

Embrace Families Solutions, Inc.

Financial and Compliance Report
June 30, 2019

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Independent Auditor's Report

Board of Directors
Embrace Families Solutions, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Embrace Families Solutions, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Auditor's Responsibility

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

Emphasis of Matter – Newly Adopted Accounting Pronouncement

As discussed in Note 1 to the accompanying financial statements, Embrace Families Solutions, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters – Supplementary Information

Our audits were 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 6, 2020, on our consideration of Embrace Families Solutions, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Embrace Families Solutions, Inc.'s 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 Embrace Families Solutions, Inc.'s internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
January 6, 2020

Embrace Families Solutions, Inc.

**Statements of Financial Position
June 30, 2019 and 2018**

	2019	2018
Assets		
Current assets:		
Cash	\$ 592,655	\$ 561,697
Restricted cash	42,158	50,000
Accounts receivable	498,383	436,206
Total current assets	1,133,196	1,047,903
Property and equipment, net	907	1,685
Total assets	\$ 1,134,103	\$ 1,049,588
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 232,790	\$ 203,422
Deferred revenue	25,866	29,865
Assets held for breakthrough	42,158	50,000
Total liabilities	300,814	283,287
Commitments (Note 3)		
Net assets without donor restrictions	833,289	766,301
Total liabilities and net assets	\$ 1,134,103	\$ 1,049,588

See notes to financial statements.

Embrace Families Solutions, Inc.

Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	2018
Support and revenue:		
Grants and contracts	\$ 2,973,985	\$ 3,175,516
Other income	152,375	857,413
Contributions	97,870	161,178
Total support and revenue	3,224,230	4,194,107
Expenses:		
Program services:		
System of care	1,869,377	2,089,627
Financial assistance	730,056	1,095,998
Other program services	128,566	132,369
Total program services	2,727,999	3,317,994
Supporting services:		
General and administrative	379,243	108,750
Fundraising	50,000	-
Total supporting services	429,243	108,750
Total expenses	3,157,242	3,426,744
Change in net assets	66,988	767,363
Net assets without donor restrictions (deficit):		
Beginning	766,301	(1,062)
Ending	\$ 833,289	\$ 766,301

See notes to financial statements.

Embrace Families Solutions, Inc.

Statements of Functional Expenses
Year Ended June 30, 2019

	Program Services				Supporting Services		Total Expenses
	System of Care	Financial Assistance	Other Program Services	Total Program Services	General and Administrative	Fundraising	
Salaries	\$ 741,167	\$ 161,301	\$ 80,328	\$ 982,796	\$ 51,726	\$ -	\$ 1,034,522
Payroll taxes and employee benefits	183,702	45,874	12,688	242,264	12,751	-	255,015
Total salaries and related benefits	924,869	207,175	93,016	1,225,060	64,477	-	1,289,537
Financial assistance	479,841	393,626	-	873,467	-	-	873,467
Professional fees	205,158	27,843	24,551	257,552	295,192	-	552,744
Occupancy	91,397	35,609	5,061	132,067	6,951	-	139,018
Advertising and marketing	68,513	34,774	405	103,692	5,457	-	109,149
Conferences, travel and training	42,979	16,361	1,576	60,916	3,206	-	64,122
Other	934	213	2	1,149	60	50,000	51,209
Supplies	20,305	5,465	82	25,852	1,361	-	27,213
Communication	15,850	4,210	477	20,537	1,081	-	21,618
Memberships	10,079	2,373	1,922	14,374	757	-	15,131
Fees and bad debts	6,393	1,651	1,446	9,490	499	-	9,989
Insurance	2,003	643	4	2,650	139	-	2,789
Depreciation	732	5	2	739	39	-	778
Postage and shipping	324	108	22	454	24	-	478
Total expenses	\$ 1,869,377	\$ 730,056	\$ 128,566	\$ 2,727,999	\$ 379,243	\$ 50,000	\$ 3,157,242

(Continued)

Embrace Families Solutions, Inc.

