

**COASTAL BEHAVIORAL HEALTHCARE, INC.**

**AUDITED FINANCIAL STATEMENTS**

**AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2011**

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**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Coastal Behavioral Healthcare, Inc. (a non-profit organization) as of June 30, 2011 and the related statements of activities, functional expenses, and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements, and in our report dated November 5, 2010, we expressed an unqualified opinion on those financial statements.

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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coastal Behavioral Healthcare, Inc. as of June 30, 2011 and the changes in its net assets, and its cash flows for the year 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 7, 2011, 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 7, 2011  
Sarasota, Florida

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**  
 (With summarized financial information as of June 30, 2010)

	<u>2011</u>	<u>Summarized 2010</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$ 2,095,739	\$ 2,795,707
Certificate of deposit	251,870	-
Accounts receivable, net	1,905,409	2,170,751
Inventories	49,936	57,185
Prepaid expenses	211,126	254,016
Total Current Assets	<u>4,514,080</u>	<u>5,277,659</u>
Property, plant and equipment, net	6,185,046	5,915,324
Other assets		
Deposits	40,447	41,955
Other assets, net	65,343	71,283
Investment in CRI	601,018	601,018
Total Other Assets	<u>706,808</u>	<u>714,256</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,405,934</u></b>	<b><u>\$ 11,907,239</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities		
Accounts payable	\$ 488,321	\$ 441,658
Accrued liabilities	636,274	575,113
Capital leases – current portion	68,602	27,701
Notes payable – current portion	234,647	193,747
Total Current Liabilities	<u>1,427,844</u>	<u>1,238,219</u>
Capital leases – long-term portion	130,930	45,018
Notes payable – long-term portion	3,223,816	3,320,573
Interest rate swap	636,208	738,141
Total Liabilities	<u>5,418,798</u>	<u>5,341,951</u>
Net Assets		
Unrestricted	5,987,136	6,430,018
Temporarily restricted	-	135,270
Total Net Assets	<u>5,987,136</u>	<u>6,565,288</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 11,405,934</u></b>	<b><u>\$ 11,907,239</u></b>

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

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
(With summarized financial information for the year ended June 30, 2010)

	<u>2011</u>	<u>Summarized 2010</u>
Changes in Unrestricted Net Assets:		
Public Support and Revenues:		
Federal and state awards and grants	\$ 14,984,373	\$ 15,383,339
Other county and local awards and grants	1,695,674	1,773,799
Contributions	29,393	21,777
Client fees	316,012	308,250
Other insurance	211,921	234,971
Medicaid	1,533,025	2,230,992
Medicare	32,705	35,982
Interest	4,219	9,040
Other	82,957	61,704
Total Public Support and Revenues	<u>18,890,279</u>	<u>20,059,854</u>
Net Assets Released from Restrictions:		
Satisfaction of Restrictions	<u>151,333</u>	<u>143,303</u>
Total Unrestricted Revenues	<u>19,041,612</u>	<u>20,203,157</u>
Expenses:		
Program Services:		
Assessment	371,844	396,079
Aftercare	-	-
Comprehensive Community Service Team	1,716,758	1,680,616
Crisis Stabilization	3,413,220	2,655,082
Crisis Support	747,165	853,630
SA Detox	-	704,654
Florida Assertive Community Treatment	4,926,489	4,872,158
In Home/On Site	1,060,180	876,093
Intervention	186,563	220,816
Outpatient medical	1,327,401	912,047
Outpatient	757,061	703,730
Outreach	201,558	236,007
Prevention	294,465	260,131
Residential level II	2,162,731	2,449,079
Residential level IV	30,689	114,091
Residential level VI	-	97,651
Administration	2,365,303	2,300,558
Other Support Costs	25,000	14,754
Total Expenses	<u>19,586,427</u>	<u>19,347,176</u>
(Decrease) Increase in Unrestricted Net Assets	(544,815)	855,981
Changes in Temporarily Restricted Net Assets:		
Contributions	16,063	253,315
Assets released from restriction	<u>(151,333)</u>	<u>(143,303)</u>
(Decrease) Increase in Temporarily Restricted Net Assets	<u>(135,270)</u>	<u>110,012</u>
Change in net assets before swap adjustment	(680,085)	965,993
Change in fair value of interest rate swap	101,933	(135,077)
Net Assets at beginning of year	<u>6,565,288</u>	<u>5,734,372</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 5,987,136</u></u>	<u><u>\$ 6,565,288</u></u>

