

BROOKWOOD FLORIDA, INC.

Independent Auditor's Reports
and
Audited Financial Statements

December 31, 2018

BROOKWOOD FLORIDA, INC.

December 31, 2018

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
AUDITED FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY FINANCIAL INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS	18
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	20
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	23

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brookwood Florida, Inc.
St. Petersburg, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Brookwood Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement 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.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brookwood Florida, Inc. as of December 31, 2018, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018 Brookwood Florida, Inc. adopted Accounting Standards Update (ASU) Number 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements of Brookwood Florida, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards and state projects, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2019, on our consideration of Brookwood Florida, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Report on Summarized Comparative Information

We have previously audited Brookwood Florida, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wells, Houser & Schatzel, P.A.

Wells, Houser & Schatzel, P.A.
St. Petersburg, Florida

May 10, 2019

BROOKWOOD FLORIDA, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

With Comparative Amounts for December 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 292,219	\$ 731,789
Accounts receivable		
Fees for services	53,558	77,364
Food program	2,752	2,868
Grants	26,024	22,947
Unconditional promises to give		
United Way	40,180	80,360
Investments	1,446,960	1,139,343
Prepaid expenses	40,749	34,130
	<u>1,902,442</u>	<u>2,088,801</u>
PROPERTY AND EQUIPMENT	2,534,618	2,501,478
Less accumulated depreciation	<u>1,917,656</u>	<u>1,874,095</u>
	<u>616,962</u>	<u>627,383</u>
RESTRICTED ASSETS		
Investments - cottage reserve	83,657	83,657
Beneficial interest in perpetual trust	<u>113,011</u>	<u>117,637</u>
	<u>196,668</u>	<u>201,294</u>
TOTAL ASSETS	<u>\$ 2,716,072</u>	<u>\$ 2,917,478</u>

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,601	\$ 14,814
Accrued expenses	36,810	36,926
	<u>46,411</u>	<u>51,740</u>
LONG-TERM DEBT		
Mortgage loans payable	111,581	128,623
	<u>157,992</u>	<u>180,363</u>
TOTAL LIABILITIES		
NET ASSETS		
NET ASSETS WITH DONOR RESTRICTIONS		
Purpose Restricted:		
Cottage reserve	83,657	83,657
Client Dental Care	1,903	9,353
Cowles Charitable Trust	304	-
Margaret Ewell Dickins Family Foundation	-	12,650
Hobbs Foundation	-	10,000
White Family Foundation	-	8,313
R. Kane - Back to School Supplies	-	1,125
Rays Foundation	-	748
	<u>85,864</u>	<u>125,846</u>
Time Restricted - for periods after year-end		
United Way	40,180	80,360
Discount on below market rate mortgages	11,379	14,287
	<u>51,559</u>	<u>94,647</u>
Perpetual in Nature:		
Perpetual trust	113,011	117,637
	<u>113,011</u>	<u>117,637</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>250,434</u>	<u>338,130</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Designated by Board of Directors for operating reserve	1,446,960	1,139,343
Undesignated, available for general activities	355,305	760,882
Expended for property and equipment	505,381	498,760
	<u>2,307,646</u>	<u>2,398,985</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS		
	<u>2,307,646</u>	<u>2,398,985</u>
TOTAL NET ASSETS	<u>2,558,080</u>	<u>2,737,115</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,716,072</u>	<u>\$ 2,917,478</u>

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

BROOKWOOD FLORIDA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

With Comparative Amounts for the Year Ended December 31, 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Contributions and bequests	\$ 152,425	\$ 177,177
Contributions in-kind	37,910	100,000
Fees for services from individuals and voluntary agencies	36,205	28,682
Special events - net of direct expenses (\$10,248 and \$9,183)	67,520	74,077
Investment return (loss)	<u>(39,650)</u>	<u>128,031</u>
	<u>254,410</u>	<u>507,967</u>
Revenue from governmental and pass-through agencies:		
Grants and subsidies:		
Food Program	41,690	39,570
Social Action Funding	71,373	68,532
Fees for services	<u>942,531</u>	<u>927,672</u>
	<u>1,055,594</u>	<u>1,035,774</u>
Net assets released from restrictions	<u>172,113</u>	<u>112,874</u>
TOTAL REVENUE AND GAINS WITHOUT DONOR RESTRICTIONS	<u>1,482,117</u>	<u>1,656,615</u>
EXPENSES		
Program services - residential care for young women	<u>1,291,619</u>	<u>1,229,225</u>
Supporting activities:		
Management and general	171,750	169,815
Fundraising	<u>110,087</u>	<u>92,236</u>
	<u>281,837</u>	<u>262,051</u>
TOTAL EXPENSES	<u>1,573,456</u>	<u>1,491,276</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(91,339)</u>	<u>165,339</u>

