

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS
COMMUNITY AGING AND RETIREMENT SERVICES, INC.

December 31, 2018

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RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Member
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Herman V. Lazzara	Stephen G. Douglas
Marc D. Sasser	Michael E. Helton
Sam A. Lazzara	Christopher F. Terrigino
Kevin R. Bass	James K. O'Connor
Jonathan E. Stein	
Richard B. Gordimer, of Counsel	
Cesar J. Rivero, in Memoriam (1942-2017)	

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Community Aging and Retirement Services, Inc.

Report of the Financial Statements

We have audited the accompanying financial statements of Community Aging and Retirement Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance as required by Chapter 10.650, *Rules of the Auditor General* is presented for additional analysis and is not a required part of the basic 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.

Prior Period Restatement

As part of our audit of the 2018 financial statements, we also audited the adjustments described in Note H that were applied to restate the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of Community Aging and Retirement Services, Inc. other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2017 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 May 13, 2019 on our consideration Community Aging and Retirement Services, 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 effectiveness of Community Aging and Retirement Services, 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 Community Aging and Retirement Services, Inc.'s internal control over financial reporting and compliance.

Tampa, Florida
May 13, 2019



Community Aging and Retirement Services, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Current Assets

Cash	\$	138,559
Accounts receivable, net of allowance of \$405		86,165
Grants receivable		333,132
Beneficial interest in assets held by others		87,841
Prepaid assets and deposits		9,166
Total current assets		<u>654,863</u>

Property and equipment, net		<u>1,797,312</u>
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Total assets	\$	<u>2,452,175</u>
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LIABILITIES AND NET ASSETS

Current liabilities

Current portion of notes payable	\$	98,559
Line of credit		249,933
Accounts payable		359,818
Accrued expenses and other liabilities		188,009
Total current liabilities		<u>896,319</u>

Notes payable, noncurrent portion		<u>763,254</u>
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Total liabilities		<u>1,659,573</u>
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Net assets

Without donor restrictions		792,602
With donor restrictions		<u>-</u>

Total net assets		<u>792,602</u>
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Total liabilities and net assets	\$	<u>2,452,175</u>
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The accompanying notes are an integral part of this financial statement.

Community Aging and Retirement Services, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2018

Revenues and support	
Grant revenue	\$ 3,544,067
Program service fees	758,933
Contributions	226,195
Special events, net of direct expenses of \$22,809	104,150
In-kind contributions	15,661
Investment loss	<u>(6,142)</u>
Total revenues and support	<u>4,642,864</u>
Expenses	
Program services	
Adult Day Care	440,359
Care managed services	2,628,423
Skilled care	240,200
Senior centers	614,801
Senior health clinic	<u>88,624</u>
	4,012,407
Support Services	
Management and general	837,193
Fund raising	<u>17,696</u>
Total expenses	<u>4,867,296</u>
Decrease in net assets	(224,432)
Net assets at beginning of year	2,586,395
Prior period adjustment	<u>(1,569,361)</u>
Net assets end of year	<u>\$ 792,602</u>

The accompanying notes are an integral part of this financial statement.

Community Aging and Retirement Services, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

	Program Services					Support Services		Total Expenses	
	Adult Day Care	Care Managed Services	Skilled Care	Senior Centers	Senior Health Clinic	Total	Management and General		Fund Raising
Personnel	\$ 282,666	\$ 1,521,146	\$ 187,232	\$ 84,981	\$ 41,372	\$ 2,117,397	\$ 550,001	\$ 8,077	\$ 2,675,475
Travel	1,272	36,312	16,376	106,125	1,516	161,601	8,525	-	170,126
Occupancy	-	-	-	1,800	-	1,800	-	-	1,800
Communications	1,251	11,399	5,721	33,644	3,452	55,467	13,025	-	68,492
Printing and supplies	805	8,014	853	8,546	855	19,073	17,120	-	36,193
Maintenance and repair	6,665	6,807	492	69,207	4,153	87,324	19,504	936	107,764
Contract services	76,828	983,310	3,154	15,560	18,679	1,097,531	20,691	-	1,118,222
Special events	-	-	-	366	1,410	1,776	151	-	1,927
Advertising	1,428	2,428	2,341	4,710	384	11,291	6,835	395	18,521
Insurance	-	-	-	32,956	-	32,956	23,591	-	56,547
Program supplies	51,489	34,144	17,149	19,763	3,411	125,956	757	230	126,943
Utilities	10,084	5,539	-	46,940	4,333	66,896	1,879	-	68,775
Professional fees	-	353	2,700	10,181	-	13,234	21,248	-	34,482
Finance costs and taxes	-	68	130	47,014	-	47,212	7,182	-	54,394
Other costs	7,871	18,903	4,052	28,586	2,958	62,370	146,478	8,058	216,906
Depreciation	-	-	-	104,422	6,101	110,523	206	-	110,729
Total expenses	\$ 440,359	\$ 2,628,423	\$ 240,200	\$ 614,801	\$ 88,624	\$ 4,012,407	\$ 837,193	\$ 17,696	\$ 4,867,296

