ASSURANCE DIMENSIONS

Consolidated Financial Statements, Independent Auditor's Report, Supplementary Information and Regulatory Reports

Cove Behavioral Health, Inc. and Affiliates

June 30, 2022 and 2021

Cove Behavioral Health, Inc. and Affiliates

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Cove Behavioral Health, Inc. and Affiliates
Tampa, FL

Opinion

We have audited the accompanying consolidated financial statements of **Cove Behavioral Health, Inc. and Affiliates** (the "Organization"), a nonprofit Organization, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, state financial assistance, local and other awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 8, 2022, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Assurance Dimensions

Tampa, Florida
December 8, 2022

Cove Behavioral Health, Inc. and Affiliates
Consolidated Statements of Financial Position
As of June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	$ 1,975,549	$ 1,539,332
Restricted cash	619,456	555,823
Accounts receivable, net	728,788	244,819
Contracts receivable - governmental, net	2,419,837	2,196,249
Investments	1,551,969	809,946
Prepaid expenses	230,710	255,573
Total current assets	7,526,309	5,601,742
Property and equipment, net	15,832,874	16,441,975
Other assets:		
Beneficial interest in assets held by others	11,809	20,216
Deposits and other assets	109,632	119,632
Total other assets	121,441	139,848
Total assets	$ 23,480,624	$ 22,183,565
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 414,519	$ 442,479
Accrued expenses	748,618	665,071
Deferred revenue	36,667	-
Short-term portion of notes payable	627,644	627,644
Total current liabilities	1,827,448	1,735,194
Long-term liabilities:		
Long-term portion of notes payable	8,058,904	8,633,542
Deferred payment purchase money mortgages	1,958,932	1,428,398
Total long term liabilities	10,017,836	10,061,940
Total liabilities	11,845,284	11,797,134
Net assets:		
Without donor restriction	11,635,340	10,386,431
Total net assets	11,635,340	10,386,431
Total liabilities and net assets	$ 23,480,624	$ 22,183,565

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

Cove Behavioral Health, Inc. and Affiliates
Consolidated Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
Operating activities			
Public support and revenue			
Public support			
Grant income	$ 16,508,859	$ -	$ 16,508,859
In-kind revenue	132,919	-	132,919
Contributions	168,545	-	168,545
Total public support	16,810,323	-	16,810,323
Revenue			
Fees for client services	3,019,606	-	3,019,606
Food service income	14,206	-	14,206
Special events	323,201	-	323,201
Rental income	203,923	-	203,923
Other income	20,421	-	20,421
Total revenue	3,581,357	-	3,581,357
Total public support and revenue	20,391,680	-	20,391,680
Total public support and revenue after release from restrictions	20,391,680	-	20,391,680
Operating expenses			
Program services	15,135,389	-	15,135,389
Supporting services	3,483,996	-	3,483,996
Total operating expenses	18,619,385	-	18,619,385
Net change in net assets from operating activities	1,772,295	-	1,772,295
Non-operating activities			
Interest income	31,610	-	31,610
Loss on non-receipt of property and equipment	(280,131)	-	(280,131)
Investment loss, net	(273,726)	-	(273,726)
Other income (expense)	(1,139)	-	(1,139)
Total non-operating activities	(523,386)	-	(523,386)
Change in net assets	1,248,909	-	1,248,909
Net assets at the beginning of year	10,386,431	-	10,386,431
Net assets at the end of year	$ 11,635,340	$ -	$ 11,635,340

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

Cove Behavioral Health, Inc. and Affiliates
Consolidated Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Operating activities			
Public support and revenue			
Public support			
Grant income	$ 16,843,867	$ -	$ 16,843,867
In-kind revenue	178,443	-	178,443
Contributions	39,923	-	39,923
Total public support	17,062,233	-	17,062,233
Revenue			
Fees for client services	2,174,514	-	2,174,514
Food service income	30,349	-	30,349
Special events	69,350	-	69,350
Rental income	81,416	-	81,416
Other income	92,697	-	92,697
Total revenue	2,448,326	-	2,448,326
Total public support and revenue	19,510,559	-	19,510,559
Total public support and revenue after release from restrictions	19,510,559	-	19,510,559
Operating expenses			
Program services	14,767,488	-	14,767,488
Supporting services	3,281,514	-	3,281,514
Total operating expenses	18,049,002	-	18,049,002
Net change in net assets from operating activities	1,461,557	-	1,461,557
Non-operating activities			
Forgiveness of Paycheck Protection Program loan	2,022,100	-	2,022,100
Interest income	13,021	-	13,021
Loss on disposal of property and equipment	(114,749)	-	(114,749)
Investment income, net	45,298	-	45,298
Total non-operating activities	1,965,670	-	1,965,670
Change in net assets	3,427,227	-	3,427,227
Net assets at the beginning of year	6,959,204	-	6,959,204
Net assets at the end of year	$ 10,386,431	$ -	$ 10,386,431

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

Cove Behavioral Health, Inc. and Affiliates
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 1,248,909	$ 3,427,227
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	854,484	999,468
Amortization of bond issuance costs	25,361	24,294
Unrealized loss/(gain) on investments	261,559	(5,141)
Loss on non-receipt of property and equipment	280,131	-
Loss on disposal of property and equipment	-	114,749
Bad debt expense (recovery)	158,257	(57,468)
Forgiveness of Paycheck Protection Program loan	-	(2,022,100)
Increase (decrease) in cash flows of:		
Accounts receivable	(642,226)	68,113
Contracts receivables - governmental	(223,588)	(301,592)
Prepaid expenses	24,863	(208,979)
Deposits and other assets	10,000	8,706
Accounts payable	(27,960)	192,423
Accrued expenses	83,547	(188,551)
Deferred revenue	36,667	-
Net cash provided by operating activities	2,090,004	2,051,149
Cash flows from investing activities:		
Purchase of investments	(3,214,234)	(608,341)
Sale of investments	2,210,652	173,104
Purchases of property and equipment	(525,513)	(1,453,565)
Proceeds from sales of property and equipment	-	8,890
Other investment activities	8,407	(4,722)
Net cash used by investing activities	(1,520,688)	(1,884,634)
Cash flows from financing activities:		
Proceeds from deferred payment purchase money mortgages	530,534	428,398
Repayments of notes payable	(600,000)	(550,155)
Net cash used by financing activities	(69,466)	(121,757)
Net increase in cash, cash equivalents, and restricted cash	499,850	44,758
Cash, cash equivalents, and restricted cash at beginning of period	2,095,155	2,050,397
Cash, cash equivalents, and restricted cash at end of period	$ 2,595,005	$ 2,095,155
Supplemental and non-cash disclosures:		
Interest paid	$ 372,721	$ 397,659

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

Cove Behavioral Health, Inc. and Affiliates
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services	Supporting Services	Total
Salaries and related expenses			
Salaries	$ 7,512,166	$ 1,912,831	$ 9,424,997
Employee benefits, payroll taxes	1,291,973	295,480	1,587,453
Total salaries and related expenses	8,804,139	2,208,311	11,012,450
Other direct expenses:			
Building occupancy	1,149,484	194,986	1,344,470
Food services	1,063,664	1,487	1,065,151
Depreciation and amortization	798,960	55,524	854,484
Computer supplies, software and support	500,087	198,086	698,173
Medical and pharmacy	525,678	2,392	528,070
Insurance	395,571	78,154	473,725
Professional services	149,091	266,604	415,695
Operating supplies and expenses	348,580	40,825	389,405
Interest expense	295,447	77,274	372,721
Subcontractors	324,365	-	324,365
Advertising and public relations	225,775	8,042	233,817
Equipment	164,864	34,397	199,261
Communications	155,559	23,043	178,602
Bad debt	65,362	92,894	158,256
Bank Fees/Charges	13,103	117,343	130,446
Travel	84,216	28,644	112,860
Auto operation	45,522	5,914	51,436
Licenses, dues, subscriptions and tuition	24,369	15,786	40,155
Other	1,553	34,290	35,843
Total other direct expenses	6,331,250	1,275,685	7,606,935
Total operating expenses	$ 15,135,389	$ 3,483,996	$ 18,619,385