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
NET ASSETS WITH PURPOSE RESTRICTIONS		
Contributions	44,975	37,746
Net assets released from purpose restrictions	<u>(84,956)</u>	<u>(17,896)</u>
INCREASE (DECREASE) IN NET ASSETS WITH PURPOSE RESTRICTIONS	<u>(39,981)</u>	<u>19,850</u>
NET ASSETS WITH TIME RESTRICTIONS		
United Way	40,180	77,683
Discount on below market rate mortgages	3,888	11,907
Net assets released from time restrictions	<u>(87,157)</u>	<u>(94,978)</u>
INCREASE (DECREASE) IN NET ASSETS WITH TIME RESTRICTIONS	(43,089)	(5,388)
NET ASSETS WITH PERPETUAL RESTRICTIONS		
Investment return	\$ 7,874	\$ 15,877
Income distribution (reported as contribution without donor restrictions)	<u>(12,500)</u>	<u>(14,088)</u>
INCREASE (DECREASE) IN NET ASSETS WITH PERPETUAL RESTRICTIONS	<u>(4,626)</u>	<u>1,789</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(87,696)</u>	<u>16,251</u>
INCREASE (DECREASE) IN TOTAL NET ASSETS	(179,035)	181,590
NET ASSETS AT BEGINNING OF YEAR	<u>2,737,115</u>	<u>2,555,525</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,558,080</u>	<u>\$ 2,737,115</u>

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

BROOKWOOD FLORIDA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

With Comparative Total Amounts for the Year Ended December 31, 2017

	Program Services	Supporting Activities			2018 Total	2017 Total
	Residential Care for Young Women	Management & General	Fundraising	Total		
Salaries	\$ 678,230	\$ 100,272	\$ 73,838	\$ 174,110	\$ 852,340	\$ 790,619
Employee benefits	55,240	4,815	6,046	10,861	66,101	21,705
Payroll taxes and workers' compensation insurance	71,525	10,013	7,573	17,586	89,111	83,249
Total Salaries and Related Expenses	804,995	115,100	87,457	202,557	1,007,552	895,573
Professional fees	20,925	29,299	2,170	31,469	52,394	86,367
Supplies and food	90,283	4,198	2,929	7,127	97,410	98,741
Telephone	6,301	2,100	2,100	4,200	10,501	7,985
Occupancy	186,326	7,220	2,826	10,046	196,372	212,411
Special assistance to residents	45,730	-	-	-	45,730	35,819
Travel and vehicle	19,133	1,694	339	2,033	21,166	15,733
Conferences, printing and miscellaneous	8,530	7,993	10,654	18,647	27,177	27,120
Total Expenses Before Depreciation	1,182,223	167,604	108,475	276,079	1,458,302	1,379,749
Depreciation	109,396	4,146	1,612	5,758	115,154	111,527
TOTAL EXPENSES	\$ 1,291,619	\$ 171,750	\$ 110,087	\$ 281,837	\$ 1,573,456	\$ 1,491,276

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

BROOKWOOD FLORIDA, INC.

STATEMENT OF CASH FLOWS

FOR YEAR ENDED DECEMBER 31, 2018

With Comparative Amounts for the Year Ended December 31, 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (179,035)	\$ 181,590
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	115,154	111,527
Accretion of mortgage loan discount	6,796	4,074
Loan discount on new debt	(3,888)	(11,907)
(Gain) loss on sale of investments	(13,437)	(1,250)
Unrealized (gain) loss on investment securities	68,384	(90,386)
Unrealized (gain) loss on perpetual trust	(7,874)	(15,877)
In-kind contribution - mortgage forgiveness	(37,910)	(100,000)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	20,845	369
(Increase) decrease in unconditional promises to give	40,180	13,221
(Increase) decrease in prepaid expenses	(6,619)	3,361
Increase (decrease) in accounts payable	(5,213)	6,171
Increase (decrease) in accrued expenses	(116)	172
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	<u>(2,733)</u>	<u>101,065</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	1,036,393	17,213
Proceeds from sale of investments - perpetual trust	12,500	14,088
Purchase of investments	(1,398,957)	(51,536)
Purchase of property and equipment	(104,733)	(79,699)
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	<u>(454,797)</u>	<u>(99,934)</u>
FINANCING ACTIVITIES		
Proceeds from mortgage note	17,960	55,000
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES	<u>17,960</u>	<u>55,000</u>
INCREASE (DECREASE) IN CASH	(439,570)	56,131
CASH - BEGINNING OF YEAR	<u>731,789</u>	<u>675,658</u>
CASH - END OF YEAR	<u>\$ 292,219</u>	<u>\$ 731,789</u>

There was no interest paid in fiscal years ending December 31, 2018 and 2017

Supplemental disclosure of non-cash investing and financing activities:

1. There were no non-cash investing activities for the years ended December 31, 2018 and 2017.
2. Non-cash financing activities for the years ended December 31, 2018 and 2017 consisted of forgiveness of indebtedness in the amounts of \$37,910 and \$100,000, respectively.