The accompanying notes are an integral part of this financial statement.

Community Aging and Retirement Services, Inc.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

Cash flows from operating activities	
Decrease in net assets	\$ (224,432)
Adjustments to reconcile decrease in net assets to cash provided by operating activities	
Depreciation	110,729
Decrease in accounts receivable	76,975
Decrease in grants receivable	302,622
Decrease in prepaid and other assets	1,524
Net decrease in beneficial interest held by others	12,121
Decrease in accounts payable and accrued expenses	(380,703)
Decrease in deferred revenues	<u>(314,161)</u>
Net cash used by operating activities	<u>(415,325)</u>
Cash flows from investing activities	
None	<u>-</u>
Cash flows from financing activities	
Proceeds from note payable	70,000
Principal payments on notes payable	(28,080)
Net proceeds from line of credit	<u>5,000</u>
Net cash provided by financing activities	<u>46,920</u>
Net decrease in cash	(368,405)
Cash at beginning of year	<u>506,964</u>
Cash at end of year	<u>\$ 138,559</u>
Supplemental cash flow information	
Cash paid during the year for interest	<u>\$ 44,743</u>
Cash paid during the year for taxes	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

Community Aging and Retirement Services, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Background Information

Community Aging and Retirement Services, Inc. ("CARES") is a tax exempt, Florida not-for-profit corporation organized for the purpose of development, delivery and coordination of high-quality programs and services which are responsive to the needs of adults and older persons residing in Pasco County, Florida. CARES currently conducts its operations through one program office, two enrichment centers, two adult day care centers and one senior health clinic.

2. Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on CARES as a whole and to present revenue, expenses, and net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- With Donor Restrictions – Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may be fulfilled by actions of CARES to meet the stipulations, that may become undesignated by the passage of time, or that require net assets to be permanently maintained, thereby restricting the use of principal.
- Without Donor Restriction – Net assets without donor restrictions are net assets not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. These net assets are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

3. Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The major changes include:

- Requiring the presentation of only two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions"
- Modifying the presentation of underwater endowment funds and related disclosures

Community Aging and Retirement Services, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- Requiring the use of the placed in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise
- Requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate functional expense statement, or in the notes and disclose a summary of the allocation methods used to allocate costs
- Requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources
- Presenting investment return net of external and direct internal investment expenses
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements

The new standard is effective for CARES year ending December 31, 2018, and thereafter, and must be applied on a retrospective basis. CARES adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

4. Liquidity

Assets and liabilities are presented in the accompanying statement of financial position according to their nearness of conversion to cash and, their maturity and resulting use of cash, respectively. See note B.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Cash and Cash Equivalents

CARES considers all highly liquid debt instruments and securities purchased with a maturity of three months or less to be cash equivalents. There are no cash equivalents at December 31, 2018.

Community Aging and Retirement Services, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. Concentrations of Credit Risk

Financial instruments that potentially subject CARES to concentrations of credit risk are primarily cash and accounts receivable. CARES' cash deposits are placed in financial institutions which at times may exceed the Federal Deposit Insurance Corporation (FDIC) coverage. CARES has not experienced any losses in its cash accounts and does not believe it is exposed to any significant credit risks related to uninsured amounts.

