

Embrace Families Community Based Care, Inc.

Financial and Compliance Report
June 30, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
Embrace Families Community Based Care, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Embrace Families Community Based Care, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 Embrace Families Community Based Care, Inc., as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Florida Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020, on our consideration of Embrace Families Community Based Care, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Embrace Families Community Based Care, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Embrace Families Community Based Care, Inc.'s internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
December 23, 2020

Embrace Families Community Based Care, Inc.

**Statements of Financial Position
June 30, 2020 and 2019**

	2020	2019
Assets		
Current assets:		
Cash	\$ 2,107,617	\$ 4,460,388
Restricted cash held for master trust	222,371	182,169
Accounts receivable	3,562,402	2,224,382
Prepaid expenses and other assets	339,925	311,943
Total current assets	6,232,315	7,178,882
Investment in limited liability company	188,658	174,893
Property and equipment, net	361,003	373,078
Total assets	\$ 6,781,976	\$ 7,726,853
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,053,345	\$ 4,939,783
Deferred revenues	5,756	1,218,696
Due to Embrace Families, Inc.	953,211	681,516
Assets held for master trust	222,371	182,169
Notes payable - related party	220,000	220,000
Total current liabilities	7,454,683	7,242,164
Custodial assets held for others	348,648	357,710
Notes payable	1,028,572	-
Total liabilities	8,831,903	7,599,874
Commitments and contingencies (Notes 5, 8 and 9)		
Net assets without donor restrictions	(2,049,927)	126,979
Total liabilities and net assets	\$ 6,781,976	\$ 7,726,853

See notes to financial statements.

Embrace Families Community Based Care, Inc.

**Statements of Activities
Years Ended June 30, 2020 and 2019**

	2020	2019
Revenues:		
Grants and contracts	\$ 80,256,684	\$ 73,454,711
Contributions and other income	950,562	1,205,502
Total revenues	81,207,246	74,660,213
Expenses:		
Program services:		
Foster care	9,967,898	8,205,095
Adoptions	21,365,897	19,311,903
Residential	11,281,700	8,874,097
Independent living	9,133,750	7,511,945
System of care	12,747,935	11,889,247
Financial assistance	13,868,501	13,146,830
Other program services	3,227,262	3,122,993
Total program services	81,592,943	72,062,110
Supporting services:		
General and administrative	1,741,209	1,627,400
Fundraising	50,000	50,000
Total supporting services	1,791,209	1,677,400
Total expenses	83,384,152	73,739,510
Change in net assets	(2,176,906)	920,703
Net assets without donor restrictions:		
Beginning	126,979	(793,724)
Ending	\$ (2,049,927)	\$ 126,979

See notes to financial statements.

Embrace Families Community Based Care, Inc.