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

BROOKWOOD FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose of Organization: Brookwood Florida, Inc. (Brookwood Florida) provides two tiers of programming. The first tier of programming provides troubled adolescent girls under the age of 18 with an alternative living environment and a therapeutic program encompassing education, employability skills, independent living training, and counseling that will prepare them for self-sufficiency or successful family reunification. The second tier provides an “Adult Program” for young women aged 18 to 21 that choose to participate in an extended foster care arrangement that is designed to provide a supportive transitional environment.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. State and local government and other public grant amounts are recorded as support when performance occurs pursuant to the contract agreement. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Codification Section 958-205 – *Not-for Profit Entities – Presentation of Financial Statements*. Under FASB Codification Sections 958-205, which has been modified as a result of Accounting Standards Update (ASU) Number 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, Brookwood Florida is now required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. This change was made in 2018 as Brookwood Florida, Inc. adopted ASU 2016-14. Prior to implementing ASU 2016-14, Brookwood Florida was required to report three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The costs of providing residential services have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Administrative expenses are allocated to the various functions based on the organization’s salary expense.

Cash Equivalents and Liquidity: For purposes of financial statement presentation, Brookwood Florida, Inc. has a liquidity management policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Brookwood Florida, Inc. considers highly liquid debt instruments with original maturities of three months or less to be cash equivalents with the exception of highly liquid instruments designated by the Board of Directors as investments. Brookwood Florida does not have any restricted cash or limitations on the use of cash.

Contributions and Bequests: Brookwood Florida, Inc. accounts for contributions in accordance with Financial Accounting Standards Board Codification Section 958-605 – *Not-for Profit Entities – Revenue Recognition*. All donor-restricted contributions are reported as increases in contributions with donor restrictions and contributions that do not have donor restrictions are reported as increases in contributions without donor restrictions. When a donor restriction 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 statement of activities as net assets released from restrictions. Time-restricted contributions from United Way, unconditional promises to give (pledges), and the discount on below market rate mortgages pursuant to FASB Codification Section 958-605, are required to be reported as donor-restricted support and are then reclassified to net assets without donor restrictions upon expiration of the time restriction. In accordance with FASB Codification Section 958-605, unconditional promises to give are recognized as revenues in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Board of Directors is able to designate that certain contributions and bequests be set aside for operating reserves or capital expenditures. These designated funds are accounted for as a component of net assets without donor restrictions. This Board designation for operating reserves is described in more detail in Note 10.

BROOKWOOD FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncollectible Accounts: Due to the charitable nature of Brookwood Florida, Inc.'s activities, services are provided to girls who are unable to pay the normal program fee. Any accounts receivable that have been recorded and later have been determined uncollectible are charged to income in the period that the determination is made. No allowance for doubtful accounts has been recorded as of December 31, 2018 and 2017, as management considers all accounts collectible.

Investment securities: Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position in accordance with Financial Accounting Standards Board Codification Section 958-320 – *Not-for Profit Entities – Investments – Debt and Equity Securities*. Interest and dividends, gains and losses on sales of securities and unrealized gains and losses are classified as investment return in the statement of activities.

Property and Equipment: Land, building and equipment that is purchased is recorded at cost and such assets that are donated are recorded at acquisition value. Depreciation is computed using the straight-line method over estimated useful lives ranging from 3 to 39 years. Expenditures greater than \$1,000 with an estimated useful life in excess of one year are capitalized.

Accumulated Personal Time Off (PTO): Effective July 1, 1999, Brookwood Florida changed their leave policy for personal time off (PTO) by no longer allowing employees to accumulate and carry over PTO hours from year to year. As of December 31 of each year, all unused PTO hours accumulated were forfeited. Effective for fiscal year ending December 31, 2004, employees are allowed to carry over earned PTO hours until March 31 of the following year. Any unused PTO hours carried forward that are not used by March 31 are forfeited. Therefore, an accrued expense has been recorded as of December 31, 2018 and 2017 for accrued PTO hours.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements: Brookwood Florida, Inc. has adopted Financial Accounting Standards Board Codification Section 820 – *Fair Value Measurements and Disclosures*. FASB Codification Section 820 requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

The carrying amount reported in the statement of financial position for cash, accounts receivable, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

Comparative Financial Information: The financial statements include certain prior-year summarized comparative information and such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE 2 – TAX STATUS

Brookwood Florida, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and state income tax under Chapter 220.13 of the Florida Statutes. The Internal Revenue Service has determined that the Organization is not a private foundation and contributions to it qualify for the charitable contribution deduction.

BROOKWOOD FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 3 – ACCOUNTS RECEIVABLE – FEES FOR SERVICES / SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The accounts receivable for service fees are as follows:

	<u>2018</u>	<u>2017</u>
U.S. Department of Housing and Urban Development – Supportive Housing Program	\$ 6,591	\$ 7,325
State of Florida Agency for Health Care Administration – Medicaid	6,042	6,702
Eckerd Community Alternative	15,210	20,280
Sarasota Family YMCA	1,235	2,945
CBC of Central Florida	7,030	7,310
Big Bend CBC	5,955	13,650
Family Integrity Program	2,945	2,945
Children’s Network of Southwest Florida	5,605	-
Kids First of Florida	2,945	-
Eckerd Community Alternatives - Hillsborough	-	11,305
Extended Foster Care (various agencies)	-	1,007
Heartland for Children	-	950
Devereux Community Based Care	-	2,945
	<u>\$ 53,558</u>	<u>\$ 77,364</u>

These receivables are unsecured and represent concentrations of credit risk in the event that any one of these entities was unable to remit the amounts due to Brookwood Florida.

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2018</u>	<u>2017</u>
United Way – due in less than one year	<u>\$ 40,180</u>	<u>\$ 80,360</u>

There are no pledges to report for the years ended December 31, 2018 and 2017.

NOTE 5 - INVESTMENTS

The Board of Directors of Brookwood Florida, Inc. have designated that certain funds be invested for future needs. Investments consist primarily of mutual funds, fixed income and money funds. The investments in the beneficial interest in perpetual trust are not in the possession or control of Brookwood Florida. Investments are stated at fair value and are as follows:

	<u>Fair Value</u>	
	<u>2018</u>	<u>2017</u>
<u>Investments without donor restrictions:</u>		
Equity (2018) and Mutual Funds (2017)	\$ 672,457	\$ 864,852
Corporate Bonds	548,496	185,893
Preferred Stock	-	11,632
Money Funds	226,007	76,966
	<u>\$1,446,960</u>	<u>\$1,139,343</u>

BROOKWOOD FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 5 – INVESTMENTS (continued)

	<u>2018</u>	<u>2017</u>
<u>Investments with donor restrictions:</u>		
Purpose restricted investment securities – Cottage Reserve		
Equity (2018) and Mutual Funds (2017)	\$ 37,182	\$ 81,841
Fixed Income Funds	46,475	-
Money Funds	-	1,816
	<u>\$ 83,657</u>	<u>\$ 83,657</u>
Restricted investment securities – perpetual in nature		
Beneficial interest in perpetual trust	<u>\$ 113,011</u>	<u>\$ 117,637</u>

The following schedule summarizes the investment return and its classification in the statement of activities:

	<u>2018</u>	<u>2017</u>
<u>Changes in net assets without donor restrictions:</u>		
Interest and dividends	\$ 15,297	\$ 36,395
Unrealized and realized gain (loss) on securities	(54,947)	91,636
Investment return (loss) without donor restrictions	<u>\$ (39,650)</u>	<u>\$ 128,031</u>
	<u>2018</u>	<u>2017</u>
<u>Changes in net assets with donor restrictions:</u>		
Permanently Restricted:		
Interest, dividends, realized and unrealized gain (loss)		
on perpetual trust assets	<u>\$ 7,874</u>	<u>\$ 15,877</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 99,002	\$ 99,002
Building and improvements	2,009,162	1,990,111
Furniture and equipment	310,262	323,992
Vehicles	116,192	88,373
	<u>\$2,534,618</u>	<u>\$2,501,478</u>

NOTE 7– LONG-TERM DEBT

At December 31, 2018, Brookwood Florida, Inc. was obligated to the City of St. Petersburg under certain mortgage loans payable. The loans are interest free with no current principal payments required. In the year the mortgages and notes are recorded, contribution revenue with donor restrictions is recorded for the difference between the fair value of the loan based on market interest rates and the face value of the loans. Net assets with donor restrictions – time restricted includes \$11,379 of interest contributed, based on the difference between the fair value of the mortgages and the face value of the mortgages. Each year, interest expense is recognized and the mortgage/note

BROOKWOOD FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7– LONG-TERM DEBT (continued)

liability is increased (accreted). The principal will be forgiven based on the condition that the site continues to be used to provide a residential facility to help troubled adolescent girls. The loans are secured by land, buildings and improvements in St. Petersburg that have a remaining book value of \$474,686.

Long term debt as of December 31, 2018 is summarized as follows:

	<u>Maturity Date</u>	<u>Debt, Before Discount</u>	<u>Debt Discount</u>	<u>Debt, Net of Discount</u>
City of St. Petersburg – Mortgage Payable	January 1, 2019	\$ 50,000	\$ -	\$ 50,000
City of St. Petersburg – Mortgage Payable	January 1, 2022	55,000	(7,491)	47,509
City of St. Petersburg – Mortgage Payable	January 1, 2024	17,960	(3,888)	14,072
		<u>\$ 122,960</u>	<u>\$ (11,379)</u>	<u>\$ 111,581</u>

Long term debt as of December 31, 2017 is summarized as follows:

	<u>Maturity Date</u>	<u>Debt, Before Discount</u>	<u>Debt Discount</u>	<u>Debt, Net of Discount</u>
City of St. Petersburg – Mortgage Payable	January 1, 2018	\$ 37,910	\$ -	\$ 37,910
City of St. Petersburg – Mortgage Payable	January 1, 2019	50,000	(2,380)	47,620
City of St. Petersburg – Mortgage Payable	January 1, 2022	55,000	(11,907)	43,093
		<u>\$ 142,910</u>	<u>\$ (14,287)</u>	<u>\$ 128,623</u>

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Education and personal expenses for residents	\$ 22,212	\$ 11,171
Operational activities	5,000	-
Property improvements and equipment additions	57,744	6,725
	<u>84,956</u>	<u>17,896</u>
Time restrictions met:		
United Way of Pinellas County	80,360	90,904
Reduction of interest contributed on discounted mortgages	6,797	4,074
	<u>87,157</u>	<u>94,978</u>
Total restrictions released	<u>\$ 172,113</u>	<u>\$ 112,874</u>

NOTE 9 – BENEFICIAL INTEREST IN PERPETUAL TRUST

Brookwood Florida is a beneficiary of the Charles A. Lauffer Trust (the Trust). The Trust's assets are administered by a third party trustee and are not in the possession or control of Brookwood Florida. Brookwood Florida has a one-sixteenth (1/16th) beneficial interest in the Trust and receives donor-restricted support that is perpetual in nature as an annual income distribution from the trustee.

BROOKWOOD FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 9 – BENEFICIAL INTEREST IN PERPETUAL TRUST (continued)

The use of the funds received from the Trust is not restricted other than that they are to be used in the operation of Brookwood Florida. The income distributions for 2018 and 2017 were \$12,500 and \$14,088, respectively.

The beneficial interest in the perpetual trust is reported as a restricted asset in the accompanying Statement of Financial Position. The fair market value of Brookwood Florida's 1/16th beneficial interest in the Trust assets as of December 31, 2018 and 2017 were \$113,011 and \$117,637, respectively, which are reported as net assets with donor restrictions – perpetual in nature. Changes in the fair market value of the investments within the Trust are reported as an increase or decrease in net assets with perpetual donor restrictions in the accompanying Statement of Activities.

NOTE 10 - OPERATING RESERVES

Brookwood Florida, Inc. maintains an investment account which has been designated by the Board of Directors for self-imposed operating reserves. This account is intended to enable Brookwood to continue services to clients in the event of large unanticipated expenditures or failure to receive anticipated revenues. Board policy requires that withdrawals from this account must be approved in advance by the Board of Directors, and can only be made for the above purpose unless this designation is amended by the Board.

In 2018, excess operating cash of \$350,000 was transferred to this operating reserve investment account. As of December 31, 2018 and 2017 the balance in the operating reserve account was \$1,446,960 and \$1,139,343, respectively.

As of December 31, 2018 and 2017, the balance of net assets without donor restrictions exclusive of this Board designated amount and the amount previously expended on property and equipment was \$355,305 and \$760,882, respectively.

NOTE 11 - DONATED ITEMS

Donated materials and equipment are recorded at their estimated acquisition value at date of receipt. Donated services are recorded at their acquisition value as determined by comparison with what they would cost if purchased by Brookwood. If services performed by volunteers would not otherwise be performed by salaried employees, no amount is recorded for the donated service. Based on these criteria, an in-kind contribution in the amount of \$37,910 was recorded for the year ended December 31, 2018. This in-kind contribution is reported on the Statement of Activities as revenue without donor restrictions as it represents debt forgiveness from the City of St. Petersburg for a mortgage. The in-kind contributions for the year ended December 31, 2017 consisted of debt forgiveness from the City of St. Petersburg for two mortgages totaling \$100,000.