Statements of Functional Expenses (Continued)

Year Ended June 30, 2018

	Program Services				Supporting Services	Total Expenses
	System of Care	Financial Assistance	Other Program Services	Total Program Services	General and Administrative	
Salaries	\$ 706,825	\$ 183,947	\$ 71,286	\$ 962,058	\$ 50,635	\$ 1,012,693
Payroll taxes and employee benefits	170,215	45,009	11,539	226,763	11,935	238,698
Total salaries and related benefits	877,040	228,956	82,825	1,188,821	62,570	1,251,391
Financial assistance	564,456	687,307	-	1,251,763	-	1,251,763
Professional fees	415,958	98,312	34,875	549,145	28,903	578,048
Occupancy	102,973	38,171	4,992	146,136	7,691	153,827
Conferences, travel and training	54,184	17,962	2,162	74,308	3,911	78,219
Fees and bad debts	27,690	7,730	5,727	41,147	2,166	43,313
Supplies	19,931	9,484	111	29,526	1,554	31,080
Communication	14,617	4,499	476	19,592	1,030	20,622
Advertising and marketing	5,738	2,107	551	8,396	442	8,838
Other	2,892	840	608	4,340	229	4,569
Insurance	1,991	582	3	2,576	135	2,711
Memberships	1,469	43	3	1,515	80	1,595
Depreciation	610	5	1	616	32	648
Postage and shipping	78	-	35	113	7	120
Total expenses	\$ 2,089,627	\$ 1,095,998	\$ 132,369	\$ 3,317,994	\$ 108,750	\$ 3,426,744

See notes to financial statements.

Embrace Families Solutions, Inc.

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 66,988	\$ 767,363
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	778	648
Provision for doubtful accounts	7,636	40,645
Forgiveness of debt – due to affiliates	-	(652,050)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(69,813)	170,866
Prepaid expenses and other assets	-	7,925
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	29,368	41,352
Deferred revenue	(3,999)	(13,490)
Assets held for breakthrough	(7,842)	50,000
Net cash provided by operating activities	23,116	413,259
Cash flows from investing activities:		
Purchases of property and equipment	-	(2,333)
Net cash used in investing activities	-	(2,333)
Cash flows from financing activities:		
Change in due to/due from affiliates	-	39,800
Net cash provided by financing activities	-	39,800
Net increase in cash and restricted cash	23,116	450,726
Cash and restricted cash:		
Beginning of year	611,697	160,971
Ending of year	\$ 634,813	\$ 611,697

See notes to financial statements.

Embrace Families Solutions, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Embrace Families Solutions, Inc. (the Organization) is a Florida not-for-profit organization formed in 2011, with a mission to improve the well-being of vulnerable children and their families through community-driven solutions. Operations are directed by a voluntary board who receive no compensation for their services. Effective January 7, 2019, the Organization changed its name from Community Initiatives, Inc. to Embrace Families Solutions, Inc.

The Organization's program services are as follows:

System of care: Provides case management, access to therapeutic services, assessment and diagnostic services, financial stability programs and child victim services including advocacy and related support.

Financial assistance: Provides needs-based assistance for housing and other household-stabilizing support for families with children.

Other program services: Provides career development and educational enrichment for vulnerable and/or disconnected youth populations.

A summary of the Organization's significant accounting policies follows:

Basis of presentation: The accompanying financial statements have been prepared on the accrual basis of accounting.

A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization, the passage of time or permanently maintained by the Organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. The Organization does not have any net assets with donor restrictions.

Accounts receivable: Accounts receivable are stated at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is established based upon management's analysis of specific accounts and other economic factors. In the opinion of management, no allowance for uncollectible accounts receivable was considered necessary at June 30, 2019 and 2018.

Property and equipment: Property and equipment are recorded at cost when purchased or at fair value at the date of gift, if contributed. Property and equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than a year. Depreciation of property and equipment is computed using the straight-line method of accounting over the estimated useful lives of the assets.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Assets held for breakthrough: The Organization is a representative payee for children who have had inpatient hospitalizations and are receiving mental health services. Benefit payments and withdrawals are recorded as assets and liabilities and are not reflected in the accompanying statements of activities. Funds are maintained in separate bank accounts as required by funding sources and reflected on the accompanying statements of financial position as restricted cash. During the years ended June 30, 2019 and 2018, Embrace Families Community Based Care, Inc., a related entity to the Organization, contributed \$50,000 to the breakthrough fund.

