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

Cove Behavioral Health, Inc. and Affiliates

June 30, 2023 and 2022

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, 2023, and the related consolidated statements of activities, functional expenses, and cash flows 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, 2023, 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.

The consolidated financial statements of Cove Behavioral Health, Inc. and Affiliates as of June 30, 2022 and for the year then ended were audited by other auditors whose report dated December 8, 2022 expressed an unmodified opinion on those financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government 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.

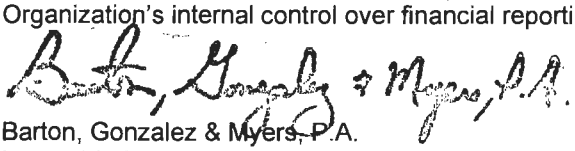
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial information listed in the Table of Contents as Supplemental Information (including the schedules of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 supplemental information listed in the Table of Contents (including the schedule of expenditures of federal awards) is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated October 25, 2023, 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.



Barton, Gonzalez & Myers, P.A.
Largo, Florida

October 25, 2023

Cove Behavioral Health, Inc. and Affiliates
Consolidated Statements of Financial Position

As of June 30, 2023 and 2022

	2023	Restated 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,456,026	$ 1,975,549
Restricted cash	645,136	619,456
Accounts receivable, net	1,357,973	728,788
Contracts receivable - governmental, net	3,313,687	2,419,837
Investments	1,983,959	1,551,969
Prepaid expenses	125,054	230,710
Total current assets	8,881,835	7,526,309
Property and equipment, net	15,689,388	15,832,874
Other Assets:		
Beneficial interest in assets held by others	12,314	11,809
Deposits and other assets	109,999	109,632
Total other assets	122,313	121,441
TOTAL ASSETS	$ 24,693,536	$ 23,480,624
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 383,819	$ 414,519
Accrued expenses	632,414	542,454
Deferred revenue	27,252	36,667
Short-term portion of lease liability	43,232	0
Short-term portion of notes payable	577,644	627,644
Total current liabilities	1,664,361	1,621,284
Long-term Liabilities:		
Long-term portion of lease liability	78,603	0
Long-term portion of notes payable	7,482,096	8,058,904
Deferred payment purchase money mortgages	2,044,662	1,958,932
Total long-term liabilities	9,605,361	10,017,836
TOTAL LIABILITIES	11,269,722	11,639,120
Net Assets:		
Net assets without donor restrictions	13,423,814	11,841,504
Net assets with donor restrictions	0	0
TOTAL NET ASSETS	13,423,814	11,841,504
TOTAL LIABILITIES AND NET ASSETS	$ 24,693,536	$ 23,480,624

See accompanying notes to financial statements.

Cove Behavioral Health, Inc. and Affiliates
Consolidated Statements of Activities

For the Years Ended June 30, 2023 and June 30, 2022

	2023	Restated 2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Public support and revenue		
Public support		
Grant income	$ 15,810,802	$ 16,508,859
In-kind revenues	0	132,919
Contributions	162,570	168,545
Total public support	15,973,372	16,810,323
Revenue		
Fees for client services	3,870,763	3,019,606
Food service income	94,010	14,206
Special events	422,915	323,201
Rental income	261,602	203,923
Other income	429,334	20,421
Total revenue	5,078,624	3,581,357
Total public support and revenue	21,051,996	20,391,680
Net assets released from restrictions		
Satisfaction of usage restrictions	0	0
Total public support and revenue without donor restrictions	21,051,996	20,391,680
Operating expenses		
Program services	15,631,801	14,971,076
Supporting services	3,855,372	3,442,145
Fundraising	130,535	0
Total operating expenses	19,617,708	18,413,221
Net change in net assets from operating activities	1,434,288	1,978,459
Non-operating expenses		
Interest income	1,993	31,610
Loss on non-receipt of property and equipment	0	(280,131)
Investment income (loss), net	146,029	(273,726)
Other income (expense)	0	(1,139)
Total non-operating expenses	148,022	(523,386)
Increase in Net Assets Without Donor Restrictions	1,582,310	1,455,073
Net Assets Without Donor Restrictions, Beginning of Year	11,841,504	10,386,431
Net Assets Without Donor Restrictions, End of Year	$ 13,423,814	$ 11,841,504
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and grants	$ 0	$ 0
Net Assets Released From Restrictions	0	0
Satisfaction of usage restrictions	0	0
(Decrease) Increase in Net Assets With Donor Restrictions	0	0
Net Assets With Donor Restrictions, Beginning of Year	0	0
Net Assets With Donor Restrictions, End of Year	$ 0	$ 0
INCREASE IN TOTAL NET ASSETS	$ 1,582,310	$ 1,455,073
TOTAL NET ASSETS, BEGINNING OF YEAR	11,841,504	10,386,431
TOTAL NET ASSETS, END OF YEAR	$ 13,423,814	$ 11,841,504

See accompanying notes to financial statements.