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

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
(With summarized financial information for the year ended June 30, 2010)

	<u>2011</u>	<u>Summarized 2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets before swap adjustment	\$ (680,085)	\$ 965,993
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	484,588	461,949
(Gain)/Loss on disposal of assets	-	8,127
(Increase) Decrease in assets:		
Accounts receivable	265,342	(696,775)
Inventories	7,249	(25,305)
Prepaid expenses	42,890	(792)
Other current assets	1,508	-
Increase (Decrease) in liabilities:		
Accounts payable	46,663	78,905
Accrued liabilities	61,161	122,093
Net cash provided by operating activities	<u>229,316</u>	<u>914,195</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Purchase) Sale of short-term investments	(251,870)	251,527
Sale of property and equipment	11,352	
Purchase of property and equipment	(460,446)	(419,870)
Net cash (used) by investing activities	<u>(700,964)</u>	<u>(168,343)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	(193,091)	(183,722)
Payments on capital lease obligations	(35,229)	(18,131)
Net cash (used) by financing activities	<u>(228,320)</u>	<u>(201,853)</u>
Net change in cash and cash equivalents	(699,968)	543,999
Cash and cash equivalents at beginning of year	<u>2,795,707</u>	<u>2,251,708</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 2,095,739</u></u>	<u><u>\$ 2,795,707</u></u>
<b><u>SUPPLEMENTAL CASH FLOW DISCLOSURES</u></b>		
Interest paid	<u><u>\$ 269,255</u></u>	<u><u>\$ 296,362</u></u>
<b>Non-cash disclosures:</b>		
Financing of fixed assets through capital lease obligations and notes payable	<u><u>\$ 299,276</u></u>	<u><u>\$ -</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, 2011**  
 (With summarized financial information for the year ended June 30, 2010)

	Program Services			
	Assessment	Aftercare	CCST	Crisis Support
<b>PERSONNEL SERVICES:</b>				
Salaries and wages	\$ 242,324	\$ -	\$ 983,560	\$ 496,797
Fringes	60,767	-	246,241	121,669
<b>Total personnel services</b>	<u>303,091</u>	<u>-</u>	<u>1,229,801</u>	<u>618,466</u>
<b>OTHER EXPENSES:</b>				
Building occupancy	11,226	-	72,243	21,797
Professional services	6,099	-	34,000	13,389
Travel	1,349	-	20,535	873
Equipment costs	4,962	-	34,326	9,873
Food service	-	-	-	-
Medical and pharmacy	9,688	-	68	194
Subcontracted services	4,137	-	23,260	8,865
Insurance	5,828	-	33,910	17,363
Interest	3,459	-	16,474	9,920
Operating supplies and expenses	16,882	-	217,112	19,858
Other	5,123	-	35,029	26,567
<b>Total other expenses</b>	<u>68,753</u>	<u>-</u>	<u>486,957</u>	<u>128,699</u>
<b>TOTAL</b>	<u>\$ 371,844</u>	<u>\$ -</u>	<u>\$ 1,716,758</u>	<u>\$ 747,165</u>



<b>Crisis Stabilization</b>	<b>FACT</b>	<b>IHOS</b>	<b>Intervention</b>	<b>Outpatient</b>	<b>Outpatient Medical</b>	<b>Outreach</b>
\$ 2,091,621	\$ 2,626,671	\$ 609,604	\$ 118,549	\$ 430,111	\$ 752,740	\$ 123,252
423,322	529,321	135,215	30,296	105,423	135,738	30,049
<u>2,514,943</u>	<u>3,155,992</u>	<u>744,819</u>	<u>148,845</u>	<u>535,534</u>	<u>888,478</u>	<u>153,301</u>
137,096	142,448	40,924	8,678	30,092	30,198	10,728
113,599	90,797	17,390	3,060	16,714	149,239	3,306
3,689	19,373	17,686	5,735	6,813	22,756	4,213
51,154	150,848	30,548	2,221	11,362	23,582	3,002
51,164	-	-	-	-	-	-
158,229	640	1,232	7	66,251	97,839	289
53,124	37,549	87,345	1,716	9,606	17,228	1,923
51,813	57,965	17,386	3,759	17,009	24,427	3,169
51,757	49,976	14,255	1,726	7,281	13,570	1,858
95,447	1,147,593	52,122	7,723	40,473	37,005	16,986
131,205	73,308	36,473	3,093	15,926	23,079	2,783
<u>898,277</u>	<u>1,770,497</u>	<u>315,361</u>	<u>37,718</u>	<u>221,527</u>	<u>438,923</u>	<u>48,257</u>
<u>\$ 3,413,220</u>	<u>\$4,926,489</u>	<u>\$1,060,180</u>	<u>\$ 186,563</u>	<u>\$ 757,061</u>	<u>\$ 1,327,401</u>	<u>\$ 201,558</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, 2011**  
 (With summarized financial information for the year ended June 30, 2010)

	Program Services		
	Prevention	Residential Level II	Residential Level IV
<b>PERSONNEL SERVICES:</b>			
Salaries and wages	\$ 182,287	\$ 1,111,735	\$ 1,635
Fringes	44,975	237,681	1,249
<b>Total personnel services</b>	<u>227,262</u>	<u>1,349,416</u>	<u>2,884</u>
<b>OTHER EXPENSES:</b>			
Building occupancy	8,166	169,420	170
Professional services	4,830	40,353	503
Travel	3,624	7,136	25
Equipment costs	15,045	49,264	296
Food service	-	125,332	-
Medical and pharmacy	12	6,456	-
Subcontracted services	2,449	50,857	120
Insurance	4,927	31,849	1,996
Interest	2,727	95,969	283
Operating supplies and expenses	17,216	120,194	23,042
Other	8,207	116,485	1,370
<b>Total other expenses</b>	<u>67,203</u>	<u>813,315</u>	<u>27,805</u>
<b>TOTAL</b>	<u>\$ 294,465</u>	<u>\$ 2,162,731</u>	<u>\$ 30,689</u>

Total Program	Support Services		2011 Total Agency	Summarized Financial Information
	Other Support Costs	Administration		2010 Total Agency
\$ 9,770,886	\$ -	\$ 1,829,417	\$ 11,600,303	\$ 11,609,019
2,101,946	-	368,857	2,470,803	2,116,154
<u>11,872,832</u>	<u>-</u>	<u>2,198,274</u>	<u>14,071,106</u>	<u>13,725,173</u>
683,186	-	75	683,261	1,266,601
493,279	25,000	31,095	549,374	350,832
113,807	-	42,660	156,467	137,949
386,483	-	19,212	405,695	330,425
176,496	-	-	176,496	166,173
340,905	-	-	340,905	319,611
298,179	-	-	298,179	142,403
271,401	-	-	271,401	265,424
269,255	-	5,940	275,195	308,134
1,811,653	-	68,047	1,879,700	1,884,274
478,648	-	-	478,648	450,177
<u>5,323,292</u>	<u>25,000</u>	<u>167,029</u>	<u>5,515,321</u>	<u>5,622,003</u>
<u>\$ 17,196,124</u>	<u>\$ 25,000</u>	<u>\$ 2,365,303</u>	<u>\$ 19,586,427</u>	<u>\$ 19,347,176</u>

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, 2011

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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).

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.

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

**FAIR VALUE MEASUREMENTS - CONTINUED**

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.

The Financial Accounting Standards Board (FASB) issued ASU No. 2010-06, "Improving Disclosures about Fair Value Measurements" (ASU) which is effective for fiscal years beginning after December 15, 2009. The guidance requires additional disclosure related to the three-level fair value hierarchy. Entities are required to disclose significant transfers in and out of Levels 1 and 2 of the fair value hierarchy. The Organization adopted the amendments in ASU during the current year, and has prospectively included the required disclosures in Note 2.

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 life 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.

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, 2011 and 2010 was \$5,940 and \$11,774, respectively.

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

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, 2011 there were no temporarily restricted net assets and \$151,333 was released from restriction during the year. There were no permanently restricted net assets as of June 30, 2011.

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 \$10,400,000 and \$9,900,000 in 2011 and 2010, 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, 2011 and 2010 advertising costs totaled \$18,638 and \$21,567, respectively.

SUMMARIZED FINANCIAL INFORMATION - The financial statements include certain prior-year summarized comparative information in the financial statements and notes to the financial statements. 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 and notes for the year ended June 30, 2010, 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 applies guidance issued by the FASB on accounting for uncertainty in tax positions.

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

Management believes the Organization has no material uncertain tax positions, including any potential loss of its tax exempt status. The Organization has no ongoing federal, state or local tax audits; however, the Organization’s tax returns for fiscal year end 2008 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. There were no significant transfers between Level 1 and 2 during the year ended June 30, 2011.

	<b>Fair Value Measures at June 30, 2011</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
Certificate of Deposits (CD’s)	<u>\$ 251,870</u>	<u>\$ -0-</u>	<u>\$ 251,870</u>	<u>\$ -0-</u>
<b>Liabilities</b>				
Interest Rate SWAP (Derivative Financial Instrument)	<u>\$ 636,208</u>	<u>\$ -0-</u>	<u>\$ 636,208</u>	<u>\$ -0-</u>

	<b>Fair Value Measures at June 30, 2010</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Liabilities</b>				
Interest Rate SWAP (Derivative Financial Instrument)	<u>\$ 738,141</u>	<u>\$ -0-</u>	<u>\$ 738,141</u>	<u>\$ -0-</u>

CD’s are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

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.

The preceding methods 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, 2011**

**NOTE 3 – PROPERTY AND EQUIPMENT**

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

	<b>2011</b>	<b>2010</b>
Land	\$ 276,328	\$ 276,328
Buildings	7,176,990	6,618,755
Leasehold improvements	1,336,593	1,326,698
Furniture/Fixtures/Equipment	3,800,681	3,644,645
Vehicles	857,631	858,367
	13,448,223	12,724,793
Less accumulated depreciation	(7,263,177)	(6,809,469)
Net Property and Equipment	<b>\$ 6,185,046</b>	<b>\$ 5,915,324</b>

The depreciation expense for the years ended June 30, 2011 and 2010 was \$478,648 and \$450,175, 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, 2011, consisted of the following:

Term loan payable to a bank in monthly installments of principal and interest of \$37,215 at a rate of 7.45% maturing on June 24, 2022.	\$ 3,326,947
Note payable to bank in monthly installments of principal and interest of \$3,160 at a rate of 5%, maturing on April 25, 2015. This note is collateralized by modular units recorded in buildings at a carrying value of \$136,508.	131,516
Total	3,458,463
Less Current Portion	(234,647)
Long-Term Debt	<b>\$ 3,223,816</b>

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

<u>Year ending June 30:</u>	
2012	\$ 234,647
2013	251,907
2014	270,455
2015	283,524
2016	272,680
Thereafter	2,145,250
	<b>\$ 3,458,463</b>



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**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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, 2011.

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 Wells Fargo, 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 \$636,208 and \$738,141 at June 30, 2011 and 2010, 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 \$101,933 and \$(135,077) during the years ended June 30, 2011 and 2010, 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 \$246,326 at June 30, 2011 and 2010. Accumulated depreciation amounted to \$38,301 and \$44,613 at June 30, 2011 and 2010, respectively. Interest paid on capital leases during the year amounted to \$7,741.

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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

<u>Year ending June 30:</u>	
2012	\$ 68,602
2013	68,602
2014	68,194
2015	<u>20,527</u>
Total minimum lease payments	225,925
Less amount representing interest	<u>(26,393)</u>
Present value of net minimum lease payments	199,532
Less current maturities	<u>(68,602)</u>
Capital lease obligations, net of current portion	<u>\$ 130,930</u>

**NOTE 6 - OPERATING LEASES**

The Organization has operating leases primarily for various facilities and equipment, which expire at various dates through 2016. Rental expense for facilities was \$249,656 and \$621,247 for 2011 and 2010, respectively. Rental expense for equipment was \$96,735 and \$86,453 for 2011 and 2010, respectively.