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

Cove Behavioral Health, Inc. and Affiliates
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services	Supporting Services	Total
Salaries and related expenses			
Salaries	$ 7,663,694	$ 2,037,489	$ 9,701,183
Employee benefits, payroll taxes	1,496,666	251,790	1,748,456
Total salaries and related expenses	9,160,360	2,289,279	11,449,639
Other direct expenses:			
Building occupancy	1,084,581	212,329	1,296,910
Depreciation and amortization	963,977	59,630	1,023,607
Food services	927,036	1,274	928,310
Medical and pharmacy	505,520	7,748	513,268
Computer supplies, software and support	225,101	173,147	398,248
Interest expense	317,929	79,730	397,659
Insurance	320,933	61,537	382,470
Subcontractors	361,899	-	361,899
Professional services	140,997	210,185	351,182
Operating supplies and expenses	219,667	40,199	259,866
Equipment	151,253	79,142	230,395
Communications	170,202	47,157	217,359
Licenses, dues, subscriptions and tuition	62,364	22,496	84,860
Advertising and public relations	76,240	6,564	82,804
Travel	40,337	11,800	52,137
Bank charges and fees	10,670	27,129	37,799
Auto operation	26,945	7,807	34,752
Other	1,477	1,829	3,306
Bad debt recovery	-	(57,468)	(57,468)
Total other direct expenses	5,607,128	992,235	6,599,363
Total operating expenses	$ 14,767,488	$ 3,281,514	$ 18,049,002

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

Note A – Nature of Business and Organization

Cove Behavioral Health, Inc. ("Cove"), formerly DACCO Behavioral Health, Inc., "Cove" and its two wholly-owned subsidiaries, are not-for-profit organizations incorporated under the laws of the State of Florida to provide the community high quality behavioral health (substance use and mental health) education, prevention, intervention, and treatment services to assist individuals and families in building recovery capital in order to lead productive lives. COVE provides service in Hillsborough and Polk Counties, Florida, and surrounding areas.

DACCO Behavioral Health Properties, Inc. ("Properties") was formed on August 18, 2011. Cove is the sole member of this entity. Effective September 8, 2021, Properties renamed as DACCO Behavioral Health, Inc.

DACCO Behavioral Health Organization, Inc. ("Organization") formed on August 22, 2011. COVE is the sole member of this entity. Effective August 29, 2022, Organization renamed as Cove Behavioral Health Organization, Inc.

COVE, Properties, and Organization are hereinafter collectively referred to as the "the Organization."

Note B – Significant Accounting Policies

Basis of Accounting

The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies, and uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which recognizes revenue when earned and expenses as incurred. Federal, state, local government and public grants are recorded as revenue when performance occurs under the terms of the corresponding grant agreements.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of COVE, Properties, and Organization, which are under common ownership and management and are related in their operations. All significant intercompany balances and transactions have been eliminated in consolidation.

The Organization is required to report information regarding its consolidated financial position and consolidated activities according to two classes of net assets:

- *Net assets without donor restriction* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees (the "Board") has designated, from net assets without donor restriction, net assets for various reasons.
- *Net assets with donor restriction* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note B – Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The standard requires certain information be disclosed related to contributed nonfinancial assets, including disaggregation by category on the statement of activities by type of contributed nonfinancial asset, qualitative information about whether the contributed nonfinancial asset was monetized or utilized during the reporting period, the nonprofit's policy about monetizing rather than utilizing the contributed nonfinancial assets, a description of any donor restrictions associated with the contributed nonfinancial assets, and the valuation techniques and inputs used to arrive at fair value measurement. The amendments in the ASU should be applied on a retrospective basis and are effective for annual reporting period beginning after June 15, 2021. Early adoption of the ASU is permitted. The Organization determined no material impact on its consolidated financial statements and disclosures.

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update, *Leases* (Topic 842), intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the statement of assets, liabilities, and members' equity (deficit)—the new ASU will require both types of leases to be recognized on the statement of assets, liabilities, and net assets. The ASU on leases will take effect for all non-public companies for fiscal years beginning after December 15, 2021.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and certificates of deposit that are purchased with original maturities of three months or less.

Restricted Cash

As of June 30, 2022 and 2021, the Organization had restricted cash of approximately $619,000 and $556,000 respectively, comprised of clients' residential funds of approximately $18,000 and $5,000 respectively, and mandatory sinking fund payments on its City of Tampa, Florida Variable Rate Demand Revenue Bonds ("COVE Project") of $601,000 and $551,000 respectively.

The sinking fund payments are made monthly to a restricted Wells Fargo Bank N.A. bank (the "Bank") beginning September 1, 2010 and are to continue with principal payments being made on August 1st each year for as long as the Bank is the owner of the bond. Sinking fund payments escalate on a year-to-year basis during this period. The next principal payment due August 1, 2022 is payable in the amount of $650,000 (See Note G). A sinking fund payment of approximately $50,000 remains before payment of the principal.

Accounts and Contracts Receivable, Net

Receivables consist of billings to clients for services, grant contract receivables, and contract amounts due from related parties. The Organization performs periodic evaluations of the collectability of its receivables and does not require collateral on its accounts receivable. Losses on uncollectible receivables are provided for in the consolidated financial statements based on management's expectations. At June 30, 2022 and 2021, the Organization recorded an allowance for doubtful accounts of approximately $68,000 and $17,000, respectively. Actual write-offs may exceed the allowance. During the years ended June 30, 2022 and 2021, the Organization incurred bad debt expense (recoveries) of approximately $158,000 and $(57,000), respectively, and write-offs of approximately $10,000 and $15,000, respectively.

Note B – Significant Accounting Policies (continued)

Accounts Receivable - Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment, Net

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets – generally 3 to 40 years. Individual furniture and equipment items with an acquisition cost of less than $2,500 are expensed when purchased.

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the consolidated statements of activities.

Investment income and gains restricted by a donor are reported as increases in net assets without donor restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Income from investments is reflected net of related expenses.

Fair Value Measurement

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

> *Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.
>
> *Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
>
> *Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The Organization has adopted the fair value option for financial assets and liabilities. This allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments, other than investments, at fair value, as permitted under the guidance. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Note B – Significant Accounting Policies (continued)

Bond and Loan Issue Costs, Net

Bond and loan issue costs are expenditures associated with issuing bonds or other notes payable, such as legal, accounting, underwriting, and commissions, which are deferred and amortized over the life of the bond or the related note payable. The Organization also capitalizes loan issuance costs following the Codification for *Capitalization of Interest*, for the period of construction for which the loan was obtained.

Public Support

All support is recorded in accordance with ASC 958, *Not-for- Profit Entities* as contributions with or without donor restrictions.

Grant Income

Grant Income – Grant income is recorded as with or without donor restrictions. The majority of grant income relates to reimbursable grants, where expenses or evidence of performed services are submitted for reimbursement on a monthly basis and paid within a month. Payment terms are dependent on the individual grant. Support that is restricted by the donor is reported as an increase in without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Grant income consists of federal awards, state financial assistance, and local and other awards as follows:

	2022	2021
Federal awards	$ 10,211,404	$ 11,255,343
State financial assistance	1,213,826	987,040
Local and other awards	5,083,629	4,601,484
Total grant revenues	$ 16,508,859	$ 16,843,867

In-Kind Revenue

Donated Services - Donated services must meet certain criteria in accounting for contributions received and contributions made in order to be recognized. The Organization participates in an alternative education program with the School Board of Hillsborough County, Florida (the "School Board"). The Organization provides space and resources to the program, and the School Board pays the salaries and fringe benefits of teachers that participate in the program. This activity is not recognized in the consolidated financial statements as in-kind contributions.

In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments that are not recognized in the consolidated financial statements because they do not meet the criteria for recognition.

Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service, as instructed by the donor. The Organization reclassifies net assets with donor restriction to net assets without donor restriction at that time.

Note B – Significant Accounting Policies (continued)

Contributions

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

Revenue Recognition

All revenues are recorded in accordance with ASC 606, *Revenue from Contracts with Customers*, which is recognized when: (i) a contract with a customer has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the Organization has satisfied the applicable performance obligation over time or at a point in time.

Fees for Client Services - These services are for those patients who are court-ordered into programs, while others are referred to or walk into the Organization. The programs and services are described in Note C. Each patient undergoes an evaluation/assessment to determine eligibility for a program. The Organization uses a sliding fee schedule to bill the patients, insurance companies or Medicaid. Revenue is recognized at a point in time when the performance obligation is met, usually the completion of the treatment program assigned to the patient. Payment terms are dependent on the business terms with the insurance companies, but are usually due immediately after the submission of invoice for reimbursement by the insurance company.