NOTE 12 - COTTAGE RESERVE

In 1985, Brookwood Florida received a grant of \$35,000 from the Edyth Bush Foundation to assist in completing and furnishing a donated house that was moved to the Brookwood Florida grounds. This grant was subject to Brookwood Florida, Inc. establishing a reserve to provide for future improvements. When fully funded the reserve value should be \$83,657. The balance in this reserve at December 31, 2018 and 2017 was \$97,043 and \$101,403, respectively. The fully funded reserve amount of \$83,657 is reported as a restricted investment with the excess reserve amounts of \$13,386 and \$17,746 2018 and 2017, respectively, being reported as a part of current investments without restrictions.

BROOKWOOD FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 13 - EMPLOYEE LEASING AGREEMENT

Brookwood Florida, Inc. entered into an employee leasing agreement in November 1990, whereby all of Brookwood Florida, Inc.'s employees became employees of a staff leasing service. The agreement was entered into in order to contain employee benefit costs.

The current employee leasing agreement requires payments for each payroll period that includes the employees' gross salaries, the employer share of social security and Medicare expense, state and federal unemployment, the employer paid portion of benefits, workers' compensation insurance and an administrative fee based on a percentage of gross payroll.

The payments are allocated to salary expense, employee benefits, workers' compensation insurance and payroll taxes based upon the actual amounts for each payroll period. The gross payroll and related expenses and administrative fee remitted for the years ended December 31, 2018 and 2017 (excluding accrued wages and related payroll taxes), were as follows:

	<u>2018</u>	<u>2017</u>
Gross payroll and related expenses	<u>\$ 1,007,181</u>	<u>\$ 896,253</u>
Administrative fee	<u>\$ 20,135</u>	<u>\$ 17,089</u>

NOTE 14 – FEES FOR SERVICES FROM GOVERNMENTAL AGENCIES

Funding received by Brookwood Florida, Inc. from governmental agencies for services is as follows:

	<u>2018</u>	<u>2017</u>
State of Florida Agency for Health Care Administration – Medicaid - contracted and administered through Florida Department of Children and Families	\$ 218,382	\$ 225,720
U.S. Department of Housing and Urban Development	79,798	87,883
Childnet, Inc.	3,225	12,255
Eckerd Community Alternative	239,370	285,729
Eckerd Community Alternative - Hillsborough	21,115	113,975
Sarasota Family YMCA, Inc.	43,365	59,990
Children Network of Southwest Florida	71,865	7,340
Big Bend Community Based Care	120,200	39,773
Devereux Community Based Care	22,935	7,960
Family Integrity Program	35,007	5,985
Extended Foster Care (various agencies)	8,089	13,663
Family First Network	13,100	15,695
Heartland for Children	5,700	3,610
CBC of Central Florida	38,965	33,719
Our Kids	12,200	-
Kids First of Florida	9,215	-
Partnership For Strong Families	-	7,140
Kids Central	-	7,235
	<u>\$ 942,531</u>	<u>\$ 927,672</u>

BROOKWOOD FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 15 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Brookwood Florida, Inc. has adopted Financial Accounting Standards Board Codification Section 820 – *Fair Value Measurements and Disclosures*, which provides a common definition of fair value, establishes a framework for measuring fair value under U. S. generally accepted accounting principles and requires additional disclosures about fair value.

Financial instruments measured at fair value are classified and disclosed in the following categories:

- Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are cash, money market funds, fixed income mutual funds, equity mutual funds, equity securities, corporate bonds, and time deposits.
- Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in Level 2 include accounts receivable, account payable, and short and long term debt.
- Level 3: Valuation is based on unobservable inputs. The types of financial instruments included in Level 3 include unconditional promises to give – pledges.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The fair value of assets and liabilities measured on a recurring basis at December 31, 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
<u>Investments without donor restrictions:</u>				
Investment securities	\$ 1,433,574	\$ 1,433,574	\$ -	\$ -
Cottage Reserve	13,386	13,386	-	-
<u>Investments with donor restrictions:</u>				
Cottage Reserve	83,657	83,657	-	-
Perpetual Trust	113,011	113,011	-	-
Liabilities				
Mortgage loans payable	111,581	-	111,581	-

For mortgage loans payable, debt that is non-interest bearing has been discounted to fair value using interest rates that are representative of prevailing market rates.

BROOKWOOD FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 16- SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Brookwood Florida, Inc. maintains a checking account and savings account at a local financial institution. Federal Deposit Insurance Corporation (FDIC) coverage is limited to \$250,000 per depositor. At December 31, 2018 the combined balances of the accounts exceeded FDIC coverage by \$52,876.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Brookwood Florida, Inc. was approved for \$60,000 of funding by the City of St. Petersburg in December 2018 that is to be used for improvements to the facility. This work will be done during the year ended December 31, 2019. No amounts have been recorded in the financial statements for the year ended December 31, 2018 since there had not been any work performed as of December 31, 2018 to warrant a request for reimbursement.

