

**COASTAL BEHAVIORAL HEALTHCARE, INC.**

**AUDITED FINANCIAL STATEMENTS**

**AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2010**

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2010

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AUDITED FINANCIAL STATEMENTS  
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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Coastal Behavioral Healthcare, Inc.  
Sarasota, Florida

We have audited the accompanying statements of financial position of Coastal Behavioral Healthcare, Inc. (a non-profit organization) as of June 30, 2010 and 2009 and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative statement of functional expenses has been derived from the Organization's 2009 financial statements, and in our report dated October 8, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2010 and 2009 financial statements referred to above present fairly, in all material respects, the financial position of Coastal Behavioral Healthcare, Inc. as of June 30, 2010 and 2009 and the changes in its net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010, on our consideration of Coastal Behavioral Healthcare, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133,

*Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650 of the Rules of the Auditor General of the State of Florida and the Florida Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Christopher, Smith, Leonard,  
Bristow + Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

November 5, 2010  
Sarasota, Florida

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30,**

	<u>2010</u>	<u>2009</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$ 2,795,707	\$ 2,251,708
Certificate of deposit	-	251,527
Accounts receivable, net	2,170,751	1,473,976
Inventories	57,185	31,880
Prepaid expenses	254,016	253,224
Total Current Assets	<u>5,277,659</u>	<u>4,262,315</u>
Property, plant and equipment, net	5,915,324	5,953,756
Other assets		
Deposits	41,955	41,955
Other assets, net	71,283	83,057
Investment in CRI	601,018	601,018
Total Other Assets	<u>714,256</u>	<u>726,030</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,907,239</u></b>	<b><u>\$ 10,942,101</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities		
Accounts payable	\$ 441,658	\$ 362,753
Accrued liabilities	575,113	453,020
Capital leases – current portion	27,701	24,046
Notes payable – current portion	193,747	185,296
Total Current Liabilities	<u>1,238,219</u>	<u>1,025,115</u>
Capital leases – long-term portion	45,018	66,804
Notes payable – long-term portion	3,320,573	3,512,746
Interest rate swap	738,141	603,064
Total Liabilities	<u>5,341,951</u>	<u>5,207,729</u>
Net Assets		
Unrestricted	6,430,018	5,709,114
Temporarily restricted	135,270	25,258
Total Net Assets	<u>6,565,288</u>	<u>5,734,372</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 11,907,239</u></b>	<b><u>\$ 10,942,101</u></b>

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

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30,**

	<u>2010</u>	<u>2009</u>
Changes in Unrestricted Net Assets:		
Public Support and Revenues:		
Federal and state awards and grants	\$ 15,383,339	\$ 14,773,334
Other county and local awards and grants	1,773,799	2,761,503
Contributions	21,777	70,110
Client fees	308,250	262,645
Other insurance	234,971	303,655
Medicaid	2,230,992	1,349,623
Medicare	35,982	21,612
Interest	9,040	14,798
Other	61,704	99,459
Total Public Support and Revenues	<u>20,059,854</u>	<u>19,656,739</u>
Net Assets Released from Restrictions:		
Satisfaction of Restrictions	<u>143,303</u>	<u>42,212</u>
Total Unrestricted Revenues	20,203,157	19,698,951
Expenses:		
Program Services:		
Assessment	396,079	384,446
Comprehensive Community Service Team	1,680,616	1,631,142
Crisis Stabilization	2,655,082	2,681,859
Crisis Support	853,630	922,978
SA Detox	704,654	666,782
Florida Assertive Community Treatment	4,872,158	4,830,567
In Home/On Site	876,093	696,139
Intervention	220,816	211,061
Outpatient medical	912,047	973,742
Outpatient	703,730	802,324
Outreach	236,007	240,527
Prevention	260,131	278,853
Residential level II	2,449,079	2,590,325
Residential level IV	114,091	182,306
Residential level VI	97,651	133,075
Administration	2,300,558	2,330,014
Other Support Costs	<u>14,754</u>	<u>-</u>
Total Expenses	<u>19,347,176</u>	<u>19,556,140</u>
Increase in Unrestricted Net Assets	855,981	142,811
Changes in Temporarily Restricted Net Assets:		
Contributions	253,315	67,470
Assets released from restriction	<u>(143,303)</u>	<u>(42,212)</u>
Increase in Temporarily Restricted Net Assets	<u>110,012</u>	<u>25,258</u>
Change in net assets before swap adjustment	965,993	168,069
Change in fair value of interest rate swap	(135,077)	(235,583)
Net Assets at beginning of year	<u>5,734,372</u>	<u>5,801,886</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 6,565,288</u></u>	<u><u>\$ 5,734,372</u></u>

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

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30,**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets before swap adjustment	\$ 965,993	\$ 168,069
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	461,949	418,912
(Gain)/Loss on disposal of assets	8,127	-
(Increase) Decrease in assets:		
Accounts receivable	(696,775)	142,358
Inventories	(25,305)	16,973
Prepaid expenses	(792)	29,681
Other current assets	-	(9,651)
Increase (Decrease) in liabilities:		
Accounts payable	78,905	(412,053)
Accrued liabilities	122,093	(260,290)
Deferred revenue	-	(147,008)
Net cash (used) provided by operating activities	<u>914,195</u>	<u>(53,009)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of short-term investments	251,527	(251,527)
Purchase of property and equipment	(419,870)	(743,677)
Net cash (used) by investing activities	<u>(168,343)</u>	<u>(995,204)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	(183,722)	(160,874)
Payments on capital lease obligations	(18,131)	(26,688)
Net cash (used) by financing activities	<u>(201,853)</u>	<u>(187,562)</u>
Net change in cash and cash equivalents	543,999	(1,235,775)
Cash and cash equivalents at beginning of year	<u>2,251,708</u>	<u>3,487,483</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 2,795,707</u></u>	<u><u>\$ 2,251,708</u></u>
<b><u>SUPPLEMENTAL CASH FLOW DISCLOSURES</u></b>		
Interest paid	<u><u>\$ 296,362</u></u>	<u><u>\$ 296,268</u></u>
<b>Non-cash disclosures:</b>		
Financing of fixed assets through capital lease obligations	<u><u>\$ -</u></u>	<u><u>\$ 84,284</u></u>