Statement of Functional Expenses Year Ended June 30, 2020

	Program Services							Supporting Services		Total Expenses	
	Foster Care	Adoptions	Residential	Independent Living	System of Care	Financial Assistance	Other Program Services	Total Program Services	General and Administrative		Fundraising
Salaries	\$ 570,656	\$ 743,683	\$ 570,656	\$ 1,035,681	\$ 1,226,610	\$ 917,667	\$ 897,003	\$ 5,961,956	\$ 180,207	\$ -	\$ 6,142,163
Payroll taxes and employee benefits	168,318	221,258	168,318	388,757	294,814	168,318	131,557	1,541,340	53,397	-	1,594,737
Total salaries and related benefits	738,974	964,941	738,974	1,424,438	1,521,424	1,085,985	1,028,560	7,503,296	233,604	-	7,736,900
Purchased services contracts	3,653,135	5,071,012	3,610,401	4,202,060	4,853,006	6,369,913	(91,864)	27,667,663	1,105,310	-	28,772,973
Adoption	-	13,868,532	-	-	-	-	834	13,869,366	-	-	13,869,366
Out of home	4,159,955	-	5,624,097	-	3,749,398	-	16,522	13,549,972	-	-	13,549,972
Professional fees	908,414	798,834	800,808	892,272	824,082	1,056,586	1,698,371	6,979,367	241,890	-	7,221,257
Financial assistance	94,424	123,297	94,424	182,010	194,403	4,749,085	-	5,437,643	29,849	-	5,467,492
Occupancy	256,147	334,473	256,147	493,747	527,364	376,430	356,525	2,600,833	80,973	-	2,681,806
Independent living	-	-	-	1,636,885	-	-	-	1,636,885	-	-	1,636,885
Client screening and certifications	-	-	-	-	755,334	-	-	755,334	-	-	755,334
Supplies	27,668	36,128	27,668	53,332	56,963	40,660	38,510	280,929	8,746	-	289,675
Communication	25,119	32,800	25,119	48,419	51,715	36,914	34,962	255,048	7,941	-	262,989
Advertising and marketing	19,864	25,938	19,864	38,290	40,897	29,192	27,648	201,693	6,279	-	207,972
Equipment rental and maintenance	20,731	27,070	20,731	39,960	42,681	30,465	28,854	210,492	6,553	-	217,045
Conferences, travel and training	14,153	18,481	14,153	27,281	29,139	20,799	19,702	143,708	4,474	-	148,182
Fees, bad debts and other	41,003	53,539	41,003	79,037	84,418	60,257	57,071	416,328	12,962	-	429,290
Fundraising	-	-	-	-	-	-	-	-	-	50,000	50,000
Depreciation	287	374	286	552	590	421	399	2,909	91	-	3,000
Memberships	3,543	4,626	3,544	6,829	7,294	5,207	4,931	35,974	1,120	-	37,094
Postage and shipping	2,802	3,659	2,802	5,402	5,770	4,119	3,900	28,454	886	-	29,340
Insurance	1,679	2,193	1,679	3,236	3,457	2,468	2,337	17,049	531	-	17,580
Total expenses	\$ 9,967,898	\$ 21,365,897	\$ 11,281,700	\$ 9,133,750	\$ 12,747,935	\$ 13,868,501	\$ 3,227,262	\$ 81,592,943	\$ 1,741,209	\$ 50,000	\$ 83,384,152

See notes to financial statements.

Embrace Families Community Based Care, Inc.

Statement of Functional Expenses Year Ended June 30, 2019

	Program Services								Supporting Supporting Services		Total Expenses
	Foster Care	Adoptions	Residential	Independent		Financial Assistance	Other Program Services	Total Program Services	General and Administrative	Fundraising	
				Living	System of Care						
Salaries	\$ 467,210	\$ 634,595	\$ 467,210	\$ 886,077	\$ 1,233,720	\$ 1,075,353	\$ 48,533	\$ 4,812,698	\$ 147,540	\$ -	\$ 4,960,238
Payroll taxes and employee benefits	121,903	161,573	121,903	317,653	151,765	227,910	96,040	1,198,747	38,496	-	1,237,243
Total salaries and related benefits	589,113	796,168	589,113	1,203,730	1,385,485	1,303,263	144,573	6,011,445	186,036	-	6,197,481
Purchased services contracts	3,345,725	4,718,869	3,060,649	3,226,972	4,783,732	5,130,090	222,103	24,488,140	919,339	-	25,407,479
Adoption	-	12,746,063	-	-	-	-	-	12,746,063	-	-	12,746,063
Out of home	3,314,708	-	4,321,322	-	2,880,881	111,393	599,233	11,227,537	-	-	11,227,537
Professional fees	532,315	478,815	479,779	672,225	991,303	604,658	2,066,179	5,825,274	388,372	-	6,213,646
Financial assistance	52,806	71,365	52,806	107,898	124,189	5,177,949	-	5,587,013	16,675	-	5,603,688
Occupancy	248,003	335,169	248,003	506,744	583,259	548,645	60,862	2,530,685	78,317	-	2,609,002
Independent living	-	-	-	1,544,226	-	-	-	1,544,226	-	-	1,544,226
Client screening and certifications	-	-	-	-	852,479	-	-	852,479	-	-	852,479
Supplies	38,149	51,557	38,149	77,949	89,718	84,394	9,362	389,278	12,047	-	401,325
Communication	23,407	31,633	23,407	47,827	55,048	51,781	5,744	238,847	7,392	-	246,239
Advertising and marketing	15,726	21,253	15,726	32,133	36,985	34,790	3,859	160,472	4,966	-	165,438
Equipment rental and maintenance	14,447	19,525	14,447	29,519	33,977	31,960	3,545	147,420	4,562	-	151,982
Conferences, travel and training	12,583	17,006	12,583	25,711	29,593	27,837	3,088	128,401	3,974	-	132,375
Fees, bad debts and other	5,934	8,019	5,934	12,124	13,955	13,126	1,456	60,548	1,873	50,000	112,421
Depreciation	3,844	5,196	3,844	7,855	9,041	8,505	943	39,228	1,215	-	40,443
Memberships	3,833	5,180	3,833	7,832	9,014	8,479	941	39,112	1,210	-	40,322
Postage and shipping	3,012	4,071	3,012	6,155	7,084	6,664	739	30,737	951	-	31,688
Insurance	1,490	2,014	1,490	3,045	3,504	3,296	366	15,205	471	-	15,676
Total expenses	\$ 8,205,095	\$ 19,311,903	\$ 8,874,097	\$ 7,511,945	\$ 11,889,247	\$ 13,146,830	\$ 3,122,993	\$ 72,062,110	\$ 1,627,400	\$ 50,000	\$ 73,739,510