NOTE 18 – SUBSEQUENT EVENTS

Brookwood Florida, Inc. has considered subsequent events through the date of the audit report which is the date the financial statements were available to be issued. There were no subsequent events that required an adjustment to the financial statements and there were no other subsequent events that required disclosure in the notes to the financial statements.

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SUPPLEMENTARY FINANCIAL INFORMATION

BROOKWOOD FLORIDA, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS
 Year Ended December 31, 2018

Federal Grantor / State Grantor / Pass - Through	CFDA / CSFA Number	Contract/Grant Number	Grant Award	Grant Expenditures
Federal Programs				
U.S. Department of Housing and Urban Development				
Pass through the City of St. Petersburg, Florida:				
Community Development Block Grant				
Various mortgage loans awarded and expended in prior years				
for property rehabilitation, eligible for forgiveness in 2019-2022	14.218	N/A	\$ 97,509	\$ 97,509 A
Mortgage loan - eligible for forgiveness in 2024	14.218	N/A	\$ 17,960	\$ 17,960
Supportive Housing Program				
Special Needs Assessment Program (SNAP)	14.267	FL 0046 L4H 021609 / FL 0046 L4H 021710	79,798	79,798
Total U.S. Department of Housing and Urban Development			<u>97,758</u>	<u>97,758</u>
U.S. Department of Agriculture				
Florida Department of Education				
School Breakfast Program	10.553	01-0132	18,745	18,745
National School Lunch Program	10.555	01-0132	20,857	20,857
Total U.S. Department of Agriculture			<u>39,602</u>	<u>39,602</u>
U.S. Department of Health and Human Services				
Florida Department of Children and Families				
Foster Care - Title IV-E				
Sarasota Family YMCA, Inc.	93.658	BRK OHCR17 / BRK OHCR18	31,830	31,830
Sarasota Family YMCA, Inc.	93.658	Extended Foster Care	2,672	2,672
ChildNet, Inc. - Broward	93.658	Rate Agreement	2,509	2,509
Big Bend CBC	93.658	Rate Agreement	93,515	93,515
Big Bend CBC	93.658	Extended Foster Care	33	33
Children Network of Southwest Florida, LLC	93.658	SBP05	54,186	54,186
Eckerd Community Alternatives - Hillsborough	93.658	ECA-C6-RGC-BFI-FY19	15,773	15,773
Eckerd Community Alternatives - Pinellas / Pasco	93.658	ECA-C6-RGC-BFI-FY19	186,230	186,230
Eckerd Community Alternatives - Pinellas / Pasco	93.658	Extended Foster Care	2,560	2,560
Community Based Care of Central Florida	93.658	RA 1114	30,315	30,315
Community Based Care of Central Florida	93.658	Extended Foster Care	1,028	1,028
Devereux Community Based Care, Inc.	93.658	DCBC 218 / CCK 19-218	17,293	17,293
Our Kids	93.658	Rate Agreement	9,492	9,492
Heartland for Children	93.658	RA-NBW01 / RA-OBW01	4,013	4,013
Family First Network	93.658	Rate Agreement	10,192	10,192
Family Integrity Program	93.658	Rate Agreement	27,235	27,235
Kids First of Florida	93.658	Rate Agreement	7,169	7,169
Sub-total			<u>496,045</u>	<u>496,045</u>
Social Services Block Grant				
Sarasota Family YMCA, Inc.	93.667	BRK OHCR17 / BRK OHCR18	11,535	11,535
Sarasota Family YMCA, Inc.	93.667	Extended Foster Care	763	763
ChildNet, Inc. - Broward	93.667	Rate Agreement	716	716
Big Bend CBC	93.667	Rate Agreement	26,684	26,684
Big Bend CBC	93.667	Extended Foster Care	10	10
Children Network of Southwest Florida, LLC	93.667	SBP05	17,679	17,679
Eckerd Community Alternatives - Hillsborough	93.667	ECA-C6-RGC-BFI-FY19	4,498	4,498
Eckerd Community Alternatives - Pinellas / Pasco	93.667	ECA-C6-RGC-BFI-FY19	53,140	53,140
Eckerd Community Alternatives - Pinellas / Pasco	93.667	Extended Foster Care	730	730
Community Based Care of Central Florida	93.667	RA 1114	8,650	8,650
Community Based Care of Central Florida	93.667	Extended Foster Care	293	293
Devereux Community Based Care, Inc.	93.667	DCBC 218 / CCK 19-218	5,642	5,642
Our Kids	93.667	Rate Agreement	2,708	2,708
Heartland for Children	93.667	RA-NBW01 / RA-OBW01	1,311	1,311
Family First Network	93.667	Rate Agreement	2,908	2,908
Family Integrity Program	93.667	Rate Agreement	7,772	7,772
Kids First of Florida	93.667	Rate Agreement	2,046	2,046
Sub-total			<u>147,085</u>	<u>147,085</u>
Total U.S. Department of Health and Human Services			<u>643,130</u>	<u>643,130</u>
Total Expenditures of Federal Programs			<u>\$ 780,490</u>	<u>\$ 780,490</u>