Cove Behavioral Health, Inc. and Affiliates
Consolidated Statements of Functional Expenses

	For the Year Ended June 30, 2023			
	Program Services	Supporting Services	Fundraising Services	Total
Salaries and related expenses				
Salaries	$ 8,439,886	$ 2,247,499	$ 36,169	$ 10,723,554
Employee benefits, payroll taxes	1,493,358	358,752	7,060	1,859,170
Total salaries and related expenses	9,933,244	2,606,251	43,229	12,582,724
Other direct expenses:				
Building occupancy	830,601	284,075	-	1,114,676
Professional services	142,002	141,623	-	283,625
Travel	47,302	47,195	79	94,576
Equipment	68,297	39,030	-	107,327
Food services	1,013,184	118	-	1,013,302
Medical and pharmacy	441,264	1,008	-	442,272
Subcontractors	253,116	-	-	253,116
Insurance	489,373	76,584	1,510	567,467
Depreciation and amortization	683,884	189,694	-	873,578
Interest expense	235,739	60,197	-	295,936
Operating supplies & expenses	147,511	46,513	83,462	277,486
Advertising and public relations	291,862	7,546	256	299,664
Licenses, dues, subscriptions, tuition	26,532	12,100	-	38,632
Computer supplies, software and support	561,415	177,161	199	738,775
Communications	143,474	25,595	150	169,219
Auto operation	42,355	26,611	-	68,966
Bad debt	251,926	-	-	251,926
Bank charges and fees	15,879	38,826	-	54,705
Miscellaneous expenses	12,841	75,245	1,650	89,736
Total other direct expenses	5,698,557	1,249,121	87,306	7,034,984
Total operating expenses	$ 15,631,801	$ 3,855,372	$ 130,535	$ 19,617,708

	For the Year Ended June 30, 2022 (Restated)			
	Program Services	Supporting Services	Fundraising Services	Total
Salaries and related expenses				
Salaries	$ 7,347,853	$ 1,870,980	$ -	$ 9,218,833
Employee benefits, payroll taxes	1,291,973	295,480	-	1,587,453
Total salaries and related expenses	8,639,826	2,166,460	-	10,806,286
Other direct expenses:				
Building occupancy	1,149,484	194,986	-	1,344,470
Professional services	149,091	266,604	-	415,695
Travel	84,216	28,644	-	112,860
Equipment	164,864	34,397	-	199,261
Food services	1,063,664	1,487	-	1,065,151
Medical and pharmacy	525,678	2,392	-	528,070
Subcontractors	324,365	-	-	324,365
Insurance	395,571	78,154	-	473,725
Depreciation and amortization	798,960	55,524	-	854,484
Interest expense	295,447	77,274	-	372,721
Operating supplies & expenses	348,580	40,825	-	389,405
Advertising and public relations	225,775	8,042	-	233,817
Licenses, dues, subscriptions, tuition	24,369	15,786	-	40,155
Computer supplies, software and support	500,087	198,086	-	698,173
Communications	155,559	23,043	-	178,602
Auto operation	45,522	5,914	-	51,436
Bad debt	65,362	92,894	-	158,256
Bank charges and fees	13,103	117,343	-	130,446
Miscellaneous expenses	1,553	34,290	-	35,843
Total other direct expenses	6,331,250	1,275,685	-	7,606,935
Total operating expenses	$ 14,971,076	$ 3,442,145	$ -	$ 18,413,221

See accompanying notes to financial statements.

Cove Behavioral Health, Inc. and Affiliates
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	Restated 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,582,310	$ 1,455,073
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	850,386	854,484
Amortization of bond issuance costs	23,192	25,361
Unrealized loss/(gain) on investments	(96,832)	261,559
Loss on non-receipt of property and equipment	0	280,131
Bad debt expense (recovery)	251,926	158,257
Increase or decrease in:		
Accounts receivable	(881,111)	(642,226)
Contract receivables - governmental	(893,850)	(223,588)
Prepaid expenses	105,656	24,863
Deposits and other assets	(366)	10,000
Accounts payable	(30,700)	(27,960)
Accrued expenses	89,960	(122,617)
Deferred revenue	(9,415)	36,667
Net cash provided by operating activities	991,156	2,090,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(779,290)	(3,214,234)
Sale of investments	444,132	2,210,652
Purchases of property and equipment	(565,415)	(525,513)
Other investment activities	(505)	8,407
Net cash used by investing activities	(901,078)	(1,520,688)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from deferred payment purchase money mortgages	85,730	530,534
Repayments of notes payable	(669,651)	(600,000)
Net cash used by financing activities	(583,921)	(69,466)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(493,843)	499,850
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	2,595,005	2,095,155
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$ 2,101,162	$ 2,595,005
RECONCILIATION OF ENDING CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents	$ 1,456,026	$ 1,975,549
Restricted cash	645,136	619,456
Total cash, cash equivalents, and restricted cash	$ 2,101,162	$ 2,595,005
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 302,754	$ 372,721
Purchase of equipment financed	$ 141,485	$ 0

See accompanying notes to financial statements.

Note A – Nature of Business and Organization

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

COVE, Properties, and Foundation 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.

Effective July 1, 2022, the Organization adopted the Financial Accounting Standard Board's (FASB) Accounting Standards Update 842 Leases. Under topic 842, a lessee is required to recognize assets ("Right of Use Assets") and liabilities ("Lease Liability") 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 depends on its classification as a finance or operating lease.

However, unlike prior GAAP which required only capital (i.e. "finance") leases to be recognized on the statement of financial position, the new GAAP requires both types of leases (finance and operating) to be recognized on the statement of financial position.

The Organization has evaluated its leases and determined all operating leases are insignificant to recognize on the statement of financial position. The Organization does have a finance lease relating to the purchase of security equipment. See Note E regarding the Right of Use Assets. See Note G regarding the Lease liability.

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, 2023 and 2022, the Organization had restricted cash of approximately $645,000 and $619,000 respectively, comprised of clients' residential funds of approximately $48,000 and $18,000 respectively, and mandatory sinking fund payments on its City of Tampa, Florida Variable Rate Demand Revenue Bonds ("COVE Project") of $597,000 and $601,000 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, 2023 is payable in the amount of $600,000 (See Note H).