See notes to financial statements.

Embrace Families Community Based Care, Inc.

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (2,176,906)	\$ 920,703
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,000	40,443
(Earnings) loss in investment in limited liability company	(53,764)	4,578
Provision for doubtful accounts	(460)	15,845
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(1,337,560)	(2,114,746)
Prepaid expenses and other assets	(27,982)	139,154
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,113,574	460,802
Due to Embrace Families, Inc.	271,695	(20,098)
Deferred revenues	(1,212,940)	1,218,696
Assets held for master trust	40,202	(2,316)
Net cash (used in) provided by operating activities	(3,381,141)	663,061
Cash flows from investing activities:		
Purchases of property and equipment	-	(5,679)
Distribution received from investment in limited liability company	40,000	62,439
Net cash provided by investing activities	40,000	56,760
Cash flows from financing activities:		
Proceeds from note payable	1,028,572	-
Repayments of capital lease obligation	-	(28,991)
Net cash provided by (used in) financing activities	1,028,572	(28,991)
Net (decrease) increase in cash and restricted cash held for master trust	(2,312,569)	690,830
Cash and restricted cash:		
Beginning of year	4,642,557	3,951,727
End of year	\$ 2,329,988	\$ 4,642,557
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3,402	\$ 633

See notes to financial statements.

Embrace Families Community Based Care, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Embrace Families Community Based Care, Inc., (EFCBC or the Organization) is a Florida not-for-profit organization dedicated to developing community-based services and support for children and families served by the child welfare system in Orange, Osceola and Seminole Counties in the state of Florida. Operations are directed by a voluntary board who receive no compensation for their services. Effective January 7, 2019, the Organization changed its name from Community Based Care of Central Florida, Inc. to Embrace Families Community Based Care, Inc.

EFCBC is a wholly-owned subsidiary of Embrace Families, Inc. (Parent).

The Organization's program services are as follows:

Foster care: Provides recruitment, training, licensing, re-licensing and support for foster care parents.

Adoptions: Provides cost of adoption assistance, subsidy payments and other nonrecurring adoption expenses for adopting families.

Residential: Provides placement of children in relative care, family foster care, therapeutic foster care, medical foster care, residential group care or emergency shelter.

Independent living: Provides pre-independent living assessments, independent life skills assessments, employment training, counseling and after care support services, and provides payments to clients who participate in the program.

System of care: Provides case management, prevention and early intervention and domestic violence support.

Financial assistance: Provides assistance for community, assessments and preventative financial assistance.

Other program services: Includes background screenings, home licensing and home health inspections.

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

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

A nonprofit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

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

Embrace Families Community Based Care, Inc.

Notes to Financial Statements

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

Accounts receivable: Accounts receivable are stated at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is established based upon management's analysis of specific accounts and other economic factors. In the opinion of management, no allowance for uncollectible accounts receivable was considered necessary at June 30, 2020 and 2019.

