

**CENTER FOR FAMILY LIFE AND RECOVERY, INC.**

**Communication of Matters Related to Internal Control  
Over Financial Reporting and Other Matters  
December 31, 2014**

**Bonadio & Co., LLP**  
Certified Public Accountants

March 25, 2015

To the Board of Directors of  
Center for Family Life and Recovery, Inc.:

In planning and performing our audit of the financial statements of Center for Family Life and Recovery, Inc. (CFLR) as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered CFLR's internal control over financial reporting (internal control) as a basis for designing 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 CFLR's internal control. Accordingly, we do not express an opinion on the effectiveness of CFLR'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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

This communication is intended solely for the information and use of management, CFLR's Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

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## CENTER FOR FAMILY LIFE AND RECOVERY, INC.

### COMMUNICATION OF MATTERS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS DECEMBER 31, 2014

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#### RECOMMENDATIONS

The following matters are opportunities for strengthening internal controls and operating efficiency and are considered recommendations only.

##### Executive Order No. 38 – Administrative Cost Percentage

Governor Cuomo issued Executive Order No. 38 in January 2012. In addition to executive compensation caps, the order provided administrative cost caps for organizations receiving more than 30% of their revenue from the Medicaid program. The administrative cost percentage cap for the 2015/16 fiscal year is no greater than 15%. Each of the primary State funding sources has slightly different methodologies for calculating these administrative cost caps.

The potential impact of an administrative cost percentage in excess of 15% on the organization's programs and services may be significant. The Executive Order referred to the fact that organizations in excess of the administrative cost cap after the three-year phase in period could include termination of State funding, licensure, and/or Medicaid Program participation. Therefore, it is imperative that the organization's Board and management team make every effort to ensure that the organization has an administrative cost percentage of less than 15% in 2015.

It should be noted that many State Agencies and public and private grant makers are expecting administrative costs in the range of 7-10%. Accordingly, it is imperative that all efforts possible be made to reduce administrative costs to the most appropriate level possible without jeopardizing the organization's programs, services, and financial stability.

##### Nonprofit Revitalization Act (NPRA – 2013)

The requirements of NPRA were technically effective as of July 1, 2014. However, both the New York Attorney General and the Director of the New York Charities Bureau have acknowledged that, in the absence of regulations being issued based on the legislation, the implementation is an ongoing process. We currently recommend that each of our clients comply with the "spirit of the law" even though there may be open questions where interpretive guidance has not yet been issued (e.g., independent director, conflict of interest procedure, etc.).

We have provided Management with our NPRA compliance gap checklist in addition to a narrative executive summary of NPRA requirements. At a minimum, we recommend each client complete the compliance gap checklist and file in the agency's governance records after review by the appropriate Board Committee.