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



**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
 (With summarized comparative totals for 2009)

	Program Services			
	Assessment	CCST	Crisis Support	Crisis Stabilization
<b>PERSONNEL SERVICES:</b>				
Salaries and Wages	\$ 249,278	\$ 996,027	\$ 597,380	\$ 1,681,990
Fringes	60,072	196,370	123,412	291,000
<b>Total personnel Services</b>	<u>309,350</u>	<u>1,192,397</u>	<u>720,792</u>	<u>1,972,990</u>
<b>OTHER EXPENSES:</b>				
Building occupancy	29,739	111,100	27,357	137,877
Professional services	5,506	23,874	12,386	71,512
Travel	1,035	27,773	1,094	2,629
Equipment costs	4,245	25,493	9,739	34,241
Food service	-	-	-	41,866
Medical and pharmacy	8,969	193	736	123,518
Subcontracted services	1,402	5,947	3,021	9,395
Insurance	6,634	28,555	18,830	37,124
Interest	4,961	20,038	11,793	44,431
Operating Supplies and expenses	18,901	216,510	21,367	78,543
Other	5,337	28,736	26,515	100,956
<b>Total Other Expenses</b>	<u>86,729</u>	<u>488,219</u>	<u>132,838</u>	<u>682,092</u>
<b>TOTAL</b>	<u>\$ 396,079</u>	<u>\$ 1,680,616</u>	<u>\$ 853,630</u>	<u>\$ 2,655,082</u>

**Program Services**

<b>SA Detox</b>	<b>FACT</b>	<b>IHOS</b>	<b>Intervention</b>	<b>Outpatient</b>	<b>Outpatient Medical</b>	<b>Outreach</b>
\$ 458,291	\$ 2,633,913	\$ 479,023	\$ 135,901	\$ 401,846	\$ 571,284	\$ 145,774
77,001	450,971	102,136	35,849	79,003	90,323	28,643
<u>535,292</u>	<u>3,084,884</u>	<u>581,159</u>	<u>171,750</u>	<u>480,849</u>	<u>661,607</u>	<u>174,417</u>
29,721	180,214	45,106	14,040	41,687	62,548	15,570
13,437	68,433	13,879	3,070	9,882	31,468	5,471
674	21,841	13,776	8,065	3,355	11,523	4,745
8,597	123,238	26,643	2,573	9,031	9,857	3,928
10,467	-	-	-	-	-	-
30,332	336	-	96	80,850	65,760	834
2,493	17,585	84,089	781	2,490	3,226	965
17,415	60,771	13,801	3,964	16,651	17,323	3,319
10,783	51,519	18,138	2,419	8,836	10,063	2,378
18,414	1,194,510	44,852	10,936	36,141	25,249	21,551
27,029	68,827	34,650	3,122	13,958	13,423	2,829
<u>169,362</u>	<u>1,787,274</u>	<u>294,934</u>	<u>49,066</u>	<u>222,881</u>	<u>250,440</u>	<u>61,590</u>
<u>\$704,654</u>	<u>\$4,872,158</u>	<u>\$ 876,093</u>	<u>\$ 220,816</u>	<u>\$ 703,730</u>	<u>\$ 912,047</u>	<u>\$ 236,007</u>

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

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
 (With summarized comparative totals for 2009)

	Program Services			
	Prevention	Residential Level II	Residential Level IV	Residential Level VI
<b>PERSONNEL SERVICES:</b>				
Salaries and Wages	\$ 164,978	\$ 1,150,765	\$ 5,875	\$ 55,967
Fringes	35,045	236,297	1,274	8,445
<b>Total personnel Services</b>	<u>200,023</u>	<u>1,387,062</u>	<u>7,149</u>	<u>64,412</u>
<b>OTHER EXPENSES:</b>				
Building occupancy	11,689	513,952	34,794	11,111
Professional services	3,616	46,932	1,586	1,358
Travel	3,893	5,061	83	71
Equipment costs	9,288	44,799	3,099	3,040
Food service	-	113,840	-	-
Medical and pharmacy	4	7,983	-	-
Subcontracted services	945	8,666	404	994
Insurance	4,935	36,093	5	4
Interest	3,009	82,632	18,063	7,202
Operating Supplies and expenses	14,950	108,938	32,040	4,308
Other	7,779	93,121	16,868	5,151
<b>Total Other Expenses</b>	<u>60,108</u>	<u>1,062,017</u>	<u>106,942</u>	<u>33,239</u>
<b>TOTAL</b>	<u>\$ 260,131</u>	<u>\$ 2,449,079</u>	<u>\$ 114,091</u>	<u>\$ 97,651</u>

Total Program	Support Services		2010 Total Agency	2009 Total Agency
	Other Support Costs	Administration		
\$ 9,728,292	\$ -	\$ 1,880,727	\$ 11,609,019	\$ 11,061,895
1,815,841	-	300,313	2,116,154	2,339,891
<u>11,544,133</u>	<u>-</u>	<u>2,181,040</u>	<u>13,725,173</u>	<u>13,401,786</u>
1,266,505	-	96	1,266,601	1,741,461
312,410	14,754	23,668	350,832	341,345
105,618	-	32,331	137,949	155,918
317,811	-	12,614	330,425	358,106
166,173	-	-	166,173	176,925
319,611	-	-	319,611	443,220
142,403	-	-	142,403	138,969
265,424	-	-	265,424	288,878
296,265	-	11,869	308,134	306,374
1,847,210	-	37,064	1,884,274	1,794,353
448,301	-	1,876	450,177	408,805
<u>5,487,731</u>	<u>14,754</u>	<u>119,518</u>	<u>5,622,003</u>	<u>6,154,354</u>
<u>\$ 17,031,864</u>	<u>\$ 14,754</u>	<u>\$ 2,300,558</u>	<u>\$ 19,347,176</u>	<u>\$ 19,556,140</u>

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

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

ORGANIZATION AND PURPOSE – Coastal Behavioral Healthcare, Inc. (“the Organization”), is a not-for-profit Organization that provides comprehensive mental health and substance abuse services to the community of Sarasota and neighboring counties. The Organization has offices in Sarasota, Bradenton, Venice, Port Charlotte, North Fort Myers, Punta Gorda and Arcadia, Florida.

BASIS OF ACCOUNTING – The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. Federal, State, local government and other public grants are recorded as support when performance occurs under the terms of the grant agreement.

The costs of providing the various programs and other activities have been detailed in the statement of functional expenses and summarized on a program basis in the Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Administrative expenses are allocated to the various programs based on the relevant program’s costs to the total.

FINANCIAL STATEMENT PRESENTATION – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC) as it relates to financial statements of not-for-profit organizations. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

CASH AND CASH EQUIVALENTS – For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

INVENTORIES – Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

FAIR VALUE MEASUREMENTS – The FASB established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**FAIR VALUE MEASUREMENTS – CONTINUED** The levels of the fair value hierarchy used to measure fair value are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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.

**ACCOUNTS RECEIVABLE** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision based on its assessment of the current status of individual accounts and contracts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

**PROPERTY AND EQUIPMENT** – The Organization capitalizes major additions of property and equipment with a value of \$500 or greater and which have an estimated useful live of greater than one year. Property and equipment are recognized at cost when purchased. Donations of property and equipment are recorded as support at their estimated fair value on 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 temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets ranging from two (2) to thirty-one (31) years.

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

FINANCING COSTS – The costs of obtaining debt is deferred and amortized on a straight -line basis over the term of the related debt. Amortization of the financing costs for the year ended June 30, 2010 and 2009 was \$11,774 and \$10,107, respectively.

CONTRIBUTIONS AND RECOGNITION OF DONOR RESTRICTIONS – The Organization accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. As of June 30, 2010 temporarily restricted net assets had a balance of \$135,270, and \$143,303 was released from restriction during the year. There were no permanently restricted net assets as of June 30, 2010.

DONATED SERVICES – The Organization receives donated services from time to time. No objective basis is available to measure the value of such services and these hours do not meet the requirements to be recorded as revenue and expenses under accounting principles generally accepted in the United States of America.

CHARITY CARE – The Organization is paid for services to clients who have no third party coverage on a sliding fee schedule based on federal poverty guidelines. This results in a significant amount of service at reduced or no charges; these amounts are not recorded as income. The amount of charges foregone for services and supplies furnished under this policy totaled approximately \$9,900,000 and \$8,150,000 in 2010 and 2009, respectively.

MEDICARE – The Organization is paid for services on an outpatient basis to eligible beneficiaries based on a fee-for-service agreement. Any resulting contractual adjustments in amounts billed are reflected as adjustments to income.

MEDICAID – The Organization is paid for services to eligible beneficiaries on a fee-for-service or capitated basis. Any resulting contractual adjustments in amounts billed are reflected as adjustments to income.

ADVERTISING COSTS – Advertising costs are expensed as incurred. For the years ended June 30, 2010 and 2009 advertising costs totaled \$21,567 and \$20,959, respectively.

RECLASSIFICATIONS – To facilitate comparison of financial data, certain amounts in the 2009 presentation have been reclassified to conform to the 2010 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

COASTAL BEHAVIORAL HEALTHCARE, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

SUMMARIZED FINANCIAL INFORMATION – The financial statements include certain prior-year summarized comparative information in the statement of functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2009, from which the summarized information was derived.

INCOME TAXES – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements. The Organization adopted guidance issued by the FASB on accounting for uncertainty in tax positions. The adoption of this guidance had no effect on the Organization’s financial position. Management believes the Organization has no material unrecognized income tax liabilities, including any potential loss of its tax exempt status. The Organization has no ongoing federal, state or local tax audits; however, Organization’s tax returns for fiscal year end 2007 and subsequent years remain open to examination.

ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – FAIR VALUE MEASUREMENTS**

The Organization measured the following assets and liabilities at fair value on a recurring basis using inputs described in Note 1:

	<u>2010</u>	<u>2009</u>
	<u>Level 2</u>	<u>Level 2</u>
Certificate of Deposits (CD’s)	<u>\$ -0-</u>	<u>\$ 251,527</u>
Interest Rate SWAP (Derivative Financial Instrument)	<u>\$ 738,141</u>	<u>\$ 603,064</u>

CD’s are valued based on contract value through maturity, which are level 2 inputs. The fair value of the interest rate swap contract is determined by the counterparty by means of calculating the present value of the anticipated cash flows from the transaction using level 2 inputs. The preceding method may produce a fair value calculation that may not be indicative or reflective of future fair values. Furthermore, although the Organization 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 reporting date.



**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 3 – PROPERTY AND EQUIPMENT**

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

	<u>2010</u>	<u>2009</u>
Land	\$ 276,328	\$ 276,328
Buildings	6,618,755	6,472,159
Leasehold improvements	1,326,698	1,288,867
Furniture/Fixtures/Equipment	3,644,645	3,429,353
Vehicles	<u>858,367</u>	<u>921,020</u>
	12,724,793	12,387,727
Less accumulated depreciation	<u>(6,809,469)</u>	<u>(6,433,971)</u>
Net Property and Equipment	<u>\$ 5,915,324</u>	<u>\$ 5,953,756</u>

The depreciation expense for the years ended June 30, 2010 and 2009 was \$450,175 and \$408,805, respectively.

The Organization has certain facilities and property used in the course of providing services to the Community. Should the Organization cease to occupy or utilize these facilities and/or properties, these facilities and properties would be subject to certain obligations pursuant to grant or contractual agreements.

**NOTE 4 – LONG TERM DEBT**

Long-term debt at June 30, 2010, consisted of the following:

Note payable to a bank in monthly installments of principal and interest of \$37,215 at a rate of 7.45%. The remaining principal is due on June 24, 2022.

	\$ 3,514,320
Less current portion	<u>(193,747)</u>
Long-term debt, net of current portion	<u>\$ 3,320,573</u>

The future scheduled maturities of long-term debt are as follows:

<u>Year ending June 30:</u>	
2011	\$ 193,747
2012	202,597
2013	218,217
2014	235,041
2015	253,162
Thereafter	<u>2,411,556</u>
	<u>\$ 3,514,320</u>

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**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**NOTE 4 – LONG TERM DEBT – CONTINUED**

In June 2007, the Organization entered into a \$4,000,000 term loan agreement which also included a \$2,000,000 revolving line-of-credit. The term loan was used to pay off existing debt and acquire an additional \$1,278,180 of proceeds for asset purchases. The line-of-credit was to be used as necessary for working capital requirements.

The term loan matures June 24, 2022, and carries a variable rate of interest at the 1-month LIBOR Rate plus 1.6%. The Organization entered into an interest rate swap agreement to effectively fix the interest rate on the term loan at 7.45%. The loan is secured by a portion of the Organization's real property assets as defined in the loan agreement. The agreement also includes a financial covenant to maintain unrestricted net assets of at least \$5,000,000. Management believes the Organization was in compliance with all debt covenants as of June 30, 2010.

As of June 30, 2010, the Organization had not renewed the line-of-credit.

Interest Rate Swap

To hedge its interest rate risk, and reduce exposure to adverse fluctuations in interest rates, the Organization entered into an interest rate swap agreement (swap) with Wachovia Bank, N.A. on the \$4,000,000 term loan. The purpose was to fix the interest rate on the Organization's variable rate loan. The notional amount of the swap is equal to the principal outstanding on the loan. The underlying index on the interest rate swap agreement is the USD/LIBOR one month rate and the fixed rate is 7.45%.

The swap has been valued by the counterparty at the estimated fair value of \$738,141 and \$603,064 at June 30, 2010 and 2009, respectively, which is the estimated liability on that date if the Organization were to terminate the agreement. The Fair value of the swap is presented in the statement of financial position under "Interest Rate Swap". Changes in the fair value of the swap amounted to \$(135,077) and \$(235,583) during the years June 30, 2010 and 2009, respectively, and are reported in the statement of activities under the caption "Change in Fair Value of Interest Rate Swap." The swap matures June 24, 2022.

**NOTE 5 – CAPITAL LEASE OBLIGATIONS**

The Organization has entered into capital lease arrangements for the purchase of various equipment and furniture. The capital leases are collateralized by equipment and furniture acquired under the agreements. The assets are recorded at cost in the accompanying financial statements, and totaled \$121,704 at June 30, 2010 and 2009. Accumulated depreciation amounted to \$44,613 and \$20,272 at June 30, 2010 and 2009, respectively. Interest paid on capital leases during the year amounted to \$6,924.

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 5 - CAPITAL LEASE OBLIGATIONS - CONTINUED**

Future minimum lease payments under the capital lease agreements are as follows:

<u>Year ending June 30:</u>	
2011	\$ 27,701
2012	20,170
2013	20,170
2014	<u>17,199</u>
Total minimum lease payments	85,240
Less amount representing interest	<u>(12,521)</u>
Present value of net minimum lease payments	72,719
Less current maturities	<u>(27,701)</u>
Capital lease obligations, net of current portion	<u>\$ 45,018</u>

**NOTE 6 - OPERATING LEASES**

The Organization has operating leases primarily for various facilities and equipment, which expire at various dates through 2014. Rental expense for facilities was \$621,247 and \$1,103,091 for 2010 and 2009, respectively. Rental expense for equipment was \$86,493 and \$82,750 for 2010 and 2009, respectively.

The following represents future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2010 in the aggregate and for each of the remaining fiscal years:

<u>Year Ending June 30,</u>	<u>Equipment</u>	<u>Facilities</u>	<u>Total</u>
2011	\$ 72,499	\$ 190,867	\$ 263,366
2012	\$ 71,250	\$ 140,893	\$ 212,143
2013	\$ 60,771	\$ 26,312	\$ 87,083
2014	\$ 45,306	\$ -0-	\$ 45,306

**NOTE 7 - CONCENTRATION OF CREDIT RISK**

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and accounts receivable. The Organization places its cash and cash equivalents with national financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At June 30, 2010, the Organization had \$2,188,626 in excess of the FDIC limits.

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**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**NOTE 7 - CONCENTRATION OF CREDIT RISK - CONTINUED**

The Organization has certain accounts are with financial institutions that participate in the FDIC Transaction Account Guarantee Program (TAGP) under which all non-interest bearing transaction accounts are fully guaranteed by the FDIC. As a result, certain deposits of the Organization are fully guaranteed by the FDIC. RBC Bank will no longer participate in TAGP program after June 30, 2010. Effective July 1, 2010, non-interest bearing transaction accounts will be insured under the FDIC's general deposit insurance rules program. As of June 30, 2010, the Organization had a balance of \$4,612 in a non-interest bearing transaction account.

The Organization grants credit without collateral to its patients. A significant portion consist of local residents who may be insured under third-party payor agreements. However, receivables have been recorded at the amount management expects to collect. The reserve for uncollectible amounts was \$417,295 and \$266,489 as of June 30, 2010 and 2009, respectively. The reserve is based on historical collections and management's estimate of the amount to be collected based on currently known facts. Due to inherent variability in this area, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The mix of receivables from patients and third-party payors at June 30, 2010 were as follows:

	<b><u>Total</u></b>
Medicare and Medicaid	29%
Private Insurance	19%
Self Pay	<u>52%</u>
	<b><u>100%</u></b>

**NOTE 8 - INVESTMENT - CRI**

During July 2001, the Organization entered into a joint venture with Renaissance Manor, Inc. ("Renaissance") and formed Coastal Renaissance Behavioral Health Services, Inc. ("CRI"). The Organization's interest in the joint venture is 50%. The Organization purchased land and buildings jointly with Renaissance which are shown on the statement of financial position as the Organization's Investment in CRI. The debt associated with the land and buildings is included in its net investment in CRI. It is the Organization's future intent to transfer all assets and liabilities in this joint venture to CRI.

The following is a summary of 100% of the total assets, liabilities and equity in the joint venture (results of operations is not material):

Total Assets	\$ 1,317,036
Total Liabilities	<u>(64,310)</u>
Total Net Assets	<b><u>\$ 1,252,726</u></b>

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**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**NOTE 9 – SUPPORT FROM THE STATE OF FLORIDA WHICH REQUIRED MATCH**

During the year ended June 30, 2010, the Organization received support from the State of Florida, Department of Children and Family Services, Alcohol, Drug Abuse, and Mental Health. The contracts are on a three year contract cycle. The income from these contracts is earned by providing services to patients. The contracts require a twenty-five percent local match for certain services. The Organization incurred and funded allowable program costs in excess of the required match during 2010.

**NOTE 10 – RETIREMENT PLANS**

The Organization has both a contributory and non-contributory defined contribution retirement plan, which covers eligible employees after one year of continuous full time employment. The Organization contributes 5% based on each full-time employee's gross salary to the non-contributory plan and also contributes a 1% matching contribution based on those eligible employees who contribute 1% of their own eligible wages in the contributory plan. The Organization suspended the retirement match in 2010. Retirement costs for the years ended June 30, 2010 and 2009 were \$5,405 and \$461,702, respectively.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

Insurance

The Organization's current windstorm insurance policy contains various deductible clauses for named hurricanes and for other wind damage. Based on the \$4,072,000 insured valuation of the three Sarasota buildings and contents and the Punta Gorda building and location, there would be approximately \$122,160 of responsibility by the Organization for a named hurricane including contents. The Organization currently has coverage with the State of Florida insurance carrier, Citizens.

The Organization purchases professional and general liability insurance to cover medical malpractice claims. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. Management is not aware of any pending claims in excess of insured amounts. Consequently, no provisions for any uninsured risks have been made.

Self-Insured Health Plan

The Organization participates in a self-insurance health program for losses arising from employee health claims. The Organization has recorded provisions for estimated claims, which are based on the historical experience.

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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**NOTE 11 – COMMITMENTS AND CONTINGENCIES – CONTINUED**

Self-Insured Health Plan – continued

The provision for estimated insurance deductibles for medical claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

The Organization purchased a stop-loss policy (re-insurance) to cover excessive medical claims. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from medical services provided to employees, which have been accrued for. Management is not aware of any pending claims in excess of insured amounts. Consequently, no provisions for any uninsured risks have been made.

Litigation

The Organization is currently the defendant in a lawsuit in which the plaintiff is claiming breach of a lease agreement by the Organization. The lawsuit is currently in the discovery stage and is anticipated to go to trial, unless a favorable outcome to the Organization can be reached through settlement. The Organization believes it has a valid defense and counterclaim, and is vigorously defending its position, as well as pursuing a counterclaim. Although the outcome of the litigation is not certain, there is potential for an unfavorable outcome. The plaintiff is claiming damages of \$7,000,000, which is the potential loss to the Organization in the event of an unfavorable outcome.

**NOTE 12 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through November 5, 2010, which is the date the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**



Christopher, Smith, Leonard,  
Bristow & Stanell, P.A.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors  
Coastal Behavioral Healthcare, Inc.  
Sarasota, Florida

We have audited the financial statements of Coastal Behavioral Healthcare, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated November 5, 2010, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules outlined in the table of contents and found on pages 19 - 25 of these financial statements are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Christopher, Smith, Leonard,  
Bristow & Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

November 5, 2010  
Sarasota, Florida



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COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF STATE EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2010

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Total Expenditures	\$ 19,347,176
Less other State and Federal funds	(832,522)
Less non-match SAMH funds	(9,377,647)
Less unallowable costs per 65-E14, FAC	<u>(14,754)</u>
Total Allowable Expenditures (Sum of lines 1,2,3, and 4)	9,122,253
Maximum Available Earnings (Line 5 times 75%)	6,841,690
Amount of State Funds Requiring Match	<u>5,093,122</u>
Amount Due to Department (Subtract line 7 from line 6. If negative, the amount of the difference is due the department up to the amount of line 7).	<u><u>\$ 1,748,568</u></u>

COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

Program	Cost Center	State Contracted Rate	Total units of service provided (# of licensed Beds X Days)	Total Units of service paid for by 3rd party contracts Local Govt. or other State Agencies	Maximum # of units eligible for payment by Department	Amount paid for Services by the Department	Maximum \$ Value of units in column F	Amount owed to Department
A	B	C	D	E	(D - E) F	G	(F x C) H	(G-H or \$-0- whichever is greater) I
CMH	Crisis Stabilization	\$ 325.16	3,285	473	2812	\$ 310,890	\$ 914,350	\$ -
CSA	Detoxification	\$ 290.74	2,190	709	1481	\$ 359,421	\$ 430,586	\$ -
AMH	Crisis Stabilization	\$ 325.16	7,300	1,876	5424	\$ 1,361,916	\$ 1,763,668	\$ -

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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THERE WERE NO RELATED PARTY TRANSACTIONS DURING THE YEAR ENDED JUNE 30, 2010.

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**SCHEDULE OF PROGRAM/COST CENTER**  
**ACTUAL EXPENSES AND REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>EXPENSE CATEGORIES</u>	<u>Assessment</u>	<u>CCST</u>	<u>Crisis Support</u>	<u>Crisis Stabilization</u>
<b>PERSONNEL EXPENSES</b>				
Salaries	\$ 249,278	\$ 996,027	\$ 597,380	\$ 1,681,990
Fringe Benefits	60,072	196,370	123,412	291,000
Total Personnel Expenses	<u>309,350</u>	<u>1,192,397</u>	<u>720,792</u>	<u>1,972,990</u>
<b>OTHER EXPENSES</b>				
Building occupancy	29,739	111,100	27,357	137,877
Professional services	5,506	23,874	12,386	71,512
Travel	1,035	27,773	1,094	2,629
Equipment costs	4,245	25,493	9,739	34,241
Food service	-	-	-	41,866
Medical and pharmacy	8,969	193	736	123,518
Subcontracted services	1,402	5,947	3,021	9,395
Insurance	6,634	28,555	18,830	37,124
Interest	4,961	20,038	11,793	44,431
Operating Supplies and expenses	18,901	216,510	21,367	78,543
Other	5,337	28,736	26,515	100,956
<b>TOTAL PERSONNEL &amp; OTHER EXPENSES</b>	<u>396,079</u>	<u>1,680,616</u>	<u>853,630</u>	<u>2,655,082</u>
<b>DISTRIBUTED INDIRECT COSTS</b>				
Administration	48,862	255,480	149,692	414,159
Other Support Costs	343	1,456	739	2,300
<b>TOTAL DISTRIBUTED INDIRECT COSTS</b>	<u>49,205</u>	<u>256,936</u>	<u>150,431</u>	<u>416,459</u>
<b>TOTAL ACTUAL OPERATING EXPENSES</b>	445,284	1,937,552	1,004,061	3,071,541
<b>UNALLOWABLE COSTS</b>	<u>343</u>	<u>1,456</u>	<u>739</u>	<u>2,300</u>
<b>TOTAL ALLOWABLE OPERATING EXPENSES</b>	<u>\$ 444,941</u>	<u>\$ 1,936,096</u>	<u>\$ 1,003,322</u>	<u>\$ 3,069,241</u>
<b>CAPITAL EXPENDITURES</b>	<u>\$ 5,628</u>	<u>\$ 41,118</u>	<u>\$ 11,469</u>	<u>\$ 61,542</u>

<b>SA Detox</b>	<b>FACT</b>	<b>IHOS</b>	<b>Intervention</b>	<b>Outpatient</b>	<b>Outpatient Medical</b>
\$ 458,291	\$ 2,633,913	\$ 479,023	\$ 135,901	\$ 401,846	\$ 571,284
77,001	450,971	102,136	35,849	79,003	90,323
<u>535,292</u>	<u>3,084,884</u>	<u>581,159</u>	<u>171,750</u>	<u>480,849</u>	<u>661,607</u>
29,721	180,214	45,106	14,040	41,687	62,548
13,437	68,433	13,879	3,070	9,882	31,468
674	21,841	13,776	8,065	3,355	11,523
8,597	123,238	26,643	2,573	9,031	9,857
10,467	-	-	-	-	-
30,332	336	-	96	80,850	65,760
2,493	17,585	84,089	781	2,490	3,226
17,415	60,771	13,801	3,964	16,651	17,323
10,783	51,519	18,138	2,419	8,836	10,063
18,414	1,194,510	44,852	10,936	36,141	25,249
27,029	68,827	34,650	3,122	13,958	13,423
<u>704,654</u>	<u>4,872,158</u>	<u>876,093</u>	<u>220,816</u>	<u>703,730</u>	<u>912,047</u>
45,320	505,629	109,263	36,105	168,112	207,184
610	4,221	801	191	610	790
<u>45,930</u>	<u>509,850</u>	<u>110,064</u>	<u>36,296</u>	<u>168,722</u>	<u>207,974</u>
750,584	5,382,008	986,157	257,112	872,452	1,120,021
610	4,221	801	191	610	790
<u>\$ 749,974</u>	<u>\$ 5,377,787</u>	<u>\$ 985,356</u>	<u>\$ 256,921</u>	<u>\$ 871,842</u>	<u>\$ 1,119,231</u>
<u>\$ 4,485</u>	<u>\$ 72,979</u>	<u>\$ 8,944</u>	<u>\$ 6,107</u>	<u>\$ 24,125</u>	<u>\$ 20,351</u>

COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF PROGRAM/COST CENTER  
ACTUAL EXPENSES AND REVENUES  
FOR THE YEAR ENDED JUNE 30, 2010

<u>EXPENSE CATEGORIES</u>	<u>Outreach</u>	<u>Prevention</u>	<u>Residential Level II</u>	<u>Residential Level IV</u>
<b>PERSONNEL EXPENSES</b>				
Salaries	\$ 145,774	\$ 164,978	\$ 1,150,765	\$ 5,875
Fringe Benefits	28,643	35,045	236,297	1,274
Total Personnel Expenses	<u>174,417</u>	<u>200,023</u>	<u>1,387,062</u>	<u>7,149</u>
<b>OTHER EXPENSES</b>				
Building occupancy	15,570	11,689	513,952	34,794
Professional services	5,471	3,616	46,932	1,586
Travel	4,745	3,893	5,061	83
Equipment costs	3,928	9,288	44,799	3,099
Food service	-	-	113,840	-
Medical and pharmacy	834	4	7,983	-
Subcontracted services	965	945	8,666	404
Insurance	3,319	4,935	36,093	5
Interest	2,378	3,009	82,632	18,063
Operating Supplies and expenses	21,551	14,950	108,938	32,040
Other	2,829	7,779	93,121	16,868
<b>TOTAL PERSONNEL &amp; OTHER EXPENSES</b>	<u>236,007</u>	<u>260,131</u>	<u>2,449,079</u>	<u>114,091</u>
<b>DISTRIBUTED INDIRECT COSTS</b>				
Administration	27,586	40,301	292,865	-
Other Support Costs	204	183	2,122	99
<b>TOTAL DISTRIBUTED INDIRECT COSTS</b>	<u>27,790</u>	<u>40,484</u>	<u>294,987</u>	<u>99</u>
<b>TOTAL ACTUAL OPERATING EXPENSES</b>	263,797	300,615	2,744,066	114,190
<b>UNALLOWABLE COSTS</b>	<u>204</u>	<u>183</u>	<u>2,122</u>	<u>99</u>
<b>TOTAL ALLOWABLE OPERATING EXPENSES</b>	<u>\$ 263,593</u>	<u>\$ 300,432</u>	<u>\$ 2,741,944</u>	<u>\$ 114,091</u>
<b>CAPITAL EXPENDITURES</b>	<u>\$ 2,294</u>	<u>\$ 5,456</u>	<u>\$ 154,892</u>	<u>\$ 259</u>

<u>Residential Level VI</u>	<u>Total For All State Designated Cost Centers</u>	<u>Other Support Costs</u>	<u>Administration</u>	<u>Total Agency</u>
\$ 55,967	\$ 9,728,292	\$ -	\$ 1,880,727	\$ 11,609,019
8,445	1,815,841	-	300,313	2,116,154
<u>64,412</u>	<u>11,544,133</u>	<u>-</u>	<u>2,181,040</u>	<u>13,725,173</u>
11,111	1,266,505	-	96	1,266,601
1,358	312,410	14,754	23,668	350,832
71	105,618	-	32,331	137,949
3,040	317,811	-	12,614	330,425
-	166,173	-	-	166,173
-	319,611	-	-	319,611
994	142,403	-	-	142,403
4	265,424	-	-	265,424
7,202	296,265	-	11,869	308,134
4,308	1,847,210	-	37,064	1,884,274
5,151	448,301	-	1,876	450,177
<u>97,651</u>	<u>17,031,864</u>	<u>14,754</u>	<u>2,300,558</u>	<u>19,347,176</u>
-	2,300,558	-	(2,300,558)	-
85	14,754	(14,754)	-	-
<u>85</u>	<u>2,315,312</u>	<u>(14,754)</u>	<u>(2,300,558)</u>	<u>-</u>
97,736	19,347,176	-	-	19,347,176
85	14,754	(14,754)	-	-
<u>\$ 97,651</u>	<u>\$ 19,332,422</u>	<u>\$ (14,754)</u>	<u>\$ -</u>	<u>\$ 19,347,176</u>
<u>\$ 220</u>	<u>\$ 419,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 419,869</u>

COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF PROGRAM/COST CENTER  
ACTUAL EXPENSES AND REVENUES  
FOR THE YEAR ENDED JUNE 30, 2010

<u>FUNDING SOURCES AND REVENUES</u>	<u>Assessment</u>	<u>CCST</u>	<u>Crisis Support</u>	<u>Crisis Stabilization</u>
<b>TOTAL STATE SAMH FUNDING</b>				
Suncoast Region	\$ -	\$ 1,193,191	\$ 1,165,508	\$ 1,672,806
District 8	-	-	-	-
CFBHN	112,826	-	-	-
<b>Total SAMH Funding</b>	<u>112,826</u>	<u>1,193,191</u>	<u>1,165,508</u>	<u>1,672,806</u>
<b>OTHER GOVERNMENT FUNDING</b>				
Other State Agency Funding	-	-	-	-
Medicaid	-	882,258	-	523,864
Local Government	293,101	4,348	78,069	994,331
Federal Grants and Contracts	-	-	-	-
<b>Total Other Government Funding</b>	<u>293,101</u>	<u>886,606</u>	<u>78,069</u>	<u>1,518,195</u>
<b>ALL OTHER REVENUES</b>				
1st & 2nd Party Payments	-	-	-	61,141
3rd Party Payments (except Medicare)	-	-	-	137,523
Medicare	-	-	-	-
Contributions and Donations	-	-	-	1,000
Other	-	42,627	-	-
In-kind	-	-	-	-
<b>Total All Other Revenues</b>	<u>-</u>	<u>42,627</u>	<u>-</u>	<u>199,664</u>
<b>TOTAL ACTUAL FUNDING</b>	<u><b>\$ 405,927</b></u>	<u><b>\$ 2,122,424</b></u>	<u><b>\$ 1,243,577</b></u>	<u><b>\$ 3,390,665</b></u>