Property and equipment: Property and equipment are recorded at cost when purchased or at fair value at the date of gift, if contributed. Property and equipment is capitalized if it has a cost of \$1,000 or more and a useful life, when acquired of more than a year. Property and equipment acquired by the Organization are considered owned by the Organization. However, state and local funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. State and local funding sources have a reversionary interest in those custodial assets purchased with its funds. Depreciation of property and equipment is computed using the straight-line method of accounting over the estimated useful lives of the depreciable assets, which ranges from 3 to 40 years.

Impairment of long-lived assets: The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets or asset groups exceeds the fair value of the assets or asset groups. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of its long-lived assets or asset groups has been recognized during the years ended June 30, 2020 and 2019.

Assets held for master trust: The Organization is a representative payee for children in licensed foster care that receive Social Security or other trust benefits. Benefit payments and withdrawals are recorded as assets and liabilities and are not reflected in the accompanying statements of activities. Funds are maintained in separate bank accounts as required by funding sources and reflected on the accompanying statements of financial position as restricted cash held for master trust.

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

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

Embrace Families Community Based Care, Inc.

Notes to Financial Statements

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

Contributions receivable, which represent unconditional written promises to give, are revenues in the period when the written promise is received. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. A contribution is considered to be conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable items, stipulations that limit discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. The Organization does not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as deferred revenue until such conditions are met.

Contributed services are recognized and reported at fair value in the period received, if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. There were no contributed services for the years ended June 30, 2020 and 2019.

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

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

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements.

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

Concentrations: At various times throughout 2020 and 2019 and at June 30, 2020 and 2019, cash balances held at a financial institution were in excess of federally insured limits. However, the Organization has not experienced any losses in such accounts and management believes no significant concentration of credit risk exists with respect to this cash account.

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

The Organization received substantially all of its revenue from federal and state funding awarded through one contract during the years ended June 30, 2020 and 2019.

Investment in limited liability company: EFCBC has an investment in a limited liability company, in which the Organization has a 4% interest and its Parent owns 35%, has the ability to exercise significant influence over the limited liability company and accordingly, has accounted for this investment using the equity method of accounting.

Embrace Families Community Based Care, Inc.

Notes to Financial Statements

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

Newly adopted accounting pronouncements: On July 1, 2019, the Organization adopted the Financial Accounting Standards Board's (FASB's) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Organization adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The Organization adopted ASU 2016-18 as of July 1, 2019, using a retrospective transition method of adoption. As a result of adoption, the statements of cash flows include cash and restricted cash

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. ASU 2016-02 will be effective for the Organization's fiscal year 2023, per ASU 2020-05 (see below). The Organization is currently evaluating the impact of this ASU on the financial statements.

In May 2014, the FASB issued ASU 2014-09. The amendments in this update create Topic 606, Revenue from Contracts with Customers, and supersede the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. The core principle of Topic 606 is that an entity recognized revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this update will be effective for the Organization's fiscal year 2021, per ASU 2020-05 (see below). The Organization expects to adopt the cumulative effective transition method and is currently evaluating the impact of this ASU on the financial statements.

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. The amendments in this update defer the effective date for adoption of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, on an optional basis, for private not-for-profit entities, provided they have not yet issued (or made available for issuance) financial statements as of June 3, 2020, that reflect the adoption of Accounting Standards Codification (ASC) 606, to annual reporting periods beginning after December 15, 2019 (the Organization's fiscal year 2021). The Organization has elected this option for the year ended June 30, 2020, and will defer adoption of Topic 606 accordingly. Additionally, the amendments in this update defer the effective date for adoption of ASU 2016-02, *Leases (Topic 842)*, for private nonprofit entities to fiscal years beginning after December 15, 2021 (the Organization's fiscal year 2023).

Embrace Families Community Based Care, Inc.

Notes to Financial Statements

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

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

Subsequent events: Management has assessed subsequent events through December 23, 2020, the date the financial statements were available to be issued.