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, 2023 and 2022, the Organization recorded an allowance for doubtful accounts of approximately $111,000 and $68,000, respectively. Actual write-offs may exceed the allowance. During the years ended June 30, 2023 and 2022, the Organization incurred bad debt expense of approximately $252,000 and $158,000, 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.

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:

	2023	2022
Federal awards	$10,707,449	$10,211,404
State financial assistance	1,145,766	1,213,826
Local and other awards	3,957,587	5,083,629
Total grant revenues	$15,810,802	$16,508,859

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:

	2023	2022
Managed Medical Assistance	$ 3,126,850	$ 2,334,154
Commercial Insurance Plan	261,301	147,975
Medicaid	56,542	29,451
Client fees	426,070	508,026
Total fees for client services	$ 3,870,763	$ 3,019,606

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, 2023. Should the Organization's tax-exempt status be challenged in the future, the Organization's 2021, 2022, and 2023 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 $300,000 and $234,000 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, cash balances exceeded federally insured limits of $250,000 by $2,057,839 and $1,911,181, 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 53% and 64% of total accounts receivable at June 30, 2023 and 2022, respectively. The revenue from this source represented 54% and 55%, respectively, of the Organization's fees for client services for the years ended June 30, 2023 and 2022.

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 N. 43rd St. apartments (the "apartments") for affordable rental units for homeless individuals and families. The land and buildings are owned by COVE and the LURA will expire on December 30, 2036. See Note H.

In August 2022, the Organization entered into a LURA with Hillsborough County, Florida to renovate the Community Housing Solutions Center and 54th St. apartments for homeless individuals and families. The land and buildings are owned by COVE and the LURA will expire on January 31, 2039. See Note H.

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:

	2023	2022	Useful Life (Years)
Buildings and improvements	$ 23,980,545	$ 23,774,847	5 - 40
Furniture and equipment	4,192,605	3,715,682	3 - 20
Land	2,358,237	2,348,237	N/A
Software	790,562	785,562	10
Motor vehicles	492,765	492,765	3 - 5
Leasehold improvements	106,533	106,534	10
	31,921,247	31,223,627	
Accumulated depreciation	(16,231,859)	(15,390,753)	
Property and equipment, net	$ 15,689,388	$ 15,832,874	

Depreciation expense for the years ended June 30, 2023 and June 30, 2022 were approximately $850,000 and $854,000, respectively.

Right of Use Assets (furniture and equipment recorded under a finance lease) at June 30, 2023 is $141,485 for security equipment. Accumulated depreciation for the leased equipment at June 30, 2023 and 2022 was $9,165 and $0 respectively. The depreciation expense for the leased equipment at June 30, 2023 and 2022 was $9,165 and $0, respectively. See Note G Lease Liability.

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.

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, 2023 are as follows:

	Amortized/Cost	Unrealized Gains (Losses)	Fair Value
Stocks and ETFs	$ 1,495,539	$ (46,033)	$ 1,449,506
Fixed income securities	189,225	(14,642)	174,583
Mutual funds	359,879	(9)	359,870
	$ 2,044,643	$ (60,684)	$ 1,983,959

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, 2023:

	Fair Value	Level 1	Level 2	Level 3
Stocks and ETFs	$ 1,449,506	$ 1,449,506	$ -	$ -
Fixed income securities	174,583	82,374	92,209	-
Mutual funds	359,870	359,870	-	-
	$ 1,983,959	$ 1,891,750	$ 92,209	$ -

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

Note F – Investments (continued)

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	$ -

Net investment income (loss) of the Organization for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Dividend income	$ 51,276	$ 29,002
Interest income	5,033	14
Capital gain	-	24,072
Realized and Unrealized gains (loss)	89,720	(316,094)
Total investment gain (loss)	146,029	(263,006)
Investment expenses	(10,935)	(10,720)
Net investment income (loss)	$ 135,094	$ (273,726)

Note G – Lease Liability

During the year ended June 30, 2023, the Organization entered into a finance lease for security equipment. The total finance lease obligation at June 30, 2023 is $121,835. The current and long term portion of the finance lease obligation is $43,232 and $78,603, respectively, at June 30, 2023.

No interest rate was used in determining the present value of future lease payments to record as assets and liabilities on the statement of financial position. The lease has a remaining lease term of 3 years.

Future minimum lease payments under finance leases are as follows:

June 30,	
2024	$ 43,232
2025	47,162
2026	31,441
Total minimum lease payments	121,835
Less amount representing interest	-
Present value of minimum lease payments	$ 121,835

Amortization of assets held under finance leases is included with depreciation expense (see Note E).

Cash paid on the lease for the year ended June 30, 2023 was $19,651.

In addition, expected cash flows for operating lease payments are as follows:

June 30,	
2024	$ 30,000
2025	17,500
Total minimum lease payments	$ 47,500

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

Notes Payable and Deferred Payment Mortgages

At June 30, 2023 and 2022, notes payable and deferred payment mortgages consisted of the following:

	2023	2022
Note payable to Bank (DACCO project)	$ 8,325,000	$ 8,975,000
Deferred Payment Mortgage and Note (43rd St apartments)	958,932	958,932
Deferred Payment Mortgage and Note (50th St apartments)	85,730	-
Deferred Payment Purchase Money Mortgage	1,000,000	1,000,000
Less: unamortized loan fees	(265,260)	(288,452)
Total net notes payable	10,104,402	10,645,480
Less: current maturities	(577,644)	(627,644)
Long term notes payable	$ 9,526,758	$ 10,017,836

At June 30, 2023, principal maturities on notes payable and deferred payment mortgages are as follows:

Year Ending June 30,	Principal	Amortization of Loan Fees	Net Amount
2024	$ 600,000	$ (22,356)	$ 577,644
2025	600,000	(22,356)	577,644
2026	600,000	(22,356)	577,644
2027	600,000	(22,356)	577,644
2028	600,000	(22,356)	577,644
Thereafter	7,369,662	(153,480)	7,216,182
Total	10,369,662	(265,260)	10,104,402
Less short-term portion	(600,000)	22,356	(577,644)
Long-term portion	$ 9,769,662	$ (242,904)	$ 9,526,758

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.

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 until October 31, 2018.

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

DACCO Project (continued)

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 granted 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, 2022.

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, 2023 and 2022 was 3.52 % and 3.52%, 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, 2023 is payable in the amount of $600,000.

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 $500,000 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 in compliance with these covenants for the years ended June 30, 2023 and 2022.

The interest expense incurred by the Organization related to the DACCO project for fiscal years ended June 30, 2023 and 2022 was approximately $296,000 and $373,000, 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, 2023 and 2022 was approximately $23,000 and $25,000, respectively.

43rd Steet 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 N. 43rd 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. The project was completed during the year ended June 30, 2022. As of June 30, 2023 and 2022, the Organization borrowed approximately $959,000 and $959,000, respectively.

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

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.

Community Housing Solutions Center and 54th Street Rehabilitation Project - Due January 1, 2039

In August 2022, the Organization entered into a deferred payment and mortgage note with Hillsborough County, Florida and was approved to receive $334,586 to renovate two separate projects. Of this amount, $291,798 was approved for facility improvements to the Community Housing Solutions Center, which provides transitional housing and support to move homeless individuals into permanent housing with the means to support themselves. The remaining $42,788 was approved for improvements to ten multi-family rental units for homeless individuals and families. Completion of these rehabilitation projects must be completed by July 31, 2023, with the agreement expiring on October 31, 2038, at which point the mortgage will be forgiven if the land use restrictions are maintained in accordance with 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 August 2, 2023 to extend the project completion date from July 31, 2023 to October 31, 2023 and the mortgage expiration date to January 31, 2039. As of June 30, 2023, the Organization has borrowed approximately $85,000.

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 August 1, 2023. 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 31, 2023, the LOC was renewed for $450,000 at a variable interest rate equal to the bank's prime rate, 8.25%, with a new maturity date of September 30, 2023. See also Note O.

The LOC has a variable interest rate equal to the bank's prime rate, 8.25% as of June 30, 2022, and 3.25% as of June 30, 2021. During the years ended June 30, 2023 and 2022, interest expense related to the LOC was $0. At June 30, 2023 and 2022, the Company had $0 outstanding on the LOC respectively. At June 30, 2023, $450,000 of unused LOC was available to be drawn upon as needed.

Note I – 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 I – Liquidity and Availability (continued)

Management has budgeted approximately $20,600,000 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, 2023
Financial assets:	
Cash and cash equivalents	$ 1,456,026
Accounts receivable, net	1,357,973
Contracts receivable – governmental, net	3,313,687
Investments	1,983,959
Deposits and other assets	109,999
Total financial assets	8,221,644
Less: reserved funds, see Note M	(928,461)
Less: financial assets not available within one year	(109,999)
	$ 7,183,184

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 J – 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, 2023 and 2022, totaled approximately $133,000 and $124,000, 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 K – Federal and State Support Requiring a Match

During the years ended June 30, 2023 and 2022, 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 $1,260,000 and $1,810,000 were required for contract periods ended June 30, 2023 and 2022, respectively.

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

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, 2023 and 2022, the amounts donated were approximately $95,000 and $133,000, 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, 2023 and 2022 were approximately $928,000 and $1,352,000, respectively.

Note N – Subsequent Events

On July 28, 2023, the Organization opened a new Priority Credit Line ("PCL") with a bank that provides borrowing based on the amount of eligible securities, cash, and other instruments in pledged collateral accounts. The PCL has a variable interest rate equal to the secured overnight financing rate (SOFR) plus 3.20%, 8.26% as of July 28, 2023. As a result of opening the new PLC, the revolving line of credit held with the bank was closed on September 14, 2023.

Management has assessed subsequent events through October 25, 2023, the date on which the consolidated financial statements were available to be issued.

Note O – Restatement of Prior Year 2022 Balances

The Organization determined that accrued paid time off in the amount of $206,164 was not a valid liability. Prior to the amount being accrued, the Organization changed their paid time off policy to not pay out any amounts for sick or vacation time. As such, the prior year June 30, 2022 balances have been restated. Accrued expenses decreased from $748,618 (as previously reported) to $542,454, program services expense decreased from $15,135,389 (as previously reported) to $14,971,076, supporting services expense decreased from $3,483,996 (as previously reported) to $3,442,145 and total net assets increased from $11,635,340 (as previously stated) to $11,841,504.

Supplemental Information

Cove Behavioral Health, Inc. and Affiliates
Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal and State Grantor/Pass-Through Grantor Program Title	CFDA Number	Contract/Grant Number	Federal Expenditures
FEDERAL AWARDS			
U.S. Department of Health and Human Services			
Family Treatment Services	93.243	H79TI080326	$ 480,552
Certified Community Behavioral Health Clinic	93.829	H79SM083188	567,989
Sub-total			1,048,541
Passed through Hillsborough County, Florida, Board of County Commissioners			
Family Dependency Court Expansion	93.243	17TI80278A	47,553
Sub-total			47,553
Passed through Florida Department of Health			
High Impact Prevention	93.940	CODPB	216,512
Sub-total			216,512
Passed through the Central Florida Behavioral Health Network			
Temporary Assistance for Needy Families	93.558	CF2010-1003R	509,961
Sub-total			509,961
Block Grants for Prevention and Treatment of Substance Abuse			
Children's Substance Abuse	93.959	CF1329.1205	696,825
Adult's Substance Abuse	93.959	CF1329.1205	5,215,524
Adult's Substance Abuse	93.959	603007	48,320
Sub-total			5,960,669
Block Grants for Community Mental Health			
Adult Mental Health	93.958	502018	3,778
Adult Community Mental Health	93.958	CF1329-1205	173,136
Sub-total			176,914
Passed through Florida Department of Agriculture - State Opioid Response (SOR):			
Start-up Costs-FLITE	93.788	CF1329.1206	51,965
Adult Substance Abuse	93.788	CF1329.1206	2,403,498
Children's and Adult Substance Abuse	93.788	CF1329.1206	179,844
Sub-total			2,635,307
Total for U.S. Department of Health and Human Services			$ 10,595,457
Corporation for National and Community Service			
Senior Demonstration Program	94.017	22SDHFL007	$ 54,484
Sub-total			54,484
Total for Corporation for National and Community Service			$ 54,484
United States Department of Justice (Passed through Polk County)			
Second Chance Act Reentry Initiative	16.812	15PBJA-21-GG-04042-S	$ 57,508
Sub-total			57,508
Total for United States Department of Justice			$ 57,508
Total federal awards			$ 10,707,449
Program Loans			
U.S. Department of Housing and Urban Development:			
Community Development Block Grants Programs			
Passed through Hillsborough County, Florida	14.218		$ 85,730
Total program			85,730
Total program loans			$ 85,730

See Independent Auditor's Opinion and Notes to Schedule

Cove Behavioral Health, Inc. and Affiliates
Schedule of Expenditures of State Financial Assistance

For the Year Ended June 30, 2023

Federal and State Grantor/Pass-Through Grantor Program Title	CSFA Number	Contract/Grant Number	Expenditure State Awards
STATE AWARDS			
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	ECA-C6-DIV-GCJ-FY21	$ 232,382
Total Florida Department of Children's and Families			232,382
Florida Department of Corrections:			
Substance abuse services for non-secure residential treatment	70.016	C2908	141,725
DOC Non Secure and Co-Occurring SP DD	70.016	C02AA3	179,785
Total Florida Department of Corrections			321,510
Florida Alcohol and Drug Abuse Association:			
Vivitrol	22.022	OSCFAD202223-19	255,839
Total Florida Alcohol and Drug Abuse Association			255,839
Florida State Court System:			
Passed through the Hillsborough County Circuit Court			
Adult Post-Adjudicatory Drug Court Expansion	22.021	1300BZN	317,205
Veteran's Treatment Court	22.021	1300AG3	18,830
Total Florida State Court System			336,035
Total state financial assistance			$ 1,145,766

See Independent Auditor's Opinion and Notes to Schedule

Cove Behavioral Health, Inc. and Affiliates
Schedule of Local and Other Awards

For the Year Ended June 30, 2023

Grantor/Program Title	Grantor's Number	Local & Other Expenditures
LOCAL & OTHER GRANTORS		
Hillsborough County Public Schools:		
Passed through Central Florida Behavioral Network, Inc.		
Children's Substance Abuse		$ 8,082
Total Hillsborough County Public Schools		8,082
Board of County Commissioners, Hillsborough County, Florida:		
Hillsborough County Health Plan	BOCC 09-1330	2,234,974
Headstart Rent and Utilities		53,159
Total Board of County Commissioners, Hillsborough County, Florida		2,288,133
Children's Board of Hillsborough County, Florida:		
Family Focus	C01-60102-201-000-01500-212680-21	101,269
Total Children's Board of Hillsborough County, Florida		101,269
Hillsborough County Court System:		
PTI Drug Court		11,124
Marchman Court	G1600644	91,135
Total Hillsborough County Court System		102,259
Hillsborough County Homeless Services:		
Community Homeless Solutions Housing Center	14-1103	1,193,691
Total Hillsborough Homeless Services		1,193,691
Tampa Hillsborough Homeless Initiative:		
Homeless Emergency Solutions Grant		239,313
Total Tampa Hillsborough Homeless Initiative		239,313
Abe Brown Ministries:		
Abe Brown Ministries		24,840
Total Abe Brown Ministries		24,840
Total local financial assistance		$ 3,957,587

See Independent Auditor's Opinion and Notes to Schedule

COVE Behavioral Health, Inc. and Affiliates

Notes to Schedule of Expenditures of Federal Awards, State Financial Assistance, Local and Other Awards
June 30, 2023

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	$ 5,960,669

Subrecipients

The Organization may provide local awards to subrecipient. 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.

The Organization did not provide any awards to subrecipients for the year ended June 30, 2023.

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 H 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, a zero-interest deferred mortgage note from the City of Tampa, which related to the DACCO Project, and a zero-interest deferred mortgage from Hillsborough County, which related to the Community Housing Solutions Center and 54th Street Rehabilitation Project. The Organization was in compliance with the current requirements of the federal loan programs for the years ended June 30, 2023 and 2022. The following table shows federal loan programs as of June 30, 2023 and 2022, respectively:

	Program		
	Hillborough County	City of Tampa	City of Tampa
Loan Balances as of June 30, 2022	$ 958,932	$ 8,975,000	$ 1,000,000
New Loans During Fiscal Year June 30, 2023	85,730	-	-
Repayments During Fiscal Year June 30, 2023	-	(650,000)	-
Loan Balances as of June 30, 2023	$ 1,044,662	$ 8,325,000	$ 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, 2023

Total expenditures	$	19,617,708
Less :		
Other state and federal funds		(11,020,407)
Non-match stubstance abuse and mental health funds		(2,550,028)
Unallowable costs per 65E-14, Florida administrative code		-
Total allowable expenditures	$	6,047,273
Maximum available earnings	$	4,535,455
Amount of state funds requiring match	$	1,262,072
Amount due to the state	$	-

See Independent Auditor's Opinion

Cove Behavioral Health, Inc. and Affiliates
Schedule of Related Party Transaction Adjustments

For the Year Ended June 30, 2023

	Allocation of Related Party Transaction Adjustments				
	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, 2023

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 Treatm	-	-		-	-	-	-
	Total Amount Owed to Department							$ -

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

Cove Behavioral Health, Inc. and Affiliates
Program/Cost Center Actual Expenses and Revenues Schedule

For the Year Ended June 30, 2023

	Mental Health																
	1	2	11	12	14	15	19	35	B3	01	02	06	11	12	13	14	15
	Assessment	Case Management	Intervention - Individual	Medical Services	Outpatient - Individual	Outreach	Residential Level II	Outpatient - Group	Cost Reimbursement	Assessment	Case Management	Day Treatment	Intervention - Individual	Medical Services	Medication-Assisted Treatment	Outpatient - Individual	Outreach
Central Florida Behavioral Health Netowrk	20,566	3,579	72,925	79,423	28,216	8,829	172,095	3,318	51,966	127,969	504,153	101,934	396,764	414,358	2,423,037	881,411	135,861
IB. OTHER GOVT. FUNDING																	
Other State Agency Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	254,085	232,382	-
Medicaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,205,773	348,751	-
Local Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,508	118,678	-
Federal Grants and Contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	567,989	295,874
In-kind from local government only	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other government funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,517,366	1,267,800	295,874
IC. ALL OTHER REVENUES																	
1st & 2nd Party Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	348,556	46,730	-
3rd Party Payments (except Medicare)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	189,970	71,331	-
Medicare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	176,306	19,830	-
Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	501	112,352	-
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total all other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	715,333	250,243	-
Total non-operating Income																	
Cash Over/Short	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total funding	20,566	3,579	72,925	79,423	28,216	8,829	172,095	3,318	51,966	-	504,153	101,934	396,764	414,358	4,655,736	2,399,454	431,735
Expense categories:																	
Personnel expenses																	
Salaries	2,599	-	21,490	228,484	20,792	-	165,446	2,599	-	127,353	-	-	121,777	913,938	1,188,130	1,018,821	-
Fringe benefits	506	-	4,642	26,945	4,048	-	29,373	506	-	24,792	-	-	26,304	107,779	227,063	198,337	-
Total personnel expenses	3,105	-	26,132	255,429	24,840	-	194,819	3,105	-	152,145	-	-	148,081	1,021,717	1,415,193	1,217,158	-
Other expenses																	
Building Occupancy	161	-	1,711	3,907	1,291	-	28,024	161	-	7,906	-	-	9,694	15,626	119,417	63,247	-
Professional Services	6	-	1,196	21,774	47	-	1,171	6	-	287	-	-	6,779	87,096	7,174	2,292	-
Travel	7	-	90	572	58	-	113	7	-	358	-	-	509	2,289	2,549	2,866	-
Equipment	24	-	263	596	196	-	1,334	24	-	1,200	-	-	1,491	2,383	8,529	9,596	-
Food Services	-	-	-	-	-	-	47,685	-	-	-	-	-	-	-	19	-	-
Medical and Pharmacy	2	-	226	20,733	17	-	1,544	2	-	106	-	-	1,282	82,931	211,520	850	-
Subcontracted Services	-	-	-	-	-	-	20,068	-	-	-	-	-	-	-	-	-	-
Insurance	187	-	2,469	3,805	1,492	-	17,068	187	-	9,139	-	-	13,993	15,220	50,096	73,111	-
Depreciation and amortization	257	-	3,454	6,888	2,057	-	20,831	257	-	12,598	-	-	19,570	27,552	67,643	100,784	-
Interest Paid	126	-	1,354	3,010	1,011	-	5,418	126	-	6,194	-	-	7,675	12,039	33,109	49,554	-
Operating Supplies & Expenses	22	-	967	374	178	-	3,296	22	-	1,080	-	-	5,480	1,497	11,433	8,641	-
Advertising/Public Relations	-	-	7,801	120	-	-	-	-	-	-	-	-	44,207	480	3,928	-	-
Licenses/Dues/Subscriptions/Tuition	8	-	50	305	62	-	865	8	-	379	-	-	282	1,219	4,104	3,032	-
Computer Supplies/Software/Support	163	-	1,249	5,153	1,303	-	7,717	163	-	7,979	-	-	7,080	20,610	125,710	63,833	-
Communications	63	-	818	1,667	506	-	3,984	63	-	3,101	-	-	3,504	6,667	21,071	24,810	-
Auto Operation	-	-	705	-	-	-	1,780	-	-	-	-	-	3,993	-	-	-	-
Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Charges/Fees	18	-	-	-	148	-	-	18	-	904	-	-	-	-	5,310	7,232	-
Other expenses	15	-	23	13	122	-	148	15	-	748	-	-	133	54	388	5,986	-
Total other expenses	1,059	-	22,176	68,917	8,486	-	161,246	1,059	-	51,979	-	-	125,672	275,663	672,000	415,834	-
Total personnel and other expenses	4,164	-	48,308	324,346	33,326	-	356,065	4,164	-	204,124	-	-	273,753	1,297,380	2,087,193	1,632,992	-
Distributed indirect costs																	
Other support costs (optional)																	
Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total distributed indirect costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	4,164	-	48,308	324,346	33,326	-	356,065	4,164		204,124	-	-	273,753	1,297,380	2,087,193	1,632,992	-
Unallowable costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total allowable operating expenses	$ 4,164	$ -	$ 48,308	$ 324,346	$ 33,326	$ -	$ 356,065	$ 4,164	$ -	$ 204,124	$ -	$ -	$ 273,753	$ 1,297,380	$ 2,087,193	$ 1,632,992	$ -

Cove Behavioral Health, Inc. and Affiliates
Program/Cost Center Actual Expenses and Revenues Schedule

For the Year Ended June 30, 2023

Substance Abuse																					
19 Residential - Level II	28 Incidental Expenses	35 Outpatient Group	37 Room & Board Level II	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	C1 Sustainability Payment for COVID Related funds/Svcs	SV291	Non-State Hillsborough School District	Non-State Other	Total for All SAMH Cost Centers	Non-SAMH Housing	Non-SAMH Non-State Other	Non-SAMH Management & Other	Non-SAMH Fundraising	Total Non-SAMH Cost Centers	Total
1,857,371	153,164	117,045	184,552	4,823	164,720	238,849	521	666,170	911,851	172,040	14,355	7,991	-	-	9,919,856	-	-	-	-	-	9,919,856
635,046	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,121,513	-	-	-	-	-	1,121,513
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,554,524	-	-	-	-	-	1,554,524
2,332,878	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,509,064	1,411,757	-	45,888	-	1,457,645	3,966,709
517,117	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,380,980	-	-	-	-	-	1,380,980
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,485,041	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,566,081	1,411,757	-	45,888	-	1,457,645	8,023,726
																					-
30,784	-	-	-	-	-	-	-	-	-	-	-	-	-	-	426,070	215,714	-	-	-	215,714	641,784
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	261,301	-	-	-	-	-	261,301
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	196,136	-	-	-	-	-	196,136
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,721	422,915	479,636	479,636
-	-	-	-	-	-	-	-	20,000	-	-	-	-	-	-	132,853	-	-	1,678,147	-	1,678,147	1,811,000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30,784	-	-	-	-	-	-	-	20,000	-	-	-	-	-	-	1,016,360	215,714	-	1,734,868	422,915	2,373,497	3,389,857
															-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5,373,196	153,164	117,045	184,552	4,823	164,720	238,849	521	686,170	911,851	172,040	14,355	7,991	-	-	17,502,297	1,627,471	-	1,780,756	422,915	3,831,142	21,333,439
1,340,115	-	127,353	148,902	-	98,189	98,189	-	196,378	457,855	-	14,355	7,991	-	-	6,300,756	797,726	2,188,537	$1,400,366	36,169	4,422,798	10,723,554
237,918	-	24,792	26,435	-	17,090	17,090	-	34,180	94,829	-	-	-	-	-	1,102,629	163,878	226,851	358,752	7,060	756,541	1,859,170
1,578,033	-	152,145	175,337	-	115,279	115,279	-	230,558	552,684	-	14,355	7,991	-	-	7,403,385	961,604	2,415,388	1,759,118	43,229	5,179,339	12,582,724
226,996	-	7,906	25,222	-	7,618	7,618	7,618	7,618	24,006	-	-	-	-	-	565,747	198,091	66,763	284,075	-	548,929	1,114,676
9,482	-	287	1,054	-	88	88	88	88	264	-	-	-	-	-	139,267	2,384	351	141,623	-	144,358	283,625
915	-	358	102	-	2,168	2,168	2,168	2,168	17,169	-	-	-	-	-	36,634	363	10,305	47,195	79	57,942	94,576
10,808	-	1,200	1,201	-	766	766	766	766	2,270	-	-	-	-	-	44,179	14,842	9,276	39,030	-	63,148	107,327
387,870	-	-	43,097	-	2	2	2	2	7,575	-	-	-	-	-	486,454	525,996	734	118	-	526,848	1,013,302
12,510	-	106	1,390	-	221	221	221	221	515	-	-	-	-	-	334,618	4,193	102,453	1,008	-	107,654	442,272
162,548	-	-	18,061	-	-	-	-	-	-	-	-	-	-	-	200,677	-	52,439	-	-	52,439	253,116
138,248	-	9,139	15,361	-	5,707	5,707	5,707	5,707	19,617	-	-	-	-	-	391,960	50,893	46,520	76,584	1,510	175,507	567,467
168,734	-	12,598	18,748	-	11,718	11,718	11,718	11,718	33,385	-	-	-	-	-	542,228	81,326	60,330	189,694	-	331,350	873,578
43,884	-	6,194	4,876	-	6,020	6,020	6,020	6,020	18,059	-	-	-	-	-	216,709	-	19,030	60,197	-	79,227	295,936
26,701	-	1,080	2,967	253	1,948	1,948	1,948	1,948	8,327	-	-	-	-	-	80,108	47,500	19,903	46,513	83,462	197,378	277,486
-	-	-	-	-	56,331	56,331	56,331	56,331	-	-	-	-	-	-	281,860	-	10,002	7,546	256	17,804	299,664
7,005	-	379	778	-	186	186	186	186	235	-	-	-	-	-	19,455	4,553	2,524	12,100	-	19,177	38,632
62,505	-	7,979	6,945	-	35,379	35,379	35,379	35,379	17,843	-	-	-	-	-	477,748	30,139	53,528	177,161	199	261,027	738,775
32,271	-	3,101	3,586	-	2,276	2,276	2,276	2,276	4,618	-	-	-	-	-	118,734	15,099	9,641	25,595	150	50,485	169,219
14,414	-	-	1,602	-	1,928	1,928	1,928	1,928	1,989	-	-	-	-	-	32,195	8,333	1,827	26,611	-	36,771	68,966
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	251,926	-	-	251,926	251,926
-	-	904	-	-	-	-	-	-	-	-	-	-	-	-	14,534	-	1,345	38,826	-	40,171	54,705
1,202	-	748	134	-	899	899	899	899	154	-	-	-	-	-	13,479	543	(1,181)	75,245	1,650	76,257	89,736
1,306,093	-	51,979	145,124	253	133,255	133,255	133,255	133,255	156,026	-	-	-	-	-	3,996,586	984,255	717,716	1,249,121	87,306	3,038,398	7,034,984
2,884,126	-	204,124	320,461	253	248,534	248,534	133,255	363,813	708,710	-	14,355	7,991	-	-	11,399,971	1,945,859	3,133,104	3,008,239	130,535	8,217,737	19,617,708
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,884,126	-	204,124	320,461	253	248,534	248,534	133,255	363,813	708,710	-	14,355	7,991	-	-	11,399,971	1,945,859	3,133,104	3,008,239	130,535	8,217,737	19,617,708
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
$ 2,884,126	$ -	$ 204,124	$ 320,461	$ 253	$ 248,534	$ 248,534	$ 133,255	$ 363,813	$ 708,710	$ -	$ 14,355	$ 7,991	$ -	$ -	$ 11,399,971	$ 1,945,859	$ 3,133,104	$ 3,008,239	$ 130,535	$ 8,217,737	$ 19,617,708