Grants and contracts revenue: The Organization is principally funded by grants and contracts from federal, state and local governmental agencies. Grants and contracts received provide specified amounts for various grant years principally as reimbursement for allowable costs incurred. Revenue from cost reimbursement grants and contracts is recognized as eligible costs are incurred. Accounts receivable is recorded to the extent costs have been incurred but not reimbursed by the granting agencies. Conversely, deferred revenue is recorded when grant or contract advances exceed eligible costs incurred. Deferred revenue will either be offset against subsequent allowable costs incurred or refunded to the granting agencies upon grant termination.

The Organization is subject to State and Federal audit examination to determine compliance with grant or contract requirements. In the event that expenditures would be disallowed, repayment could be required. Management is of the opinion that such expenditures, if any, would not have a material adverse impact on the Organization.

Contributions: Contributions received are recorded at fair value as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. When a restriction is accomplished or it expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Contributed services are recognized and reported at fair value in the period received, if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. There were no contributed services for the years ended June 30, 2019 and 2018.

Functional expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Income taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions, which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before June 30, 2016.

Use of estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations: At various times throughout 2019 and 2018 and at June 30, 2019 and 2018, cash balances held at a financial institution were in excess of federally-insured limits. However, the Organization has not experienced any losses in such accounts and management believes no significant concentration of credit risk exists with respect to this cash account.

Unsecured accounts receivable are limited as the receivables are primarily grants and contracts receivable from governmental entities.

Newly adopted accounting pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. ASU 2016-14 changes presentation and disclosure requirements for not-for-profit entities to provide qualitative and quantitative requirements as follows:

- Net assets presentation in two categories – net assets without donor restrictions and net assets with donor restrictions;
- Presentation of investment income net of investment expenses;
- Analysis of expenses by both natural and functional classification;
- Liquidity and availability of resources disclosure requirement;
- Presentation of operating cash flows either direct or indirect method; permits the use of direct method without reconciliation of change in net assets to net cash flow from operating activities.

As the result of ASU 2016-14 adoption, the Organization has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will become effective for annual reporting periods beginning after December 15, 2018. Management expects to adopt the cumulative-effect transition method and is currently evaluating the impact this ASU will have on its financial statements.

The FASB has issued certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASU described above. The Organization has considered the new pronouncements and does not believe that any other new or modified guidance will have a material impact on the Organization's reported financial position or activities in the near-term.

Embrace Families Solutions, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Reclassifications: Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. The reclassifications have no impact on net assets or change in net assets as previously reported.

Subsequent events: Management has assessed subsequent events through January 6, 2020, the date the financial statements were available to be issued.

Note 2. Retirement Plan

The Organization's employees are eligible to participate in a defined contribution 401(k) Profit Sharing Plan (the Plan). Employees become eligible to participate in the Plan on the first monthly date following the attainment of age 18 and the completion of one hour of service. Plan participants may voluntarily contribute, on a pre-tax basis, up to 100% of their qualified annual compensation, as defined in the Plan, up to the Internal Revenue Code maximum limits. The Organization makes matching contributions equal to 100% of each participant's contribution to a maximum of 4% of compensation, as defined in the Plan document. Contributions to the Plan for the years ended June 30, 2019 and 2018, were approximately \$33,900 and \$20,400, respectively, and are included in payroll taxes and employee benefits in the accompanying statements of functional expenses.

Note 3. Related Party Transactions

In July 2013, the Organization signed a five-year agreement (after the initial term, this agreement will automatically continue for successive one year periods, unless either party gives written notice to the other of its intent not to renew this agreement within 30 days prior to the expiration of each term) with its parent company, Embrace Families, Inc., to receive management and administrative services. Fees are charged based on a schedule of both direct and indirect costs incurred monthly. Expenses incurred by the Organization during the years ended June 30, 2019 and 2018 for these services was approximately \$414,200 and \$449,100, respectively, which is included in professional fees in the accompanying statements of functional expenses. Amounts due to Embrace Families, Inc. at June 30, 2019 and 2018, related to this agreement, totaled approximately \$85,500 and \$87,600, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of financial position.