Note 2. Investment in Limited Liability Company

Investment in a limited liability company of \$188,658 and \$174,893 as of June 30, 2020 and 2019, respectively, consists of a 4% interest in Community Based Care Integrated Health, LLC (Integrated Health). Integrated Health is a Florida limited liability company engaged in the child welfare managed care business throughout Florida. The investment is accounted for using the equity method as the Organization has significant influence, but not control over the entity. The Organization's share of Integrated Health's net income (loss) was \$53,764 and \$(4,578) during the years ended June 30, 2020 and 2019, respectively, and is included in contributions and other income in the accompanying statements of activities. In addition, the Organization received distributions from Integrated Health in the amount of \$40,000 and \$62,439, during the years ended June 30, 2020 and 2019, respectively.

The following is a summary of financial position and results of operations of Integrated Health, as of and for the years ended June 30, 2020 and 2019:

	2020	2019
Total assets	\$ 3,988,762	\$ 3,389,837
Total liabilities	\$ 1,022,314	\$ 767,504
Total members' equity	2,966,448	2,622,333
Total liabilities and members' equity	\$ 3,988,762	\$ 3,389,837
Total revenues	\$ 10,908,138	\$ 8,678,913
Total expenses	9,564,023	8,793,370
Net income (loss)	\$ 1,344,115	\$ (114,457)
EFCBC's share of net income (loss)	\$ 53,764	\$ (4,578)

Embrace Families Community Based Care, Inc.

Notes to Financial Statements

Note 3. Property and Equipment

Property and equipment at June 30, 2020 and 2019, consisted of the following:

	2020		
	EFCBC	Custodial Assets	Total
Land	\$ -	\$ 65,600	\$ 65,600
Buildings	-	362,448	362,448
Furniture and equipment	1,032,579	-	1,032,579
Software	460,316	-	460,316
	<u>1,492,895</u>	<u>428,048</u>	<u>1,920,943</u>
Less accumulated depreciation	<u>(1,480,540)</u>	<u>(79,400)</u>	<u>(1,559,940)</u>
	<u>\$ 12,355</u>	<u>\$ 348,648</u>	<u>\$ 361,003</u>

	2019		
	EFCBC	Custodial Assets	Total
Land	\$ -	\$ 65,600	\$ 65,600
Buildings	-	362,448	362,448
Furniture and equipment	1,030,159	-	1,030,159
Software	460,316	-	460,316
	<u>1,490,475</u>	<u>428,048</u>	<u>1,918,523</u>
Less accumulated depreciation	<u>(1,475,107)</u>	<u>(70,338)</u>	<u>(1,545,445)</u>
	<u>\$ 15,368</u>	<u>\$ 357,710</u>	<u>\$ 373,078</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$3,000 and \$40,443, respectively.

Note 4. Lines of Credit

EFCBC has an unsecured revolving line of credit of \$5,000,000, bearing interest calculated as the daily one month LIBOR rate of interest plus 1.75% (.51% at June 30, 2020), payable monthly. There was no outstanding balance on the line of credit at June 30, 2020, and this line of credit was opened in February 2020 and is due in February 2021 but can be renewed at the discretion of the bank.

EFCBC had an unsecured revolving line of credit of \$5,000,000, bearing interest at the greater of the prime rate of interest plus .75% (6.25% at June 30, 2019) or 4.0%, payable monthly. There was no outstanding balance on the line of credit at June 30, 2019, and this line of credit was closed in February 2020.

Embrace Families Community Based Care, Inc.

Notes to Financial Statements

Note 5. Leases

The Organization leases facilities and equipment under various operating leases that expire through February 2028. Facilities leases include early termination clauses in the event the Organization's funding contracts are terminated. The aggregate rental expense paid under these leases totaled approximately \$2,306,000 and \$2,262,000 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments under these operating leases as of June 30, 2020, are as follows:

Years ending June 30:	
2021	\$ 2,931,717
2022	1,957,443
2023	1,562,730
2024	1,577,684
2025	1,601,806
Thereafter	4,764,245
	<u>\$ 14,395,625</u>

Note 6. Retirement Plan

The Organization's employees are eligible to participate in a defined contribution 401(k) Profit Sharing Plan (the Plan). Employees become eligible to participate in the Plan on the first monthly date following the attainment of age 18 and the completion of one hour of service. Plan participants may voluntarily contribute, on a pre-tax basis, up to 100% of their qualified annual compensation, as defined in the Plan, up to the Internal Revenue Code maximum limits. The Organization makes matching contributions equal to 100% of each participant's contribution to a maximum of 4% of compensation, as defined in the Plan document. Contributions to the Plan for the years ended June 30, 2020 and 2019, were approximately \$148,000 and \$123,000, respectively, and is included in payroll taxes and employee benefits in the accompanying statements of functional expenses.

Note 7. Related Party Transactions

In July 2013, the Organization signed a five-year agreement (after the initial term, this agreement will automatically continue for successive one-year periods, unless either party gives written notice to the other of its intent not to renew this agreement within 30 days prior to the expiration of each term) with its parent company, Embrace Families, Inc., to receive management and administrative services. Fees are charged based on a schedule of both direct and indirect costs incurred monthly. Expenses incurred by the Organization during the years ended June 30, 2020 and 2019, for these services was approximately \$6,122,000 and \$5,517,000, respectively, which is included in professional fees in the accompanying statements of functional expenses. Amounts due to Embrace Families, Inc. at June 30, 2020 and 2019, related to this agreement, totaled approximately \$953,200 and \$681,500, respectively, which is included in the accompanying statements of financial position.

In June 2019, the Organization entered into two promissory notes totaling \$220,000 with Embrace Families, Inc. to receive cash advances for current operations related to two programs. These promissory notes are non-interest bearing and due 30 days after Embrace Families, Inc. provides written notice of demand. At June 30, 2020 and 2019, the balance is included in the current portion of notes payable in the accompanying statements of financial position.

As of June 30, 2020 and 2019, the Organization received a contribution of approximately \$98,200 and \$915,800, respectively, from Embrace Families, Inc. and is included as contributions and other income in the accompanying statements of activities.

Embrace Families Community Based Care, Inc.

Notes to Financial Statements

Note 7. Related Party Transactions (Continued)

As of June 2020, the Organization received in kind contributions of approximately \$364,900 from Embrace Families Foundation, Inc. and is included as contributions and other income in the accompanying statements of activities.

The Organization made payments to an affiliate, Embrace Families Solutions, Inc., under a subrecipient agreement, of approximately \$534,000 and \$624,000, during the years ended June 30, 2020 and 2019, respectively. Amounts due to Embrace Families Solutions, Inc., at June 30, 2020 and 2019, related to this subrecipient agreement, totaled approximately \$51,000 and \$47,800, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of financial position.

In July 2018, the Organization signed a five-year agreement (after the initial term, this agreement will automatically continue for successive one-year periods, unless either party gives written notice to the other of its intent not to renew this agreement within 30 days prior to the expiration of each term) with an affiliate, Embrace Families Foundation, Inc., to receive marketing services. Fees are fixed and incurred monthly. Expenses incurred by the Organization during the years ended June 30, 2020 and 2019, for these services was \$50,000, which is included in fundraising in the accompanying statements of functional expenses.

In July 2019, the Organization signed a five-year agreement (after the initial term, this agreement will automatically continue for successive one-year periods, unless either party gives written notice to the other of its intent not to renew this agreement within 30 days prior to the expiration of each term) with an affiliate, Embrace Families Foundation, Inc., to receive to receive management and administrative services. Fees are charged based on a schedule of costs incurred monthly. Expenses incurred by the Organization during the year ended June 30, 2020, for these services was approximately \$203,000 and which is included in professional fees in the accompanying statements of functional expenses.

Note 8. Commitments and Contingencies

EFCBC, as an authorized agent of the state of Florida in accordance with Florida Statute Section 409.1671, has contracted with organizations to deliver quality child welfare services. The contracts have five-year terms, but often can be renewed for additional five-year terms.

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

Embrace Families Community Based Care, Inc.

Notes to Financial Statements

Note 9. State Funding and Impact on Net Assets

The Organization receives a substantial amount of grants and contracts from the state of Florida to operate as a child welfare organization to benefit children and families in the service area discussed in Note 1. Servicing children and families who are at risk under a contract with the State of Florida's Department of Children and Families puts the Organization at risk if funding is not sufficient to meet those welfare needs. The state of Florida has several funding mechanisms to help make up any deficit incurred as follows: (a) the state of Florida established risk pools to assist organizations to ensure those organizations are adequately funded and that no children or families are denied assistance; (b) organizations can apply for an increase in core funding from the state of Florida's legislature and (c) organizations can also make direct funding requests from the state of Florida's legislature. During the year ended June 30, 2020, the Organization received approximately \$2,352,300 increase in core funding from the state of Florida's legislature. The Organization requested additional funds from the state of Florida's risk pool during the year ended June 30, 2020. The Organization did not request additional funds during the year ended June 30, 2019, from the state of Florida's risk pool or from the state of Florida's legislature. Other funding mechanisms to cover the operating needs of the Organization include drawing on the unused \$5,000,000 line of credit (see Note 4). The Organization has been successful in the prior years by obtaining additional funding through the risk pool, core funding and direct requests of the state of Florida legislature. However, successful efforts for additional state of Florida funding in prior years is no guarantee of success in the future. The line of credit is available to fund operations but is subject to annual bank reviews (see Note 4).

Note 10. Liquidity and Availability of Resources

As of June 30, 2020 and 2019, the following reflects the Organization's financial assets, reduced by amounts not available for general use within one year of June 30.

	2020	2019
Financial assets, at year-end:		
Cash	\$ 2,107,617	\$ 4,460,388
Restricted cash held for master trust	222,371	182,169
Accounts receivable	3,562,402	2,224,382
	<u>5,892,390</u>	<u>6,866,939</u>
Less those unavailable for general expenditures within one year:		
Restricted cash held for master trust	(222,371)	(182,169)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,670,019</u>	<u>\$ 6,684,770</u>

As part the Organization's liquidity management, its policy is to maintain 30 days of cash to meet operating and client related expenses which on the average are \$6,000,000. The organization maintains a \$5,000,000 credit line to access if an emergency need arises.

Note 11. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The extent to which COVID-19 impacts the operations of the Organization in the future will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak. New information that may emerge concerning the severity of COVID-19 could adversely impact the Organization's operations, including among others, contributions and grant revenue, and may have a material adverse effect on the financial condition, results of operations and cash flows of the Organization.

Embrace Families Community Based Care, Inc.

Notes to Financial Statements

Note 11. COVID-19 (Continued)

On April 17, 2020, the Organization received a U.S. Small Business Administration Paycheck Protection Program loan in the amount of \$1,028,572, which is recorded as a non-current note payable as of June 30, 2020 in the accompanying statements of financial position. The loan bears interest at 1% and matures on April 17, 2022. Under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), up to the full principal amount of the loan and any accrued interest can be forgiven if the Organization uses all of the loan proceeds for forgivable purposes as required under the CARES Act. Management's intention and belief is that the Organization will meet the provisions under the CARES Act to qualify for the forgiveness provisions. If the Organization does not apply for loan forgiveness, payments are deferred ten months after the end of the covered period for the Organization's loan forgiveness.

Embrace Families Community Based Care, Inc.