8. Accounts Receivable and Allowance of Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances, less estimated contractual adjustments related to agreements with third-party payers. Accounts receivable are reviewed for write off after 180 days and analysis of collection efforts. Management provides for probable uncollectible amounts through a charge to expense and a credit to an allowance based on prior bad debt experience and a review of existing receivables. Balances that remain outstanding after management has used reasonable collection efforts are written off. An allowance of \$405 is included in relation to accounts receivable in the accompanying financial statements at December 31, 2018.

9. Grant Revenue and Receivables

Grant revenue is received from federal, state and local sources. Grant revenue is recorded based upon the terms of the grantor allotment, which generally provides that revenues are earned when the allowable costs of the specific grant provisions have been incurred or such services have been rendered. Such revenues are subject to audit by the grantor, and if the examination results in a deficiency of allowable expenses, CARES would be required to refund any deficiencies.

10. Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over estimated useful lives ranging from 5 to 30 years. It is CARES' policy that maintenance and repairs are charged to expense as incurred. Additions and improvements exceeding \$1,000 and with a useful life of over one year are capitalized. Donated property and equipment are recorded at fair value at the date of the gift.

Community Aging and Retirement Services, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the absence or existence and nature of any donor restrictions. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions, which increases that class of net assets. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

12. Donated Services and Materials

Donated services are recorded at their estimated fair value if the services received create or enhance non-financial assets or the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

13. Functional Allocation of Expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of CARES are reported as expenses of those functional areas. Expenses that benefit multiple functional areas have been allocated across programs, general and administrative, and fundraising expenses based on the proportion of employee time involved.

14. Income Taxes

CARES has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been presented in these financial statements. CARES has not reported any unrelated business income; however, such status is subject to final determination upon examination, if any, of the related income tax returns by appropriate taxing authorities.

CARES is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after December 31, 2014 remain subject to examination by federal and state taxing authorities.

15. Advertising

CARES expenses all media advertising as incurred. Advertising expense totaled \$18,521 for the year ended December 31, 2018.

Community Aging and Retirement Services, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

NOTE B - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets, without donor or other restrictions limiting their use, available for general expenditures within one year of the statement of financial position date comprise the following at December 31, 2018:

Cash	\$ 138,559
Accounts receivable, net of allowance of \$405	86,165
Grants receivable	333,132
Amount available from spending policy of beneficial interest in assets held by others	<u>4,392</u>
Total financial assets available within one year	<u><u>\$ 562,248</u></u>

CARES maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Should the need arise, CARES has the ability to draw additional amounts from their beneficial interest in assets held by others as long as they meet certain contractual requirements. Additionally, CARES maintains a line of credit to help manage its liquidity needs. See Note E.

Subsequent to year end CARES sold its Medicare license for \$950,000 (see also Note I). In April 2019, CARES received an initial payment of \$500,000. Management has earmarked a portion of these funds towards paying down various liabilities, and the remaining portion will be available to meet current expenditure requirements within one year of the financial position date.

NOTE C - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

CARES has established an agency fund with the Community Foundation of Tampa Bay ("Community Foundation") for the benefit of CARES. The assets are pooled by the Community Foundation into a larger investment fund. CARES' agency fund is valued on a pro-rata share of the Community Foundation's total investment fund and as such, is considered a level 3 financial instrument in accordance with fair value accounting standards. Level 3 financial instruments are not actively traded on a market exchange and include the situations where there is little, if any, market activity for the financial instrument. Values of level 3 financial instruments are determined using significant unobservable inputs or valuation techniques.

Balance at January 1, 2018	\$ 99,962
Realized and unrealized gains (losses)	(8,091)
Interest and dividend income, net of fees of \$887	968
Contributions received	-
Grants paid	<u>(4,998)</u>
Balance at December 31, 2018	<u><u>\$ 87,841</u></u>

Community Aging and Retirement Services, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

NOTE C - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS - Continued

The Community Foundation maintains the Community Aging and Retirements Services, Inc - Designated Fund to benefit CARES. This investment account is not considered an asset of CARES and therefore is not included in these financial statements. The value of this investment account held for the benefit of CARES by the Community Foundation was \$23,621 as of December 31, 2018.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018:

Land	\$ 250,000
Buildings	2,362,503
Leasehold improvements	364,038
Furniture and equipment	258,389
Vehicles	<u>131,845</u>
	3,366,775
Less accumulated depreciation	<u>(1,569,463)</u>
	<u>\$ 1,797,312</u>

Depreciation expense was \$110,729 for the year ended December 31, 2018.

NOTE E - LINE OF CREDIT

CARES maintains a \$250,000 line of credit with a financial institution. The line of credit is due on demand and bears interest at the Wall Street Journal prime rate plus one percent (6.5% at December 31, 2018). The balance outstanding on this line of credit at December 31, 2018 was \$249,933. The line of credit is collateralized by the Crescent Senior Enrichment Center and the Rao Musunuru MD Senior Enrichment Center.

NOTE F - NOTES PAYABLE

Notes Payable are as follows at December 31, 2018:

Unsecured note payable to an individual, interest of 13% accruing annually, due on demand.	\$ 70,000
Mortgage note payable to bank, interest of 4.20%. Monthly principle and interest payments of \$1,612, with balloon payment due August 2027. Collateralized by a mortgage on the Crescent Senior Enrichment Center, which has a net book value of \$581,868 at December 31, 2018.	248,031

Community Aging and Retirement Services, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

NOTE F - NOTES PAYABLE - Continued

Mortgage note payable to bank, interest of 4.20%. Monthly principle and interest payments of \$3,534, with balloon payment due July 2027. Collateralized by a mortgage on the Rao Musunuru MD Senior Enrichment Center, which has a net book value of \$643,547 at December 31, 2018.	<u>543,782</u>
Total notes payable	861,813
Less current portion of notes payable	<u>(98,559)</u>
Notes payable, noncurrent portion	<u><u>\$ 763,254</u></u>

Maturities of notes payable are as follows:

Year Ending December 31,

2019	\$ 98,559
2020	29,708
2021	31,088
2022	32,131
2023	33,112
Thereafter	<u>637,215</u>
	<u><u>\$ 861,813</u></u>

NOTE G - CONTIGENCIES

CARES participates in federal and state government grant programs, the expenditures for which are subject to audit from the respective funding agencies. Upon examination, expenditures could be disallowed, and refunds required. CARES has not been notified that any such audits are forthcoming and is not aware of any expenditures for which such allowances or refunds would be required by funding agencies.

During the year ended December 31, 2018, approximately 75% of revenues were received indirectly from the State of Florida, Department of Elder Affairs.

Community Aging and Retirement Services, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

NOTE H - PRIOR PERIOD ADJUSTMENT

Net assets relating to the year ended December 31, 2017 were restated and reduced by \$1,569,361 due to a change in the application of GAAP for revenue recognition related to grants. Previously, grant revenues were recognized as unconditional promises to give at the total grant value on the award date. Effective in 2018 and thereafter, grant revenues are recognized when services are rendered and/or expenditures are incurred.

NOTE I - SUBSEQUENT EVENTS

CARES has evaluated events and transactions occurring subsequent to December 31, 2018 as of May 13, 2019, which is the date the financial statements were available to be issued.

During the year ended December 31, 2018, CARES entered into a contract to sell its Medicare license to a private entity for \$950,000. The sale was contingent upon approval from the State of Florida and as such was not recorded in these financial statements. Subsequent to year end, the State of Florida approved the sale of the Medicare license. CARES received \$500,000 from the sale of the license in April 2019, with \$250,000 due January 2020 and \$200,000 due April 2021.