Fees for client services billing types consist of the following:

	2022	2021
Managed Medical Assistance	$ 2,334,154	$ 1,447,931
Commercial Insurance Plan	147,975	97,883
Medicaid	29,451	20,269
Client fees	508,026	608,431
Total fees for client services	$ 3,019,606	$ 2,174,514

Food Service Income - These services consist of vending snack income and is recorded at a point in time when a sale is made, and payment received.

Special Events - These are revenues from special fundraising events and are recorded at a point in time when the event takes place. There are no specific payment terms. Revenue is deemed to be with donor restrictions until the event takes place and the revenue is recognized.

Rental Income – This relates to income from the Headstart rental agreement and apartment rent and is recognized over time on a monthly basis. Payment is due on a monthly basis in advance.

Expense Allocation

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

Note B – Significant Accounting Policies (continued)

Expense Allocation (continued)

Expenses are allocated to program and supporting services on the following basis:

- Management and general expenses are allocated back to the departments based on FTEs
- Personnel expenses are allocated on the basis of direct salaries
- Building and occupancy costs, including related depreciation, are allocated on the basis of revenue and square footage
- Depreciation on the furniture and equipment is allocated on the basis of usage of the furniture and equipment

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and from state corporate income tax under applicable Florida Statutes. In addition, the Organization qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as an Organization that is not a private Organization and has been designated a "publicly supported" Organization.

The Organization follows the income tax standard for uncertain tax positions. The Organization has evaluated their tax positions and determined they have no uncertain tax positions as of June 30, 2022. Should the Organization's tax-exempt status be challenged in the future, the Organization's 2020, 2021, and 2022 tax years are open for examination by the IRS.

Fair Value Disclosures

The carrying amounts of cash and cash equivalents, accounts receivable, contract receivables, notes receivable, accounts payable, accrued expenses, and revenue bonds payable, approximate their fair values due to their short maturity or floating interest rate terms, as applicable.

Estimates

The preparation of consolidated financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are charged to expense as incurred. The Organization incurred advertising costs of approximately $234,000 and $83,000 for the years ended June 30, 2022 and 2021, respectively.

Note C – Description of Programs and Supporting Services

The following programs and supporting services are included in the accompanying consolidated financial statements and represent nationally accredited programs with co-occurring capability.

Case Management

The Organization's Case Management coordinates services, agencies, and resources to assist patients in achieving goals. Patients are assessed and recommended for appropriate treatment. Agencies referring patients to the Organization are periodically advised regarding the patient's status in treatment based on confidentiality releases. Pregnant clients receive case management services to ensure OBGYN involvement.

Intervention

Basic drug education is provided for adolescent and adult patients based on a nationally developed intervention plan of goals and objectives. Screening as well as individual and group counseling services are provided. Intervention treatment readiness groups are provided until a space is available for treatment.

Note C – Description of Programs and Supporting Services (continued)

Housing Case Management

This program provides case management and Rapid Re-housing services for clients at the Community Housing Solutions Center (emergency shelter) and in our Residential treatment programs. In addition to assisting clients with budgeting, employment, rent negotiations, locating suitable housing, and linkage to non-cash benefits and health insurance, the housing case managers provide financial assistance to client to assist with application fees, security deposits, utility deposits/costs and short & medium-term rental assistance.

Day Care

The Developmental Day Care program provides childcare services to infants, toddlers and preschoolers through subcontracts with the Champions for Children and Hillsborough County Head Start. Mothers attending Women's Residential Treatment and Family Treatment Services are priority for this service, but any community children and staff children are welcome in a slot with the goal of addressing supplemental education prior to starting school.

Medication Assisted Treatment Services

The Organization offer multiple types of medication assisted treatment for substance use disorders:

Medication assisted treatment services using medications to detox or provide maintenance for patients addicted to opiates. This harm reduction program is focused on stabilization of patients who have been misusing and have become addicted to prescription drugs or other opiates with a focus on rehabilitation and stabilization. A client may be enrolled in other services and receive this service, additionally.

Methadone and Subutex, used for Opiate abuse, is given orally and includes counseling

Suboxone, used for Opiate abuse, is provided by a physician for eligible clients and includes counseling.

Vivitrol, a long-acting injectable for Opiate or Alcohol abuse to address cravings and includes counseling.

Sublocade, a long-acting injectable buprenorphine – used for Opiate abuse – includes counseling.

Residential Treatment

This program offers up to a six-month residential treatment, based on a modified therapeutic community model at two gender specific program sites. Residential services are also available for homeless individuals in Hillsborough County. Services focus on faulty thinking, attitude changes, cognitive development, peer relationships and are enhanced by co-occurring services. Services including Adult Basic Education and General Educational Development (GED) Test preparation are provided, vocational and employment readiness and assistance are also offered. The first two months consist of intensive residential treatment, while the last four months allow patients to work full-time, live at the facility and receive treatment during non-working hours. Medication-assisted treatment medications may be provided if a patient meets the qualifications.

Outpatient

Outpatient Services provide substance use disorder and mental health treatment services for patients via group and individual counseling. Using evidence-based practices and trauma-informed care, patients receive services based on their strengths, needs, abilities and preferences. Services are offered both in-person and via telehealth.

Peer Recovery Support

Recovery support services are provided to individuals in need of continuing care after completion of treatment. Peer Support Specialists are imbedded throughout the various levels of care including MAT (both through our Hospital ED Pathways projects) and onsite in the clinic, as well as in Residential and Outpatient treatment programs. Peers provide critical support to patients throughout their treatment and after.

Note C – Description of Programs and Supporting Services (continued)

Prevention

This program includes school-based programs, young adult programs and family programs providing evidence-based drug education, individual and group counseling, family counseling, training peer mentors, referral services, aftercare and follow-up services. Additionally, we are a leader in the Tampa Bay Community for HIV prevention and education and are using "environmental strategies" to change perception and behaviors of youth and young adults in our area.

Acupuncture and Smoking Cessation

Acupuncture is available for clients to assist with cravings and stress. Smoking cessation classes and interventions are available throughout programs, as an overlay service.

Pre-Trial Intervention Drug Court

Pre-Trial Intervention Drug Court is a unique outpatient program in Hillsborough County for the first-time felony offenders. Through a year-long program, the client can complete an intensive program to be eligible for record expungement.

Comprehensive Coordinated Care for Pregnant Women

Programming is available to support pregnant women or child welfare cases through assessment, treatment and reunification. Cove Behavioral Health, Inc. won two National awards for treatment of pregnant women abusing substances and is uniquely prepared to address these cases.

Medical and Psychiatric Services

This program offers access to onsite physicians and advance practice nurse practitioners (APRN) that specialize in Addiction Medicine. Our medical staff conducts history and physicals, psychiatric evaluations and ongoing psychiatric services for adults and adolescents, and medication management and follow-up. Our medical staff routinely participates in treatment team meetings/staffings to ensure comprehensive coordinated care for our patients.

Fundraising

Fundraising provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Management and General

Cove Behavioral Health, Inc. is managed through leadership and an established three-year Strategic Plan developed and adopted by the Board of Trustees. The plan includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provides coordination with contracts and service delivery while securing proper administrative functioning. The Board regularly oversees the financial and budgetary responsibilities of the Organization.

Note D – Concentrations

Concentration of risk is the probability of loss attributable to the Organization's financial instruments. The Organization maintains cash balances in three financial institutions. At June 30, 2022 and 2021, cash balances exceeded federally insured limits of $250,000 by $1,911,181 and $1,214,111, respectively, and exposed the Organization to risk of loss.

Concentrations of credit risk with respect to receivables is limited since most of the receivables are owed from either the federal, state government, or local governments, and other well established not-for-profit organizations.

Note D – Concentrations (continued)

The Organization relies on periodically renewed fees and grants from governmental agencies for its primary support. Accounts receivable from one grantor represented 64% and 48% of total accounts receivable at June 30, 2022 and 2021, respectively. The revenue from this source represented 55% and 69%, respectively, of the Organization's fees for client services for the years ended June 30, 2022 and 2021.

Note E – Property and Equipment, Net

In July 2001, the Organization purchased land and buildings (Residential III site located at 3107 North 50th Street, Tampa, Florida) jointly with the Agency for Community Treatment Services, Inc. (ACTS). This agreement was amended August 6, 2012 to allow COVE to recover its costs of construction associated with a new building being constructed on the property prior to a joint split of the sale proceeds. The remaining land and buildings are owned and occupied equally by both parties. Building maintenance is shared in accordance with the occupancy agreement.

In December 2019, the Organization entered into a land use restriction agreement ("LURA") with Hillsborough County, Florida to renovate the 43rd N St. apartments (the "apartments") for affordable rental units for homeless individuals and families. The land and buildings are owned by COVE and LURA and expire on October 31, 2035.

During 2021, the Organization prepaid for new air conditioning units to be installed. The Organization determined these units would not be delivered and wrote off the full value of the assets, which was recorded as a loss within other expense on the consolidated statement of activities. The Organization is taking steps to recover the loss.

Property and equipment along with the related accumulated depreciation consist of the following as of June 30,:

	2022	2021	Useful Life (Years)
Buildings and improvements	$ 23,774,847	$ 23,075,894	5 - 40
Furniture and equipment	3,715,682	3,433,998	3 - 20
Land	2,348,237	2,324,272	N/A
Software	785,562	780,562	10
Construction in progress	-	789,583	N/A
Motor vehicles	492,765	492,765	3 - 5
Leasehold improvements	106,534	106,534	10
	31,223,627	31,003,608	
Accumulated depreciation	(15,390,753)	(14,561,633)	
Property and equipment, net	$ 15,832,874	$ 16,441,975	

Depreciation expense for the years ended June 30, 2022 and June 30, 2021 were approximately $854,000 and $999,000, respectively.

Note F – Investments

The Organization's investments fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The method used for assets measured at fair value for investments available for sale including, common stock and mutual fund securities, are valued at the closing price reported on the active market in which the securities are traded.

Note F – Investments (continued)

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Stocks and Exchange traded funds ("ETFs"): Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income securities: Valued at the closing price reported on the active market on which the individual securities are traded. The fixed income securities consist of U.S. treasury bonds and U.S. corporate bonds.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The amortized cost and estimated fair value of investments in debt and equity securities as of June 30, 2022 are as follows:

	Amortized/Cost	Unrealized Gains (Losses)	Fair Value
Stocks and ETFs	$ 1,318,352	$ (138,593)	$ 1,179,759
Fixed income securities	47,319	125,746	173,065
Mutual funds	199,152	(7)	199,145
	$ 1,564,823	$ (12,854)	$ 1,551,969

The following tables summarize the amortized cost and the levels in the ASC 820 fair value hierarchy into which the Organization's investments fall as of June 30, 2022:

	Fair Value	Level 1	Level 2	Level 3
Stocks and ETFs	$ 1,179,759	$ 1,179,759	$ -	$ -
Fixed income securities	173,065	76,782	96,283	-
Mutual funds	199,145	199,145	-	-
	$ 1,551,969	$ 1,455,686	$ 96,283	$ -

The amortized cost and estimated fair value of investments in debt and equity securities as of June 30, 2021 are as follows:

	Amortized/Cost	Unrealized Gains (Losses)	Fair Value
Mutual funds	$ 750,854	$ (1,109)	$ 749,745
ETFs	43,162	17,039	60,201
	$ 794,016	$ 15,930	$ 809,946

The following tables summarize the amortized cost and the levels in the ASC 820 fair value hierarchy into which the Organization's investments fall as of June 30, 2021:

	Fair Value	Level 1	Level 2	Level 3
Mutual funds	$ 749,745	$ 749,745	$ -	$ -
ETFs	60,201	60,201	-	-
	$ 809,946	$ 809,946	$ -	$ -

Note F – Investments (continued)

Net investment income (loss) of the Organization for the years ended June 30, 2022 and 2021 is as follows:

	2022	2021
Dividend income	$ 29,002	$ 15,727
Interest income	14	42
Capital gain	24,072	1,344
Realized and Unrealized gains (loss)	(316,094)	31,053
Total investment gain (loss)	(263,006)	48,166
Investment expenses	(10,720)	(2,868)
Net investment income (loss)	$ (273,726)	$ 45,298

Note G – Notes Payable, Deferred Payment Mortgages and Line of Credit

Notes Payable and Deferred Payment Mortgages

At June 30, 2022 and 2021, notes payable and deferred payment mortgages consisted of the following:

	2022	2021
Note payable to Bank (DACCO project)	$ 8,975,000	$ 9,575,000
Deferred Payment Mortgage and Note (43rd St apartments)	958,932	428,398
Deferred Payment Purchase Money Mortgage	1,000,000	1,000,000
Less: amortization of loan fees	(288,452)	(313,814)
Total net notes payable	10,645,480	10,689,584
Less: current maturities	(627,644)	(627,644)
Long term notes payable	$ 10,017,836	$ 10,061,940

At June 30, 2022, principal maturities on notes payable and deferred payment mortgages are as follows:

Year Ending June 30,	Principal	Amortization of Loan Fees	Net Amount
2023	$ 650,000	$ (22,356)	$ 627,644
2024	700,000	(22,356)	677,644
2025	750,000	(22,356)	727,644
2026	800,000	(22,356)	777,644
2027	850,000	(22,356)	827,644
Thereafter	7,183,932	(176,672)	7,007,260
Total	10,933,932	(288,452)	10,645,480
Less short-term portion	(650,000)	22,356	(627,644)
Long-term portion	$ 10,283,932	$ (266,096)	$ 10,017,836

DACCO Project

On August 1, 2007, the City of Tampa issued bonds in connection with the DACCO Project in the amount of $16,325,000. The DACCO Project has a maturity date of August 1, 2035. The proceeds were used by the Organization to finance and reimburse the costs of acquiring, constructing, and equipping the facilities located at 4422 East Columbus Drive and making certain improvements to 3630 N. 50th Street, and 3107 N. 50th Street, all of them located within the limits of the City of Tampa, Florida.

On August 27, 2010 the Organization amended the DACCO Project with the Bank. As a result of the amendment, the Organization paid down $1,225,000 of the outstanding principal balance, yielding a remaining balance of $15,100,000. The DACCO Project would bear interest calculated as the sum of 65.7% of LIBOR plus 171 basis points, 360-day year base, floating daily.

Note G – Notes Payable, Deferred Payment Mortgages and Line of Credit (continued)

DACCO Project (continued)

On August 24, 2011 the Organization amended the DACCO Project with the Bank. As a result of the amendment the Organization was allowed to undertake the necessary changes to the Organization to qualify for funding received in prior years. Associated with this amendment the Organization was required to make a $1,200,000 reduction in the outstanding bonds.

On May 1, 2015 the Organization amended and restated the DACCO Project with the Bank. As a result of the amendment, the interest basis increased from 171 basis points to 191 basis points. The DACCO Project would bear interest calculated as the sum of 65.7% of LIBOR plus 191 basis points, 360-day year base, floating daily. During the year ended June 30, 2018, the Bank agreed to extend the Organization's index interest rate period on the DACCO Project as well once more subsequent to year-end in August 2018 until October 31, 2018.

During the year ended June 30, 2018 the Organization sold its 9th Street Apartments for $900,000. As a requirement from the bank, the Organization used the proceeds to pay $750,000 toward the DACCO Project.

Effective November 1, 2018 the Organization amended and restated the indenture of trust for the DACCO Project bonds in the amount of $10,625,000 and grants the Bank a security interest in the Sinking Fund Account. The restatement included a new Medium-Term Rate Period of 4.05% to replace the Organization's index interest rate period on the DACCO Project from November 1, 2018 until November 1, 2021.

Effective June 1, 2022 the Organization amended and restated the indenture of trust for the DACCO Project bonds. The restatement included a new Medium-Term Rate Period of 3.52% to replace the Organization's current Medium-Term Rate Period on the DACCO Project from June 1, 2022 until June 1, 2027.

The interest rate on the bonds as of June 30, 2022 and 2021 was 3.52 % and 4.05%, respectively. The amended bonds require continued monthly sinking fund payments beginning September 1, 2018 and principal payments being made on August 1st each year until maturity. Sinking fund payments change on a year-to-year basis during this period to match 1/12th of the next principal payment. The next principal payment due August 1, 2022 is payable in the amount of $650,000.

The DACCO Project bond includes certain affirmative covenants. The bonding covenants require that the Organization maintain a Fund Flow coverage Ratio of no less than 1.20 to 1.00; Liquidity requirement of no less than $750,000 on deposit with the Bank, and a ratio of total liabilities to tangible net worth of no more than 3.00 to 1.00. The Organization was either in compliance with these covenants or has received a waiver for the years ended June 30, 2022 and 2021.