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2020**

Grantor/Pass-Through/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Contract/ Grant Period	Federal Expenditures	Amount Provided to Subrecipients
Federal Awards:					
U.S. Department of Health and Human Services:					
Passed-through:					
State of Florida Department of Children and Families:					
Promoting Safe and Stable Families Program	93.556	GJL58	7/1/19 – 6/30/20	\$ 2,710,227	\$ 2,047,017
Temporary Assistance for Needy Families Program	93.558	GJL58	7/1/19 – 6/30/20	6,784,811	3,887,899
Grants to States for Access and Visitation Program	93.597	GJL58	7/1/19 – 6/30/20	19,153	19,153
Chafee Education and Training Vouchers Program	93.599	GJL58	7/1/19 – 6/30/20	128,989	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	GJL58	7/1/19 – 6/30/20	1,498,731	879,039
Foster Care – Title IV-E Program	93.658	GJL58	7/1/19 – 6/30/20	11,817,161	5,677,819
Adoption Assistance – Title IV-E Program	93.659	GJL58	7/1/19 – 6/30/20	9,420,175	1,399,921
Social Services Block Grant Program	93.667	GJL58	7/1/19 – 6/30/20	2,986,273	1,993,008
Child Abuse and Neglect State Grants Program	93.669	GJL58	7/1/19 – 6/30/20	134,192	81,424
Chafee Foster Care Independence Program	93.674	GJL58	7/1/19 – 6/30/20	1,126,487	604,034
Medical Assistance Program	93.778	GJL58	7/1/19 – 6/30/20	275,040	-
Direct program:					
Adoption Opportunities Program	93.652	90CO1138-02-00	9/30/19– 9/29/20	701,759	-
Total U.S. Department of Health and Human Services				37,602,998	16,589,314
U.S. Department of Labor:					
Passed-through:					
CareerSource Central Florida:					
WIOA Youth Activities	17.259	1617-011	7/1/19 – 6/30/20	76,354	-
Total expenditures of federal awards				\$ 37,679,352	\$ 16,589,314
Grantor/Pass-Through/Program Title	State CSFA Number	Pass-Through Entity Identifying Number	Contract/ Grant Period	State Expenditures	Amount Provided to Subrecipients
State Financial Assistance:					
State of Florida Department of Children and Families:					
Direct programs:					
Out-of-Home Supports Program	60.074	GJL58	7/1/19 – 6/30/20	\$ 4,176,323	\$ 679,949
Independent Living Program	60.112	GJL58	7/1/19 – 6/30/20	93,856	-
Motor Vehicle Insurance for Kids in Care Program	60.123	GJL58	7/1/19 – 6/30/20	759,584	-
Chafee Extended Foster Care Program	60.141	GJL58	7/1/19 – 6/30/20	6,026	-
CBC - Purchase of Therapeutic Services for Children Program	60.183	GJL58	7/1/19 – 6/30/20	719,686	-
Total expenditures of state financial assistance				5,755,475	679,949
Total federal awards and state financial assistance				\$ 43,434,827	\$ 17,269,263

See notes to schedule of expenditures of federal awards and state financial assistance.

Embrace Families Community Based Care, Inc.

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2020**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal award and state financial assistance project activity of Embrace Families Community Based Care, Inc., under programs of the federal government and the state of Florida for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of Embrace Families Community Based Care, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Embrace Families Community Based Care, Inc.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

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
Embrace Families Community Based Care, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Embrace Families Community Based Care, Inc., which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Embrace Families Community Based Care, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Embrace Families Community Based Care, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Embrace Families Community Based Care, Inc.'s internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we considered material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Embrace Families Community Based Care, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Embrace Families Community Based Care, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Embrace Families Community Based Care, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Orlando, Florida
December 23, 2020



RSM US LLP

Independent Auditor's Report on Compliance for Each Major Federal Program and State Financial Assistance Project and Report on Internal Control Over Compliance Required by The Uniform Guidance and State of Florida Chapter 10.650, *Rules of the Auditor General*

Board of Directors
Embrace Families Community Based Care, Inc.

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited Embrace Families Community Based Care, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of Embrace Families Community Based Care, Inc.'s major federal programs and state financial assistance projects for the year ended June 30, 2020. Embrace Families Community Based Care, Inc.'s major federal programs and state financial assistance projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Embrace Families Community Based Care, Inc.'s major federal programs and state financial assistance projects 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Florida Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance and the State of Florida 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 that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about Embrace Families Community Based Care, 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 federal program and state financial assistance project. However, our audit does not provide a legal determination of Embrace Families Community Based Care, Inc.'s compliance.

Opinion on Each Major Federal Program and State Financial Assistance Project

In our opinion, Embrace Families Community Based Care, 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 federal programs and state financial assistance projects for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Embrace Families Community Based Care, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Embrace Families Community Based Care, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of Florida 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 Embrace Families Community Based Care, 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 or state financial assistance 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 federal program or state financial assistance 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 federal program or state financial assistance 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 designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State of Florida Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Orlando, Florida
December 23, 2020

Embrace Families Community Based Care, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited 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

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None Reported

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

Unmodified

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

 Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.667

Social Services Block Grant

93.658

Foster Care -Title IV-E

93.556

Promoting Safe and Stable Families

Dollar threshold used to distinguish between

Type A and Type B federal programs:

 \$ 1,130,381

Auditee qualified as low-risk auditee?

 X Yes No

(Continued)