During the year ended June 30, 2018, Embrace Families, Inc. forgave approximately \$652,000 of the outstanding amounts due to affiliates, which is included in other income in the accompanying statements of activities.

The Organization recognized grants and contracts revenue from an affiliate, Embrace Families Community Based Care, Inc., of approximately \$624,000 and \$610,200, during the years ended June 30, 2019 and 2018, respectively, which is included in grants and contracts revenue in the accompanying statements of activities. Amounts due from Embrace Families Community Based Care, Inc. at June 30, 2019 and 2018, related to grants and contracts revenue, totaled approximately \$47,800 and \$119,200, respectively, which is included in accounts receivable in the accompanying statements of financial position.

In July 2018, the Organization signed a five-year agreement (after the initial term, this agreement will automatically continue for successive one year periods, unless either party gives written notice to the other of its intent not to renew this agreement within 30 days prior to the expiration of each term) with an affiliate, Embrace Families Foundation, Inc., to receive marketing services. Fees are fixed and incurred monthly. Expenses incurred by the Organization during the year ended June 30, 2019 for these services was \$50,000 which is included in other expenses in the accompanying statements of functional expenses.

Embrace Families Solutions, Inc.

Notes to Financial Statements

Note 3. Related Party Transactions (Continued)

During the years ended June 30, 2019 and 2018, the Organization received contributions from Embrace Families Foundation, Inc., of approximately \$90,000 and \$125,300, respectively, which is included in contributions revenue in the accompanying statements of activities.

Note 4. Liquidity and Availability of Resources

As of June 30, 2019, the following reflects the Organization's financial assets, reduced by amounts not available for general use within one year of June 30, 2019.

Financial assets, at year-end	
Cash and restricted cash	\$ 634,813
Accounts receivable	498,383
	<u>1,133,196</u>
Less those unavailable for general expenditures within one year:	
Restricted cash	(42,158)
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,091,038</u></u>

As part the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Embrace Families Solutions, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

Grantor/Program Title/Pass-Through	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Federal Awards:			
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/Entitlement Grants Program:			
Passed through Orange County	CDBG Program FY2017-2018	14.218	\$ 15,605
Passed through Orange County	CDBG Program FY2018-2019	14.218	17,500
Passed through Seminole County	CDBG FY 2017/2018	14.218	13,665
Passed through Seminole County	CDBG FY 2018/2019	14.218	13,665
Program total			60,435
Emergency Solutions Grant Program:			
Passed through Seminole County	ESG FY 2017/2018	14.231	45,333
Continuum of Care Program:			
Passed through Homeless Services Network of Central Florida, Inc.	FL0331L4H071605	14.267	3,166
Passed through Homeless Services Network of Central Florida, Inc.	FL0331L4H071706	14.267	58,564
Passed through Homeless Services Network of Central Florida, Inc.	FL0562L4H071601	14.267	17,513
Passed through Homeless Services Network of Central Florida, Inc.	FL0562L4H071702	14.267	22,432
Passed through Homeless Services Network of Central Florida, Inc.	FL0605L4H071601	14.267	28,258
Passed through Homeless Services Network of Central Florida, Inc.	FL0605L4H071702	14.267	45,257
Program total			175,190
Total U.S. Department of Housing and Urban Development			280,958
U.S. Department of Justice:			
Crime Victim Assistance Program:			
Passed through Florida Office of the Attorney General	VOCA-2017-V0365	16.575	42,349
Passed through Florida Office of the Attorney General	VOCA-2018-V0114	16.575	67,762
Program total			110,111
Total U.S. Department of Justice			110,111
U.S. Department of Health and Human Services:			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances Program:			
Passed through Seminole County Sheriff's Office	1U79SM062452-01	93.104	736,642
Promoting Safe and Stable Families Program:			
Passed through Community Based Care of Central Florida, Inc.	OROS 020-1819	93.556	5,519
Stephanie Tubbs Jones Child Welfare Services Program:			
Passed through Community Based Care of Central Florida, Inc.	OROS 020-1819	93.645	1,542
Passed through Community Based Care of Central Florida, Inc.	SEMOROS 015-1819	93.645	10,767
Program total			12,309
Foster Care Title IV – E Program:			
Passed through Community Based Care of Central Florida, Inc.	OROS 020-1819	93.658	5,709
Passed through Community Based Care of Central Florida, Inc.	SEMOROS 015-1819	93.658	39,858
Program total			45,567
Child Abuse and Neglect State Grants Program:			
Passed through Community Based Care of Central Florida, Inc.	OROS 020-1819	93.669	1,789
Passed through Community Based Care of Central Florida, Inc.	SEMOROS 015-1819	93.669	12,487
Program total			14,276
Total U.S. Department of Health and Human Services			814,313