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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, 2023, 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 October 25, 2023.

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.

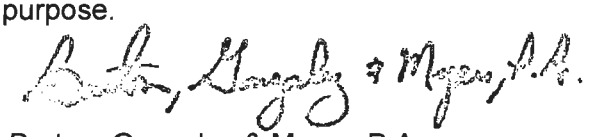
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant 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.



Barton, Gonzalez & Myers, P.A.
Largo, Florida

October 25, 2023

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BCPA Certified Public Accountants

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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*, and the requirements described in the Department of Financial Services' *State Projects 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, 2023. 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, 2023.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.650, Rules of the Auditor General. Our responsibilities under those standards, the Uniform Guidance, and the Rules of the Auditor General 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

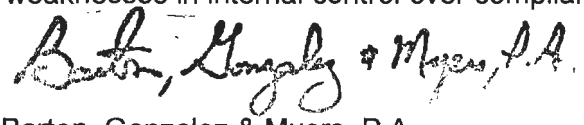
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance 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*, the Uniform Guidance, and Chapter 10.650 Rules of the Auditor General 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*, the Uniform Guidance, and Chapter 10.650 Rules of the Auditor General, 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 and Chapter 10.650 Rules of the Auditor General, 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.



Barton, Gonzalez & Myers, P.A.
Largo, Florida

October 25, 2023

COVE Behavioral Health, Inc. and Affiliates

Schedule of Findings and Questioned Costs
June 30, 2023

Section 1 – Summary of Auditor's Results

Consolidated Financial Statements	Results
Type of auditor's report issued:	Unmodified
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:	Unmodified	Unmodified
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

Assistance Listing Number	Name of State Project
70.016	Non-Secure Residential Treatment Services/Intervention, Outpatient, and Aftercare Services
22.021	Florida State Court System

	Federal Awards	State Projects
Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000	$ 343,730
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.

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.

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"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, 2023, and have issued our report thereon dated October 25, 2023.

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 Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, 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 October 25, 2023, 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.

However, we did note the following management comment:

1. Depreciation Schedule: We noted in multiple areas where either the cost of assets, depreciation expense, or accumulated depreciation did not agree to the general ledger or roll-forward schedule. In addition, there appeared to be many assets that while fully depreciated were still shown on the schedule despite having been disposed or retired in prior years.

   While the net effect of these differences were immaterial, we recommend the Organization review the schedule in detail to reconcile and differences and remove any assets no longer in service.

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.

Barton, Gonzalez & Myers, P.A.
Largo, Florida

October 25, 2023

October 25, 2023

Barton, Gonzalez & Myers, P.A.
13137 66th Street
Largo, FL 33773

We are providing this letter in connection with your audit of the financial statements of Cove Behavioral Health, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June, 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. This letter specifically addresses our response to the Management Letter, pg. 38.

1. Comment on Depreciation Schedule: We agree and will implement the recommendation.

Signed: _____
Richard Arenz
Chief Financial Officer

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