<b>SA Detox</b>	<b>FACT</b>	<b>IHOS</b>	<b>Intervention</b>	<b>Outpatient</b>	<b>Outpatient Medical</b>
\$ -	\$ 1,254,355	\$ -	\$ -	\$ 519,453	\$ 979,206
-	3,759,536	-	-	-	-
359,421	-	75,193	299,945	339,935	16,689
<u>359,421</u>	<u>5,013,891</u>	<u>75,193</u>	<u>299,945</u>	<u>859,388</u>	<u>995,895</u>
-	-	-	-	-	-
7,200	-	-	-	279,886	509,158
-	-	-	-	190,147	153,271
-	-	832,522	-	-	-
<u>7,200</u>	<u>-</u>	<u>832,522</u>	<u>-</u>	<u>470,033</u>	<u>662,429</u>
5,381	-	-	-	66,647	19,963
4,500	-	-	-	520	787
-	-	-	-	-	35,982
-	-	-	-	-	-
-	-	-	-	18	6,142
-	-	-	-	-	-
<u>9,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,185</u>	<u>62,874</u>
<b><u>\$ 376,502</u></b>	<b><u>\$ 5,013,891</u></b>	<b><u>\$ 907,715</u></b>	<b><u>\$ 299,945</u></b>	<b><u>\$ 1,396,606</u></b>	<b><u>\$ 1,721,198</u></b>

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**SCHEDULE OF PROGRAM/COST CENTER**  
**ACTUAL EXPENSES AND REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>FUNDING SOURCES AND REVENUES</u>	<u>Outreach</u>	<u>Prevention</u>	<u>Residential Level II</u>	<u>Residential Level IV</u>
<b>TOTAL STATE SAMH FUNDING</b>				
Suncoast Region	\$ -	\$ -	\$ 1,012,017	\$ -
District 8	229,170	39,815	66,604	-
CFBHN	-	294,989	1,015,716	-
<b>Total SAMH Funding</b>	<u>229,170</u>	<u>334,804</u>	<u>2,094,337</u>	<u>-</u>
<b>OTHER GOVERNMENT FUNDING</b>				
Other State Agency Funding	-	-	-	-
Medicaid	-	-	28,625	-
Local Government	-	-	170,231	-
Federal Grants and Contracts	-	-	-	-
<b>Total Other Government Funding</b>	<u>-</u>	<u>-</u>	<u>198,856</u>	<u>-</u>
<b>ALL OTHER REVENUES</b>				
1st & 2nd Party Payments	-	-	48,165	135,564
3rd Party Payments (except Medicare)	-	-	91,641	-
Medicare	-	-	-	-
Contributions and Donations	-	-	-	-
Other	-	-	9	640
In-kind	-	-	-	-
<b>Total All Other Revenues</b>	<u>-</u>	<u>-</u>	<u>139,815</u>	<u>136,204</u>
<b>TOTAL ACTUAL FUNDING</b>	<u><u>\$ 229,170</u></u>	<u><u>\$ 334,804</u></u>	<u><u>\$ 2,433,008</u></u>	<u><u>\$ 136,204</u></u>

<u>Residential Level VI</u>	<u>Total For All State Designated Cost Centers</u>	<u>Other Support Costs</u>	<u>Administration</u>	<u>Total Agency</u>
\$ -	\$ 7,796,536	\$ -	\$ -	\$ 7,796,536
-	4,095,125	-	-	4,095,125
-	2,514,714	-	-	2,514,714
-	<u>14,406,375</u>	-	-	<u>14,406,375</u>
-	-	-	-	-
-	2,230,991	-	-	2,230,991
-	1,883,498	-	-	1,883,498
-	832,522	-	-	832,522
-	<u>4,947,011</u>	-	-	<u>4,947,011</u>
-	336,861	-	-	336,861
-	234,971	-	-	234,971
-	35,982	-	-	35,982
-	1,000	-	20,776	21,776
-	49,436	-	27,442	76,878
-	-	-	-	-
-	<u>658,250</u>	-	<u>48,218</u>	<u>706,468</u>
<u>\$ -</u>	<u>\$ 20,011,636</u>	<u>\$ -</u>	<u>\$ 48,218</u>	<u>\$ 20,059,854</u>

**COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal/State Agency Pass-Through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Entity Identifying Number	Federal/ State Expenditures	Transfers to Subrecipients
<b>U.S. Department of Health and Human Services</b>				
<b><u>Direct Program</u></b>				
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	5H79TI018019/ 1H79SMO58668	\$ 832,522	-
<b><u>Indirect Programs</u></b>				
<b>Passed through from the Florida Department of Children</b>				
Medical Assistance Program	93.778	QH9F6	544,564	-
Block Grants for Community Mental Health Services	93.958	QH9F6	129,308	-
Block Grants for Community Mental Health Services	93.958	QH9F6	326,128	-
Block Grants for Community Mental Health Services	93.958	QH9D9	835,532	-
Medical Assistance Program	93.778	HH701	272,280	-
Block Grants for Community Mental Health Services	93.958	HH701	227,716	-
Medical Assistance Program	93.778	HH702	226,900	-
Block Grants for Community Mental Health Services	93.958	HH702	273,097	-
Medical Assistance Program	93.778	HH03R	277,506	-
Block Grants for Community Mental Health Services	93.958	HH03R	230,934	-
Medical Assistance Program	93.778	HH053	811,616	-
Block Grants for Community Mental Health Services	93.958	HH053	677,172	-
Block Grants for Community Mental Health Services	93.958	HH08R	9,997	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	HH08R	122,835	-
Children's Health Insurance Program	93.767	QH9C3	483,000	-
<b>Passed through Central Florida Behavioral Health Network, Inc.</b>				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	CF2010-1013R	1,241	-
Temporary Assistance to Needy Families	93.558	CF2010-1013R	79,735	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CF2010-1013R	1,698,087	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CF2010-1013R	129,989	-
<b>Passed through Sarasota Family YMCA, Inc.</b>				
Social Services Block Grant	93.667	1007	11,759	-
Foster Care - Title IV-E - Recovery	93.658	1007	11,444	-
<b>Total U.S. Department of Health and Human Services</b>			<b>8,213,362</b>	<b>-</b>
<b>US Department of Justice</b>				
<b><u>Indirect Programs</u></b>				
<b>Passed through Sarasota County</b>				
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) -Program/Grants to Units of Local Government Mental Health Evaluation and Treatment for Indigent Felony Offenders	16.804  Unknown	2010-210  2010-210	120,398  600	-  -
<b>Total Sarasota County</b>			<b>120,998</b>	<b>-</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 8,334,360</b>	<b>\$ -</b>

**COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal/State Agency Pass-Through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Entity Identifying Number	Federal/ State Expenditures	Transfers to Subrecipients
<b>State of Florida, Department of Children and Families</b>				
<u><b>Direct Projects</b></u>				
Children's Baker Act Services	60.001	QH9D9	\$ 333,255	\$ -
Baker Act	60.006	QH9D9	1,616,185	
Adult Community Mental Health Florida Assertive Community Treatment Teams	60.042	QH9F6	254,355	-
Adult Community Mental Health - Community Support Services	60.053	QH9D9	2,306,707	-
Indigent Psychiatric Medication Program	60.039	QH9D9	203,417	-
Adult Community Mental Health Emergency Stabilization	60.054	QH9D9	124,878	-
Children's Mental Health Community Support Services	60.055	QH9D9	72,404	-
Adult Community Mental Health Florida Assertive Community Treatment Teams	60.042	HH701	127,200	-
Adult Community Mental Health Florida Assertive Community Treatment Teams	60.042	HH702	127,200	-
Adult Community Mental Health Florida Assertive Community Treatment Teams	60.042	HH08R	202,757	-
Adult Community Mental Health Florida Assertive Community Treatment Teams	60.042	HH053	380,961	-
Adult Community Mental Health Florida Assertive Community Treatment Teams	60.042	HH03R	126,952	-
Adult Mental Health - Special Projects - Emergency Stabilization	60.061	QH9D9	500,000	-
IDP Drugs-Line of Credit	Unknown	QH9D9	61,637	-
<b>Total through Department of Children and Families</b>			<b>6,437,908</b>	<b>-</b>
<u><b>Indirect Projects</b></u>				
<b>Passed through Central Florida Behavioral Health Network, Inc.</b>				
Substance Abuse Detoxification Services for Children	60.028	CF2010-1013R	194,528	-
Substance Abuse Treatment and Aftercare Services for Children	60.030	CF2010-1013R	282,132	-
Substance Abuse Treatment and Aftercare Services for Adults	60.033	CF2010-1013R	129,003	-
<b>Total through Central Florida Behavioral Health Network, Inc.</b>			<b>605,663</b>	<b>-</b>
<u><b>Indirect Projects</b></u>				
<b>Passed through Sarasota Family YMCA, Inc.</b>				
Community Based Care (CBC) Supports	60.094	1007	5,408	-
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<b>7,048,979</b>	<b>-</b>
<b>TOTAL FEDERAL AND STATE</b>			<b>\$ 15,383,339</b>	<b>\$ -</b>

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**COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

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Notes:

- (1) The Schedule of Expenditures of Federal Awards and State Financial Assistance includes federal and state grant activity presented on the accrual basis of accounting. However, the information in this schedule is in accordance with OMB Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations and the Florida Single Audit Act. Therefore, some amounts presented in this schedule may be different from amounts presented in, or used in the preparation of the basic financial statements.
  
- (2) No federal awards were expended in non-cash assistance.

**OTHER AUDITORS' REPORTS**



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

To the Board of Directors  
Coastal Behavioral Healthcare, Inc.  
Sarasota, Florida

We have audited the financial statements of Coastal Behavioral Healthcare, Inc. (a non-profit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 5, 2010. 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 of America and Chapter 10.650, Rules of the Auditor General.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coastal Behavioral Healthcare, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Coastal Behavioral Healthcare, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coastal Behavioral Healthcare, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, or under Chapter 10.650, Rules of the Auditor General.

This report is intended solely for the information and use of management, others within the organization, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Christopher, Smith, Leonard,  
Bristow + Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

November 5, 2010  
Sarasota, Florida



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
THE RULES OF THE AUDITOR GENERAL CHAPTER 10.650

To the Board of Directors  
Coastal Behavioral Healthcare, Inc.

Compliance

We have audited Coastal Behavioral Healthcare, Inc.'s, (a non-profit organization) compliance with the types of compliance requirements described in the OMB *Circular A-133 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 Coastal Behavioral Healthcare, Inc.'s major federal programs and state projects for the year ended June 30, 2010. Coastal Behavioral Healthcare, Inc.'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of Coastal Behavioral Healthcare, Inc.'s management. Our responsibility is to express an opinion on Coastal Behavioral Healthcare, Inc.'s compliance based on our audit.

We conducted our compliance 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; and OMB Circular A-133, and Chapter 10.650 Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.650 Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state projects occurred. An audit includes examining, on a test basis, evidence about Coastal Behavioral Healthcare, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Coastal Behavioral Healthcare, Inc.'s compliance with those requirements.

In our opinion, Coastal Behavioral Healthcare, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2010.

## Internal Control Over Compliance

Management of Coastal Behavioral Healthcare, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Coastal Behavioral Healthcare, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650 of the Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Christopher, Smith, Leonard,  
Bristow + Stanell, P.A.*  
CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.,

November 5, 2010  
Sarasota, Florida

COASTAL BEHAVIORAL HEALTHCARE, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2010

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of auditor’s report issued:	Unqualified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards and State Projects**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General.	No

**Identification of Major Federal Programs:** **CFDA Number**

Block Grants for Community Mental Health Services	93.958
Substance Abuse and Mental health Services – Projects of Regional and National Significance	93.243
Edward Byrne Memorial Justice Assistance Grant (JAG) Recovery Act	16.804

**Identification of Major State Projects** **CSFA Number**

Adult Community Mental Health – Emergency Stabilization	60.054
Children’s Baker Act Services	60.001
Adult Mental Health – Special Projects– Emergency Stabilization	60.061
Adult Community Mental Health Florida Assertive Community Treatment Teams	60.042
Adult Community Mental Health – Community Support Services	60.053

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**COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS – CONTINUED**

Dollar threshold used to distinguish between type A and type B programs/ projects: (Federal and State)	\$300,000
Auditee qualified as low-risk auditee? (Federal Only)	Yes

**SECTION II FINANCIAL STATEMENT FINDINGS**

None Reported

**PRIOR YEAR AUDIT FINDINGS**

None Reported

**SECTION III – FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAM**

None reported.

**SECTION IV – FINDINGS AND QUESTIONED COSTS – STATE PROJECTS**

None reported.

**SECTION V – OTHER ISSUES**

Pursuant to the Rules of the Auditor General 10.650, a management letter has been prepared and can be found on page 35. No Summary Schedule of Prior Audit Findings is required because there were no audit findings related to Federal programs or State Projects. As a result, no Corrective Action Plan has been included because there were no findings reported under the Federal or Florida Single Audit Acts.



MANAGEMENT LETTER

To the Board of Directors  
Coastal Behavioral Healthcare, Inc.  
Sarasota, Florida

We have audited the financial statements of Coastal Behavioral Healthcare, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated November 5, 2010.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Compliance and Internal Control over Financial Reporting, Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which were dated November 5, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In addition, for matters that are inconsequential, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements or major State projects; (2) improper expenditures or illegal acts that would not materially affect the financial statements or major State projects; (3) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g. the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

There were no current year or prior year comments reported as part of the Management Letter.

This management letter is intended solely for the information of Coastal Behavioral Healthcare, Inc. and management, and the State of Florida Office of the Auditor General, Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Christopher, Smith, Leonard,  
Bristow & Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

November 5, 2010