(Continued)

Embrace Families Solutions, Inc.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2019

Grantor/Program Title/Pass-Through	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Federal Awards (Continued):			
Corporation for National and Community Service:			
AmeriCorps:			
Passed through Public Allies National	OP019-94.006-18-PACF	94.006	\$ 43,995
Passed through Public Allies National	OP019-94.006-19-PACF	94.006	189,807
Program total			<u>233,802</u>
Total expenditures of federal awards			<u>\$ 1,439,184</u>

See notes to schedule of expenditures of federal awards.

Embrace Families Solutions, Inc.

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Embrace Families Solutions, Inc. under programs of the federal government for the year ended June 30, 2019. 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 Embrace Families Solutions, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Embrace Families Solutions, Inc.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

Embrace Families Solutions, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Subrecipients

There were no federal awards passed through to subrecipients by Embrace Families Solutions, Inc.

**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***

Independent Auditor's Report

Board of Directors
Embrace Families Solutions, 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 Embrace Families Solutions, Inc., which comprise the statement of financial position as of June 30, 2019, 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 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Embrace Families Solutions, 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 Embrace Families Solutions, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Embrace Families Solutions, 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 the 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 considered material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Embrace Families Solutions, 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 Embrace Families Solutions, 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 Embrace Families Solutions, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM VS LLP

Orlando, Florida
January 6, 2020

**Report on Compliance for its Major Federal
Program and Report on Internal Control Over Compliance
Required by The Uniform Guidance**

Independent Auditor's Report

Board of Directors
Embrace Families Solutions, Inc.

Report on Compliance for its Major Federal Program

We have audited Embrace Families Solutions, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Embrace Families Solutions, Inc.'s major federal program for the year ended June 30, 2019. Embrace Families Solutions, Inc.'s major federal program is identified in the summary of auditors' 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of Embrace Families Solutions, Inc.'s major federal program 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 requires 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 Embrace Families Solutions, Inc.'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 its major federal program. However, our audit does not provide a legal determination of Embrace Families Solutions, Inc.'s compliance.

Opinion on its Major Federal Program

In our opinion, Embrace Families Solutions, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Embrace Families Solutions, Inc. 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 Embrace Families Solutions, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major 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 Embrace Families Solutions, Inc.'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 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.

RSM US LLP

Orlando, Florida
January 6, 2020

Embrace Families Solutions, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified?	_____ Yes	_____ <u>X</u> None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified?	_____ Yes	_____ <u>X</u> None Reported

Type of auditor's report issued on compliance for
major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
Section 2 CFR 200.516(a)?

_____ Yes	_____ <u>X</u> No
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Identification of major programs:

CFDA Number

93.104

Name of Federal Program

Comprehensive Community Mental Health Services for
Children with Serious Emotional Disturbances Program

Dollar threshold used to distinguish between
type A and type B federal programs:

_____ \$ 750,000

Auditee qualified as low-risk auditee?

_____ <u>X</u> Yes	_____ No
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Section II – Financial Statement Findings

No matters to report.

Section III – Findings and Questioned Costs for Federal Awards

No matters to report.

Section IV – Other Reporting

There was no management letter or control deficiency letter issued for the year ended June 30, 2019, as there were no matters required to be reported in these letters.

No Corrective Action Plan is presented because there were no findings required to be reported under the Federal Single Audit Act.

No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings.