of Reasonableness
- **Financial Oversight**
  - ✓ Financial statements and budgeting
  - ✓ Meetings with Independent Auditors
  - ✓ IRS Form 990
  - ✓ Florida UPMIFA
- **Liability Exposure**
  - ✓ D&O Insurance
  - ✓ Sample Claims

# Questions?