SUPPLEMENTARY INFORMATION

Community Aging and Retirement Services, Inc.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the year ended December 31, 2018

State Grantor Program or Cluster Title	State CSFA #	Pass-through Entity Identifying Number	Total State Expenditures	Transfers to Subrecipients
State Agency				
<u>State of Florida Department of Elder Affairs</u>				
Indirect Programs				
Passed through Area Agency on Aging of Pasco-Pinellas, Inc.				
Home Care for the Elderly	65.001	EC017-CARES & EC018-CARES	\$ 33,269	\$ -
<i>Alzheimer's Respite Services</i>	65.004	EC017-CARES & EC018-CARES	498,210	-
<i>Local Services Programs</i>	65.009	EC017-CARES & EC018-CARES	131,077	-
<i>Community Care for the Elderly</i>	65.010*	EC017-CARES & EC018-CARES	<u>\$ 1,840,724</u>	<u>\$ -</u>
Total State of Florida Department of Elder Affairs			<u>\$ 2,503,280</u>	<u>\$ -</u>
Total expenditures of state financial assistance			<u><u>\$ 2,503,280</u></u>	<u><u>\$ -</u></u>

* Denotes major project

The accompanying notes are an integral part of this schedule.

Community Aging and Retirement Services, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

December 31, 2018

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") includes the State project activity of CARES under programs of the State of Florida for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Because the Schedule only presents a selected portion of the operations of CARES, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CARES.

NOTE B - BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting

NOTE C - CONTINGENCIES

These State projects are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures, and affect CARES continued participation in specific projects. The amount of expenditures which may be disallowed by grantor agencies cannot be determined at this time, although CARES expects such amounts, if any, to be immaterial.

NOTE D - INDIRECT COSTS

CARES did not allocate costs to the state financial assistance project. All costs charged to the project were direct costs.

COMPLIANCE REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

COMMUNITY AGING AND RETIREMENT SERVICES, INC.

December 31, 2018



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Community Aging and Retirement Services, 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 Community Aging and Retirement Services, Inc. (a nonprofit organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Aging and Retirement Services, 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 Community Aging and Retirement Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Aging and Retirement Services, 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 charges 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 a part of obtaining reasonable assurance about whether Community Aging and Retirement Services, 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Aging and Retirement Services, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bucio, Gordimer & Company, P.A.

Tampa, Florida
May 13, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

COMMUNITY AGING AND RETIREMENT SERVICES, INC.

December 31, 2018



**RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS**

Member
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Herman V. Lazzara Stephen G. Douglas
Marc D. Sasser Michael E. Helton
Sam A. Lazzara Christopher F. Terrigino
Kevin R. Bass James K. O'Connor
Jonathan E. Stein
Richard B. Gordimer, of Counsel
Cesar J. Rivero, in Memoriam (1942-2017)

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY STATE OF
FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

The Board of Directors
Community Aging and Retirement Services, Inc.
Hudson, Florida:

Report on Compliance for Each Major State Project

We have audited Community Aging and Retirement Services, Inc.'s compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of Community Aging and Retirement Services, Inc.'s major state projects for the year ended December 31, 2018. Community Aging and Retirement Services, Inc.'s major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state projects applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Community Aging and Retirement Services, Inc.'s major state projects based on our audit of the types of compliance requirements referred 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 Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above and that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about Community Aging and Retirement Services, 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 each major state project. However, our audit does not provide a legal determination of Community Aging and Retirement Services, Inc.'s compliance.

Opinion on Each Major State Project

In our opinion, Community Aging and Retirement Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Community Aging and Retirement Services, 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 Community Aging and Retirement Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with the Chapter 10.650, *Rules of the Auditor General*, 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 CARES' 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 state project 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 state project 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 state project 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 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 Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



Tampa, Florida
May 13, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
COMMUNITY AGING AND RETIREMENT SERVICES, INC.

For the year ended December 31, 2018

Community Aging and Retirement Services, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended December 31, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

State Projects

Internal control over major projects:
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.656, *Rules of the Auditor General*? yes X no

Identification of major state project:

<u>CSFA Number</u>	<u>Name of State Project</u>
65.010	Community Care for the Elderly

Dollar threshold used to distinguish between type A and type B programs - State projects: \$ 300,000

Section II - Financial Statement Findings

No matters were reported for the year ended December 31, 2018.

Section III - State Financial Assistance Findings and Questioned Costs

No matters were reported for the year ended December 31, 2018.

Other Issues

- a) A management letter is not required because there were no findings required to be reported in the management letter (see AG Rule Section 10.656(3)(e).
- b) A summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to State projects (see AG Rules 10.557(3)(e)5. and 10.656(3)(d)5.).