(continued)

BROOKWOOD FLORIDA, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS
 Year Ended December 31, 2018

<u>Federal Grantor / State Grantor / Pass - Through</u>	<u>CFDA / CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Grant Award</u>	<u>Grant Expenditures</u>
State Projects				
Florida Department of Children and Families Child Welfare Out-of-Home Supports Eckerd Community Alternatives - Hillsborough	60.074	ECA-C6-RGC-BFI-FY19	845	845
Florida Department of Children and Families Sexually Exploited Children Heartland for Children	60.138	RA-NBW01 / RA-OBW01	376	376
Total Florida Department of Children and Families			<u>1,221</u>	<u>1,221</u>
Total Expenditures of State Projects			<u>\$ 1,221</u>	<u>\$ 1,221</u>

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards and State Projects (the "Schedule") includes the federal and state awards for the year ended December 31, 2018. 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 Brookwood Florida, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Brookwood Florida, 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, wherein certain types of expenditures are not allowable or are limited to reimbursement.

A - The Community Development Block Grant mortgage loan proceeds were expended in prior years.

INDEPENDENT AUDITOR'S 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*

Board of Directors
Brookwood Florida, Inc.
St. Petersburg, Florida

We have audited, 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, the financial statements of Brookwood Florida, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statement 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 May 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brookwood Florida, 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 Brookwood Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Brookwood Florida, Inc.'s internal control.

A deficiency in internal controls 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 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 Brookwood Florida, 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 the 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 Brookwood Florida, 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 Brookwood Florida, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wells, Houser & Schatzel, P.A.

Wells, Houser & Schatzel, P.A.
St. Petersburg, Florida

May 10, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Brookwood Florida, Inc.
St. Petersburg, Florida

Report on Compliance for Each Major Federal Program

We have audited Brookwood Florida, Inc.'s compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Brookwood Florida, Inc.'s major federal programs for the year ended December 31, 2018. Brookwood Florida, Inc.'s major federal program is 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Brookwood Florida, 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 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 Brookwood Florida, 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 the major federal program. However, our audit does not provide a legal determination of Brookwood Florida, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Brookwood Florida, 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 December 31, 2018.

Report on Internal Control Over Compliance

Management of Brookwood Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Brookwood Florida, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 of the effectiveness of Brookwood Florida, 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 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.

Purpose of the Report

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.

Wells, Houser & Schatzel, P.A.

Wells, Houser & Schatzel, P.A.
St. Petersburg, Florida

May 10, 2019

BROOKWOOD FLORIDA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 30, 2018

(1) Summary of Auditor's Results

- a. The auditor's report expresses an unmodified opinion on the financial statements of Brookwood Florida, Inc.
- b. There were no significant deficiencies, and hence no material weaknesses, in internal control identified during the audit of the financial statements that would need to be reported in accordance with *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of Brookwood Florida, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d. There were no significant deficiencies, and hence no material weaknesses, in internal control over major Federal programs that were identified during the audit.
- e. The auditor's report on compliance for the major federal programs for Brookwood Florida, Inc. expresses an unmodified opinion on major federal programs.
- f. Our audit disclosed no findings required to be reported related to Federal programs in accordance with 2 CFR 200.516(a).
- g. The program tested as a major program included the following:
CFDA Number 93.658: U. S. Department of Health and Human Services – Contracted Services – Foster Care Title IV
- h. The threshold for distinguishing Type A and Type B programs was \$750,000 for major Federal programs.
- i. Brookwood Florida, Inc. was determined to be a low-risk auditee pursuant to the Uniform Guidance as Brookwood Florida, Inc. has been subjected to the Federal Single Audit requirements for the past two years.

(2) Findings Relating to the Financial Statements Reported in Accordance With Government Auditing Standards

No matters were reported.

(3) Findings and Questioned Costs Relating to Major Federal Programs

No matters were reported.

Notes regarding Corrective Action Plan

As there are no current year findings or questioned costs, a Corrective Action Plan is not required.

Notes regarding Summary Schedule of Prior Audit Findings

A schedule of prior audit findings is not presented because there are no prior audit findings to be reported.