The interest expense incurred by the Organization related to the DACCO project for fiscal years ended June 30, 2022 and 2021 was approximately $373,000 and $398,000, respectively.

Bond issuance costs

Bond issue costs represent expenditures incurred on bonds issued in connection with the DACCO Project loan payable. Total DACCO Project bond issuance and amendment costs of approximately $568,000 are being amortized over the life of the bond. Loan costs are representative of the initial bond issuance costs, and amendments in fiscal 2011 and 2015. The related amortization expense for fiscal years ended June 30, 2022 and 2021 was approximately $25,000 and $24,000, respectively.

Paycheck Protection Program Loan

In May 2020, the Organization participated in the Paycheck Protection Program ("PPP") under the CARES Act and secured financing through a financial institution for $2,022,100 at 1.00% interest. The Organization received forgiveness in May 2021, and forgiveness of PPP loan was recorded on the accompanying statement of activities for the year ended June 30, 2021.

Note G – Notes Payable, Deferred Payment Mortgages and Line of Credit (continued)

43rd Street Rehabilitation Project – Due June 1, 2036

In December 2019, the Organization entered into a deferred payment and mortgage note with Hillsborough County, Florida and was approved to receive $933,862 to renovate the 43rd N St. apartments (the "apartments") for affordable rental units for homeless individuals and families. Completion of the rehabilitation project must be completed by October 31, 2020, with the agreement expiring on October 31, 2035, at which point the mortgage will be forgiven if the land use restrictions are maintained in accordance with the LURA. The term of this loan is 15 years with zero percent interest. This loan is subordinate to the Organization's obligations under the bonds noted above.

This agreement was amended on October 27, 2020 to extend the project completion date from October 31, 2020 to June 1, 2021 and the mortgage expiration date to June 1, 2036.

A second amendment to the agreement made on August 18, 2021 further extended the project completion date from June 1, 2021 to December 30, 2021, further extended the mortgage expiration date from June 1, 2036 to December 30, 2036, and increased the available funding by $25,070 for a new total of $958,932. As of June 30, 2022 and 2021, the Organization borrowed approximately $959,000 and $428,000, respectively.

Deferred Payment Purchase Money Mortgage- Due August 6, 2028

During fiscal year 2009, HUD granted the Organization a deferred payment loan in the amount of $1,000,000 for the construction of a residential substance abuse/mental treatment center for low and moderate income persons known as the Columbus Campus. The term of this loan is forty years with zero percent interest. This loan is subordinate to the Organization's obligations under the bonds noted above.

The payment of principal is deferred until August 6, 2028, at which time the amount will be forgiven if the Organization complies with the terms of the agreement. The loan would become payable in the event that the Organization does not remain owner, or if all or any part of the property or an interest therein is rented, leased, sold, mortgaged, liened, refinanced, foreclosed upon or otherwise transferred by the Organization without prior consent from HUD.

Line of Credit

The Organization maintains a revolving line of credit ("LOC") agreement with a bank that provides a maximum borrowing of $450,000 and was set to mature November 1, 2021. The LOC is collateralized by substantially all assets of the Organization, including the Company's security interests in its affiliates. The LOC is guaranteed by its affiliates, subject to certain limitations. On July 19, 2022, the LOC was renewed for $450,000 at a variable interest rate equal to the bank's prime rate, 4.75%, with a new maturity date of August 1, 2023.

The LOC has a variable interest rate equal to the bank's prime rate, 3.25% as of June 30, 2022 and 2021. The Organization is required to make monthly interest payments on the LOC until maturity. The agreement also requires the Organization to maintain a fixed charge coverage ratio of no less than 1.20 to 1.00 annually; a liquidity requirement of no less than $750,000 on deposit; and a ratio of total liabilities to tangible net worth of no more than 3.00 to 1.00, quarterly. The Organization was either in compliance with these covenants or has received a waiver for the years ended June 30, 2022 and 2021.

During the years ended June 30, 2022 and 2021, interest expense related to the LOC was $0. At June 30, 2022 and 2021, the Company had $0 outstanding on the LOC respectively. At June 30, 2022, $450,000 of unused LOC was available to be drawn upon as needed.

Note H – Liquidity and Availability

The Organization's management monitors its liquidity so that it is able to cover operating expenses. The Organization budgets for such costs based on the prior year actual expenses and anticipated future expenses. Budgets are approved by the Board.

Note H – Liquidity and Availability (continued)

Management has budgeted approximately $21,500,000 of operating expenses to be paid within one year of the balance sheet date, and anticipates sufficient grant revenues, fees for client services, and support to cover them. The Organization has the following financial assets available within one year of the balance sheet date for general expenditures:

	June 30, 2022
Financial assets:	
Cash and cash equivalents	$ 1,975,549
Accounts receivable, net	728,788
Contracts receivable – governmental, net	2,419,837
Investments	1,551,969
Deposits and other assets	109,632
Total financial assets	6,785,775
Less: reserved funds, see note M	(1,351,827)
Less: financial assets not available within one year	(109,632)
	$ 5,324,316

Financial assets not available within one year consist of deposits and other assets. The above table reflects reserved funds established by the Board as unavailable because it is the Organization's intention to use those funds for future contingencies. However, in the case of need, the Board could appropriate resources from this reserve. The Organization also has access to a $450,000 line of credit. The Organization has structured its financial assets to be available as its general expenditures and liabilities come due.

Note I – Retirement Plan

The Organization has implemented a defined contribution retirement plan as allowed under Section 403(b) of the Internal Revenue Code. This plan provides a defined contribution and a deferred compensation retirement arrangement for substantially all of its employees. The Organization's retirement plan contribution for the years ended June 30, 2022 and 2021, totaled approximately $124,000 and $131,000, respectively. Employees become eligible after one year of employment, and are 20% vested in their accumulated benefits after two years of service with an additional 20% vesting for each additional year of service, until fully vested.

Note J – Federal and State Support Requiring a Match

During the years ended June 30, 2022 and 2021, COVE received support from federal and state agencies. Contracts are renegotiated annually. The income from these contracts is earned by providing services to clients. Based on total amounts awarded, local matching contributions of approximately $1,810,000 and $1,063,000 were required for contract periods ended June 30, 2022 and 2021, respectively.

COVE incurred and funded allowable program costs in excess of these match requirements.

Note K – Commitments and Contingencies

Facilities

The Organization committed to a 38 month non-cancellable operating lease for office space on October 1, 2015. The lease was set to terminate on November 30, 2018, but the Organization exercised its three year lease extension option, extending the lease to November 30, 2021.

The Organization holds another lease relating to office space. The lease was set to terminate on December 31, 2019, but the Organization renewed the lease until January 31, 2025.

Total rent expense for the fiscal years ended June 30, 2022 and 2021, were approximately $112,000 and $140,000 respectively.

Note K – Commitments and Contingencies (continued)

Future minimum lease payments for the next two years at June 30, are as follows:

2023	$	59,168
2024		30,000
2025		17,500
	$	106,668

Note L – Donated Services, Property and Equipment

Food in-kind donations in the form of food stamps from the Florida Department of Children and Families are included in the consolidated statements of activities. For the fiscal years ended June 30, 2022 and 2021, the amounts donated were approximately $133,000 and $178,000, respectively.

Note M – Reserve Fund

The Board has established a reserve fund for future contingencies. The reserve funds held in investments and cash as of June 30, 2022 and 2021 were approximately $1,352,000 and $1,119,000, respectively.

Note N – Subsequent Events

On July 19, 2022, the LOC was renewed for $450,000 at a variable interest rate equal to the bank's prime rate, 4.75%, with a new maturity date of August 1, 2023.

Management has assessed subsequent events through December 8, 2022, the date on which the consolidated financial statements were available to be issued.

Supplemental Information

Cove Behavioral Health, Inc. and Affiliates

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal and State Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Pass-through Grantor's Number	Federal Expenditures	Transfers to Subrecipient
Federal Grantors:				
U.S. Department of Health and Human Services:				
Family Treatment Services	93.243	H79TI080326	$ 475,911	$ -
Certified Community Behavioral Health Clinic	93.829	H79SM083188	1,636,345	-
Sub-total			2,112,255	-
Passed through Hillsborough County, Florida, Board of County Commissioners				
Family Dependency Court Expansion	93.243	17TI80278A	66,500	-
Sub-total			66,500	-
Passed through Florida Department of Health				
High Impact Prevention	93.940	CODPB	228,721	-
Sub-total			228,721	-
Passed through the Central Florida Behavioral Health Network				
Temporary Assistance for Needy Families	93.558	CF2010-1003R	388,341	-
Sub-total			388,341	-
Block Grants for Prevention and Treatment of Substance Abuse				
Children's Substance Abuse	93.959	CF1329.1205	845,600	-
Adult Community Mental Health	93.959	CF1329.1205	105,255	-
Adult's Substance Abuse	93.959	CF1329.1205	3,889,906	-
Adult's Substance Abuse	93.959	603007	25,255	-
Sub-total			4,866,016	-
Block Grants for Community Mental Health				
Adult Mental Health	93.958	502018	2,125	-
Sub-total			2,125	-
Florida Department of Agriculture:				
State Opioid Response (SOR)				
Adult Substance Abuse	93.788	CF1329.1206	2,495,908	-
Children's and Adult Substance Abuse	93.788	CF1329.1206	51,538	-
Sub-total			2,547,446	-
Total federal awards			$ 10,211,404	$ -
Program Loans				
U.S. Department of Housing and Urban Development:				
Community Development Block Grants Programs				
Passed through Hillsborough County, Florida	14.218		$ 530,534	$ -
Total program			530,534	-
Total program loans			$ 530,534	$ -

Cove Behavioral Health, Inc. and Affiliates
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2022

Federal and State Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Pass-through Grantor's Number	Expenditure State Awards	Transfers to Subrecipient
State Grantors:				
Florida Department of Children and Families:				
Passed through Eckerd Community Alternatives, Inc.				
Passed through Gulf Coast Jewish Family and Community Services, Inc.				
In Home	60.075	ECAH-DIV-GCJ	$ 305,911	$ -
Total Florida Department of Children's and Families			305,911	-
Florida Department of Corrections:				
Substance abuse services for non-secure residential treatment	70.016	C2908	292,608	-
DOC Non Secure and Co-Occurring SP DD	70.016	B789EF	196,243	-
Total Florida Department of Corrections			488,850	-
Florida Alcohol and Drug Abuse Association:				
Vivitrol	22.022	SC00679	325,290	-
Total Florida Alcohol and Drug Abuse Association			325,290	-
Florida State Court System:				
Passed through the Hillsborough County Circuit Court				
ITN Drug Court	22.021	13009Y8	76,540	-
Veteran's Treatment Court	22.021	13009VV	17,235	-
Total Florida State Court System			93,775	-
Total state financial assistance			$ 1,213,826	$ -

Cove Behavioral Health, Inc. and Affiliates
Schedule of Local and Other Awards
For the Year Ended June 30, 2022

Grantor/Program Title	Grantor's Number	Local and Other Expenditures	Transfers to Subrecipient
Local & Other Grantors			
Hillsborough County Public Schools:			
Passed through Central Florida Behavioral Network, Inc.			
Children's Substance Abuse		$ 52,630	$ -
Total Hillsborough County Public Schools		52,630	-
Board of County Commissioners, Hillsborough County, Florida:			
Hillsborough County Health Plan	BOCC 09-1330	2,932,953	-
Headstart Rent and Utilities		31,652	-
Total Board of County Commissioners, Hillsborough County, Florida		2,964,605	-
Children's Board of Hillsborough County, Florida:			
Family Focus	C01-60102-201-000-01500-212680-22	230,665	-
Family Focus	C01-60102-201-000-01500-212680-21	118,983	-
Total Children's Board of Hillsborough County, Florida		349,648	-
Hillsborough County Court System:			
PTI Drug Court		89,010	-
Marchman Court	G1600644	35,736	-
Total Hillsborough County Court System		124,746	-
Hillsborough County Homeless Services:			
Community Homeless Solutions Housing Center	14-1183A	1,167,724	-
Total Hillsborough Homeless Services		1,167,724	-
Tampa Hillsborough Homeless Initiative:			
Community Development Block Grant		260,688	-
Homeless Emergency Solutions Grant		73,119	-
Total Tampa Hillsborough Homeless Initiative		333,806	-
Polk County BOCC:			
Residential Level 2 Beds		18,810	-
Total Polk County BOCC		18,810	-
Abe Brown Ministries:			
Abe Brown Ministries		21,660	-
Total Abe Brown Ministries		21,660	-
Florida Blue Foundation, Inc.:			
Florida Blue Foundation		50,000	-
Total Florida Blue Foundation, Inc.		50,000	-
Total local financial assistance		$ 5,083,629	$ -

COVE Behavioral Health, Inc. and Affiliates

Notes to Schedule of Expenditures of Federal Awards, State Financial Assistance, Local and Other Awards
June 30, 2022

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance, Other State Funding, and Local Awards (the "Schedule") presents the activity of all federal, state, and local programs administered by COVE Behavioral Health, Inc. and Affiliates, Inc. Awards received directly from governmental agencies, as well as those passed through other government agencies, are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.650, Rules of the Auditor General. Because the Schedule presents only a selected portion of the operations of COVE, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

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

Summarized Assistance Listing Information

The Schedule presents federal award programs summarized by federal and pass-through agencies. Certain federal award programs were funded by multiple agencies and are summarized as follows:

Assistance Listing Number	Federal Program	Total Expenditures
93.959	Block Grants for Prevention and Treatment of Substance Abuse	$ 4,866,016

Subrecipients

The Organization provided local awards to subrecipients during the year ended June 30, 2022 as identified in the transferred to subrecipients column in the accompanying Schedule.

As a service provider, the Organization has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

Central Florida Behavioral Health Network

The Organization commingles cash receipts from the U.S. Department of Health and Human Services with similar State grants. When reporting expenditures on this Schedule, the Organization assumes it expends federal monies first.

Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Federal Loan Programs

As discussed in Note G of the consolidated financial statements, the Organization received U.S. Department of Housing and Urban Development ("HUD") federal awards, Assistance Listing Number 14.218, in the form of a zero-interest deferred mortgage note from Hillsborough County, which related to the 43rd Street Rehabilitation Project, and a zero-interest deferred mortgage note from the City of Tampa, which related to the DACCO Project. The Organization was in compliance with the current requirements of the federal loan programs for the years ended June 30, 2022 and 2021. The following table shows federal loan programs as of June 30, 2022 and 2021, respectively:

	Program		
	Hillsborough County	City of Tampa	City of Tampa
Loan Balances as of June 30, 2021	$ 428,398	$ 9,575,000	$ 1,000,000
New Loans During Fiscal Year June 30, 2022	530,534	-	-
Repayments During Fiscal Year June 30, 2022	-	(600,000)	-
Loan Balances as of June 30, 2022	$ 958,932	$ 8,975,000	$ 1,000,000

Cove Behavioral Health , Inc. and Affiliates

Schedule of State Earnings for Alcohol, Drug Abuse and Mental Health Services (ADM)

For the Year Ended June 30, 2022

Total expenditures	$	18,899,517
Less :		
Other state and federal funds		(11,681,921)
Non-match stubstance abuse and mental health funds		(2,610,341)
Unallowable costs per 65E-14, Florida administrative code		-
Total allowable expenditures	$	4,607,255
Maximum available earnings	$	3,455,441
Amount of state funds requiring match	$	1,063,248
Amount due to the state	$	-

Cove Behavioral Health , Inc. and Affiliates
Schedule of Related Party Transaction Adjustments
For the Year Ended June 30, 2022

	Allocation of Related Party Transaction Adjustment				
	Related Party	State Designated Cost Centers			
		1	2	3	Total
Revenues from grantee	$ -	$ -	$ -	$ -	$ -
Rent	-	-	-	-	-
Services	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total revenue from grantee	-	-	-	-	-
Expenses associated with grantee					
Transactions	-	-	-	-	-
Personnel services	-	-	-	-	-
Depreciation	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total associated expenses	-	-	-	-	-
Related party transaction adjustment	$ -	$ -	$ -	$ -	$ -

Note: No related party transactions occurred that require adjustments in this schedule

Cove Behavioral Health , Inc. and Affiliates

Schedule of Bed-Day Availability Payments

For the Year Ended June 30, 2022

Program A	Cost Center B	State Contracted Rate C	Units of Service Provided D	Total Units of Service Paid for by 3rd Party Contracts, Local Government, or Other State Agencies E	Maximum # of Units Eligible for Payment by Department (D-E) F	Amount Paid for Services by the Department G	Maximum Value of Units in Column F (F x C) H	Amount Owed to Department (G-H or $0, whichever is greater) I
Children's MH	Crisis Stabilization Unit	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Adult MH	Crisis Stabilization Unit	-	-	-	-	-	-	-
Children's SA	Substance Abuse Detox	-	-	-	-	-	-	-
Adult SA	Substance Abuse Detox	-	-	-	-	-	-	-
Adult MH	Short-term Residential Treatment	-	-	-	-	-	-	-
	Total Amount Owed to Department							$ -

Note: No bed day transactions occurred that require disclosure in this schedule.

Cove Behavioral Health, Inc. (DACCO) and Affiliates
Program/Cost Center Actual Expenses and Revenues Schedule
For the Year Ended June 30, 2022

	Mental Health																		
	02 Case Management	06 Day Treatment	11 Intervention - Individual	12 Medical Services	14 Outpatient - Individual	15 Outreach	19 Residential Level II	28 Incidental Expenses	35 Outpatient - Group	01 Assessment	02 Case Management	05 Daycare	06 Day Treatment	11 Intervention - Individual	12 Medical Services	13 Medication-Assisted Treatment	14 Outpatient - Individual	15 Outreach
Central Florida Behavioral Health Netowrk	$ 3,134	$ -	$ 53,731	$ 46,779	$ 2,291	$ 8,946	$ 175,761	$ 2,116	$ 3,208	$ -	$ 523,883	$ -	$ 14,637	$ 393,155	$ 176,154	$ 2,202,974	$ 886,035	$ 244,950
IB. OTHER GOVT. FUNDING																		
Other State Agency Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220,321	-	228,862	-
Medicaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,766	14,685	-
Local Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	673,494	-
Federal Grants and Contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,440,108	180,476
In-kind from local government only	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other government funding	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**220,321**	**14,766**	**2,357,149**	**180,476**
IC. ALL OTHER REVENUES																		
1st & 2nd Party Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	598,488	89,000	-
3rd Party Payments (except Medicare)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,081,624	528,197	-
Medicare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	77,398	-	-
Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total all other revenue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,757,510**	**617,197**	**-**
Total non-operating Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Over/Short	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total funding	**3,134**	**-**	**53,731**	**46,779**	**2,291**	**8,946**	**175,761**	**2,116**	**3,208**	**-**	**523,883**	**-**	**14,637**	**393,155**	**396,475**	**3,975,250**	**3,860,381**	**425,426**
Expense categories:																		
Personnel expenses																		
Salaries	3,659	-	60,035	20,588	25,485	13,309	197,008	3,439	9,612	-	179,267	-	71,441	340,196	82,351	979,968	1,248,782	252,870
Fringe benefits	-	-	-	-	-	-	-	-	-	-	21,558	-	12,123	73,359	47,738	151,731	449,731	42,421
Total personnel expenses	**3,659**	**-**	**60,035**	**20,588**	**25,485**	**13,309**	**197,008**	**3,439**	**9,612**	**-**	**200,825**	**-**	**83,564**	**413,555**	**130,089**	**1,131,699**	**1,698,513**	**295,291**
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Building Occupancy	-	-	-	-	-	-	-	-	-	-	69,785	-	-	112,589	81,354	124,296	198,591	16,794
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98,462	9,572	22,735	13,772
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,242	6,661	32,882	1,329
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,925	39,266	21,694	3,097
Food Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical and Pharmacy	-	-	-	25,123	-	-	-	-	-	-	-	-	-	-	146,021	286,280	3,388	184
Subcontracted Services	-	-	-	-	-	-	-	-	-	-	36,458	-	-	-	-	-	136,195	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	27,976	13,898	40,079	100,425	13,372
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	23,133	-	646	17,361	17,507	175,538	170,465	18,786
Interest Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,117	39,394	80,715	12,232
Operating Supplies & Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,975	18,890	24,902	18,357
Donated Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertising/Public Relations	-	-	-	-	-	-	-	-	-	-	6,537	-	183	4,906	4,947	49,605	48,171	5,309
Licenses/Dues/Subscriptions/Tuition	-	-	-	-	-	-	-	-	-	-	706	-	20	530	534	5,354	5,199	573
Computer Supplies/Software/Support	-	-	-	-	-	-	-	-	-	-	14,480	-	405	10,867	10,958	109,873	106,698	11,758
Communications	-	-	-	-	-	-	-	-	-	-	4,504	-	126	3,380	3,409	34,178	33,190	3,658
Auto Operation	-	-	-	-	-	-	-	-	-	-	1,318	-	37	989	998	10,002	9,713	1,070
Bad Debt	-	-	-	-	-	-	-	-	-	-	1,893	-	53	1,420	1,432	14,361	13,946	1,537
Bank Charges/Fees	-	-	-	-	-	-	-	-	-	-	379	-	11	285	287	2,879	2,796	308
Other expenses	-	-	-	-	-	-	-	-	-	-	45	-	1	34	34	341	331	37
Total other expenses	**-**	**-**	**-**	**25,123**	**-**	**-**	**-**	**-**	**-**	**-**	**159,238**	**-**	**1,481**	**180,336**	**409,101**	**966,567**	**1,012,036**	**122,172**
Total personnel and other expenses	**3,659**	**-**	**60,035**	**45,711**	**25,485**	**13,309**	**197,008**	**3,439**	**9,612**	**-**	**360,063**	**-**	**85,045**	**593,891**	**539,190**	**2,098,266**	**2,710,549**	**417,463**
Distributed indirect costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other support costs (optional)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administration	1,697	-	27,843	9,548	11,820	6,172	91,368	1,595	4,458	-	83,140	-	33,133	157,777	38,193	454,490	579,161	117,276
Total distributed indirect costs	**1,697**	**-**	**27,843**	**9,548**	**11,820**	**6,172**	**91,368**	**1,595**	**4,458**	**-**	**83,140**	**-**	**33,133**	**157,777**	**38,193**	**454,490**	**579,161**	**117,276**
Total operating expenses	**5,356**	**-**	**87,878**	**55,259**	**37,305**	**19,481**	**288,376**	**5,034**	**14,070**	**-**	**443,203**	**-**	**118,178**	**751,668**	**577,383**	**2,552,756**	**3,289,710**	**534,739**
Unallowable costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total allowable operating expenses	**$ 5,356**	**$ -**	**$ 87,878**	**$ 55,259**	**$ 37,305**	**$ 19,481**	**$ 288,376**	**$ 5,034**	**$ 14,070**	**$ -**	**$ 443,203**	**$ -**	**$ 118,178**	**$ 751,668**	**$ 577,383**	**$ 2,552,756**	**$ 3,289,710**	**$ 534,739**

Substance Abuse																			
19 Residential - Level II	28 Incidental Expenses	30 Information & Referral	35 Outpatient Group	37 Room & Board Level II	42 Intervention - Group	46 Recovery Support - Individual	47 Recovery Support - Group	48 Prevention - Indicated	49 Prevention Selective	50 Prevention Universal Direct	51 Prevention Universal Indirect	A2 FIT	B1 Network Evaluation and Development	Non-State Hillsborough School District	Total for All SAMH Cost Centers	Fundraising	Management & Other	Total Non-SAMH Cost Centers	Total
$ 972,077	$ 253,730	$ 4,835	$ 202,789	$ 228,179	$ -	$ -	$ 1,452	$ 248,589	$ 266,635	$ 5,926	$ 869,891	$ 675,374	$ 37,408	$ -	$ 8,504,639	$ -	$ -	$ -	$ 8,504,639
301,668	462,975	-	-	-	-	-	-	-	-	-	-	-	-	-	1,213,826	-	-	-	1,213,826
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,451	-	-	-	29,451
1,729,762	1,004,091	-	-	-	-	-	-	-	-	-	-	-	-	-	3,407,347	-	1,169,927	1,169,927	4,577,274
543,395	412,169	-	-	-	-	-	-	-	-	-	-	-	-	-	2,576,148	-	-	-	2,576,148
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,574,825	**1,879,235**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,226,772**	**-**	**1,169,927**	**1,169,927**	**8,396,699**
44,588	29,826	-	-	-	-	-	-	-	-	-	-	-	-	-	761,902	-	174,842	174,842	936,744
358	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,610,179	-	-	-	1,610,179
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	77,398	-	-	-	77,398
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	364,559	-	364,559	364,559
129,852	26,399	-	-	-	-	-	-	-	-	-	52,185	-	-	34,331	242,767	-	258,695	258,695	501,462
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174,798	**56,225**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**52,185**	**-**	**-**	**34,331**	**2,692,246**	**364,559**	**433,537**	**798,096**	**3,490,342**
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,721,700	**2,189,190**	**4,835**	**202,789**	**228,179**	**-**	**-**	**1,452**	**248,589**	**266,635**	**5,926**	**922,076**	**675,374**	**37,408**	**34,331**	**18,423,657**	**364,559**	**1,603,464**	**1,968,023**	**20,391,680**
1,773,067	168,531	33,778	470,976	321,048	95,906	11,082	-	284,842	154,125	22,220	377,401	311,180	-	-	7,512,166	-	1,912,831	-	7,512,166
285,094	-	-	-	-	-	-	-	77,122	25,147	-	36,981	68,968	-	-	1,291,973	-	295,480	-	1,291,973
2,058,161	**168,531**	**33,778**	**470,976**	**321,048**	**95,906**	**11,082**	**-**	**361,964**	**179,272**	**22,220**	**414,382**	**380,148**	**-**	**-**	**8,804,139**	**-**	**2,208,311**	**-**	**8,804,139**
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
245,818	-	12,365	-	38,136	-	10,956	1,500	38,920	50,677	3,200	115,336	29,167	-	-	1,149,484	-	194,986	-	1,344,470
2,700	-	-	1,241	-	-	-	-	313	-	-	-	296	-	-	149,091	-	266,604	-	415,695
4,144	-	-	-	-	-	-	-	14,574	7,106	-	-	12,278	-	-	84,216	-	28,644	-	112,860
47,747	14,957	-	-	-	-	-	-	3,594	-	-	25,364	4,220	-	-	164,864	-	34,397	-	199,261
1,063,596	-	-	-	-	-	-	-	-	-	-	-	68	-	-	1,063,664	-	1,487	-	1,065,151
63,531	-	-	-	-	-	-	-	472	-	-	-	679	-	-	525,678	-	2,392	-	528,070
151,712	-	-	-	-	-	-	-	-	-	-	-	-	-	-	324,365	-	-	-	324,365
110,837	-	-	-	-	-	-	-	12,435	-	-	60,380	16,169	-	-	395,571	-	78,154	-	473,725
164,341	96,669	214	8,955	10,076	-	-	64	10,977	11,774	262	40,717	29,823	1,652	-	798,960	-	55,524	-	854,484
66,562	-	-	-	-	-	-	-	27,733	-	-	34,816	18,878	-	-	295,447	-	77,274	-	372,721
77,649	-	-	-	-	-	-	-	57,989	-	-	138,580	8,238	-	-	348,580	-	40,825	-	389,405
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46,441	27,317	60	2,530	2,847	-	-	18	3,102	3,327	74	11,506	8,428	467	-	225,775	-	8,042	-	233,817
5,013	2,949	7	273	307	-	-	2	335	359	8	1,242	910	50	-	24,369	-	15,786	-	40,155
102,865	60,508	134	5,605	6,307	-	-	40	6,871	7,370	164	25,485	18,667	1,034	-	500,087	-	198,086	-	698,173
31,998	18,822	42	1,743	1,962	-	-	12	2,137	2,292	51	7,928	5,807	322	-	155,559	-	23,043	-	178,602
9,364	5,508	12	510	574	-	-	4	625	671	15	2,320	1,699	94	-	45,522	-	5,914	-	51,436
13,445	7,908	17	733	824	-	-	5	898	963	21	3,331	2,440	135	-	65,362	-	92,894	-	158,256
2,695	1,585	4	147	165	-	-	1	180	193	4	668	489	27	-	13,103	-	117,343	-	130,446
319	188	-	17	20	-	-	-	21	23	-	79	58	4	-	1,553	-	34,290	-	35,843
2,210,777	**236,411**	**12,854**	**21,755**	**61,218**	**-**	**10,956**	**1,647**	**181,177**	**84,755**	**3,799**	**467,751**	**158,312**	**3,785**	**-**	**6,331,250**	**-**	**1,275,685**	**-**	**7,606,935**
4,268,938	**404,942**	**46,632**	**492,731**	**382,266**	**95,906**	**22,038**	**1,647**	**543,141**	**264,027**	**26,019**	**882,133**	**538,460**	**3,785**	**-**	**15,135,389**	**-**	**3,483,996**	**-**	**18,619,385**
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
822,314	78,162	15,665	218,430	148,896	44,479	5,140	-	132,104	71,480	10,305	175,031	144,319	-	-	3,483,996	-	(3,483,996)	-	-
822,314	**78,162**	**15,665**	**218,430**	**148,896**	**44,479**	**5,140**	**-**	**132,104**	**71,480**	**10,305**	**175,031**	**144,319**	**-**	**-**	**3,483,996**	**-**	**(3,483,996)**	**-**	**-**
5,091,252	**483,104**	**62,297**	**711,161**	**531,162**	**140,385**	**27,178**	**1,647**	**675,245**	**335,507**	**36,324**	**1,057,164**	**682,779**	**3,785**	**-**	**18,619,385**	**-**	**-**	**-**	**18,619,385**
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
$ 5,091,252	**$ 483,104**	**$ 62,297**	**$ 711,161**	**$ 531,162**	**$ 140,385**	**$ 27,178**	**$ 1,647**	**$ 675,245**	**$ 335,507**	**$ 36,324**	**$ 1,057,164**	**$ 682,779**	**$ 3,785**	**$ -**	**$ 18,619,385**	**$ -**	**$ -**	**$ -**	**$ 18,619,385**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees of
COVE Behavioral Health, Inc. and Affiliates
Tampa, FL

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 consolidated financial statements of **COVE Behavioral Health, Inc. and Affiliates** (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 8, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. 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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Assurance Dimensions

Tampa, Florida
December 8, 2022

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

To the Board of Trustees of
COVE Behavioral Health, Inc. and Affiliates
Tampa, FL

Opinion on Each Major Federal Program and Major State Project

We have audited **COVE Behavioral Health, Inc. and Affiliates'** (the "Organization"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of the Organization's major federal programs and major state projects for the year ended June 30, 2022. The Organization's major federal programs and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 major state projects for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program and Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and major state project. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs and state projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program and major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Assurance Dimensions

Tampa, Florida
December 8, 2022

COVE Behavioral Health, Inc. and Affiliates

Schedule of Findings and Questioned Costs
June 30, 2022

Section 1 – Summary of Auditor's Results

Consolidated Financial Statements	Results
Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to consolidated financial statements noted?	No

	Federal Awards	State Projects
Internal control over major programs:		
Material weakness identified?	No	No
Significant deficiencies identified not considered to be a material weakness?	None reported	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	Unqualified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, section 510(a) or provisions of Chapter 10.650, Rules of Auditor General of the state of Florida?	No	No

Identification of Major Federal Programs and Major State Projects:

Assistance Listing Number	Name of Federal Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.788	State Targeted Response to the Opioid Crisis Grants
93.829	Demonstration Programs to Improve Community Mental Health Services

Assistance Listing Number	Name of State Project
70.016	Non-Secure Residential Treatment Services/Intervention, Outpatient, and Aftercare Services
60.075	Eckerd Community Alternatives

	Federal Awards	State Projects
Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000	$ 488,850
Auditee qualified as low-risk auditee?	Yes	N/A

Section 2 – Consolidated Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the consolidated financial statements for which *Government Auditing Standards* requires a reporting in a Uniform Guidance audit.

Prior Year Audit Findings

No matters were reported.

COVE Behavioral Health, Inc. and Affiliates

Schedule of Findings and Questioned Costs
June 30, 2022

Section 3 – Federal Awards Findings and Questioned Costs

This section identifies the audit findings required to be reported by section 510(a) of the Uniform Guidance as well as any abuse findings involving federal awards that is material to a major program. There were no instances of abuse found as a result of our audit procedure.

"Management Letter"
Based on Rule 10.654(1)(e) of the Rules of Auditor General of the State of Florida

To the Board of Trustees of
COVE Behavioral Health, Inc. and Affiliates
Tampa, FL

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of the **COVE Behavioral Health, Inc. and Affiliates** ("COVE" or the "Organization"), as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated December 8, 2022.

Auditor's Responsibility

We conducted our audit 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 Regulation*s Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650 or 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on Audits of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal and State Project and Report on Internal Control over Compliance in accordance with the Uniform Guidance, and Chapter 10.650, Rules of the Florida Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 8, 2022, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the consolidated financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Trustees, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Assurance Dimensions

Tampa, Florida
December 8, 2022