The following represents future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2011 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>
2012	\$ 98,023	\$ 140,892	\$ 238,915
2013	\$ 88,460	\$ 26,312	\$ 114,772
2014	\$ 62,860	\$ -0-	\$ 62,860
2015	\$ 28,177	\$ -0-	\$ 28,177
2016	\$ 2,945	\$ -0-	\$ 2,945

**NOTE 7 - CONCENTRATION OF CREDIT RISK**

Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 for the current year. All funds in a "non-interest bearing transaction account" are insured in full by the FDIC from December 31, 2010 through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available under the FDIC's general deposit insurance rules. At times throughout the year, the Organization's cash balances may exceed insured limits. Management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

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**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

The Organization grants credit without collateral to its patients. A significant portion consists 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 \$686,506 and \$417,295 as of June 30, 2011 and 2010, 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, 2011 were as follows:

	<u>Total</u>
Medicare and Medicaid	24%
Private Insurance	26%
Self Pay	50%

**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>(36,483)</u>
Total Net Assets	<u>\$ 1,280,553</u>

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

During the year ended June 30, 2011, the Organization received support from the State of Florida, Department of Children and Families through Central Florida Behavioral Health Network, Inc.. The contracts are on a five 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 2011.

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**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**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 a discretionary amount as approved by the Board of Directors, (3% for 2011), based on each full-time employee's gross salary to the non-contributory plan and also contributes 1% based on those eligible employees who contribute 1% of their own eligible wages in the contributory plan. The Organization suspended the retirement contribution for fiscal year 2010. However, effective July of 2010, the Organization's Board of Directors approved the reinstatement of the discretionary contribution. Retirement costs for the years ended June 30, 2011 and 2010 were \$455,771 and \$5,405, 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.

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.

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**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 11 - COMMITMENTS AND CONTINGENCIES - CONTINUED**

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.

The Organization is also involved in other litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Organization's future financial position.

However, depending on the above and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect the Organization's future results of operations or cash flows in a particular period.

**NOTE 12 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through November 7, 2011, which is the date the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**

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, 2011, and have issued our report thereon dated November 7, 2011, 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 7, 2011  
Sarasota, Florida

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF STATE EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2011

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Total Expenditures	\$ 19,586,427
Less other State and Federal funds	(1,096,870)
Less non-match SAMH funds	(6,812,516)
Less unallowable costs per 65-E14, FAC	<u>(25,000)</u>
Total Allowable Expenditures (Sum of lines 1,2,3, and 4)	11,652,041
Maximum Available Earnings (Line 5 times 75%)	8,739,031
Amount of State Funds Requiring Match	<u>7,017,950</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>\$ 1,721,081</u></u>



COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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
AMH	Crisis Stabilization	\$ 325.16	12,775	3,047	9,728	\$ 1,802,901	\$ 3,163,156	\$ -

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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THERE WERE NO RELATED PARTY TRANSACTIONS DURING THE YEAR ENDED JUNE 30, 2011.

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**SCHEDULE OF PROGRAM/COST CENTER**  
**ACTUAL EXPENSES AND REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>EXPENSE CATEGORIES</u>	<u>Assessment</u>	<u>Aftercare</u>	<u>CCST</u>	<u>Crisis Support</u>
<b>PERSONNEL EXPENSES</b>				
Salaries	\$ 242,324	\$ -	\$ 983,560	\$ 496,797
Fringe benefits	60,767	-	246,241	121,669
Total personnel expenses	<u>303,091</u>	<u>-</u>	<u>1,229,801</u>	<u>618,466</u>
<b>OTHER EXPENSES</b>				
Building occupancy	11,226	-	72,243	21,797
Professional services	6,099	-	34,000	13,389
Travel	1,349	-	20,535	873
Equipment costs	4,962	-	34,326	9,873
Food service	-	-	-	-
Medical and pharmacy	9,688	-	68	194
Subcontracted services	4,137	-	23,260	8,865
Insurance	5,828	-	33,910	17,363
Interest	3,459	-	16,474	9,920
Operating supplies and expenses	16,882	-	217,112	19,858
Other	5,123	-	35,029	26,567
<b>TOTAL PERSONNEL &amp; OTHER EXPENSES</b>	<u>371,844</u>	<u>-</u>	<u>1,716,758</u>	<u>747,165</u>
<b>DISTRIBUTED INDIRECT COSTS</b>				
Administration	59,522	-	238,424	148,265
Other support costs	541	-	2,496	1,086
<b>TOTAL DISTRIBUTED INDIRECT COSTS</b>	<u>60,063</u>	<u>-</u>	<u>240,920</u>	<u>149,351</u>
<b>TOTAL ACTUAL OPERATING EXPENSES</b>	431,907	-	1,957,678	896,516
<b>UNALLOWABLE COSTS</b>	<u>541</u>	<u>-</u>	<u>2,496</u>	<u>1,086</u>
<b>TOTAL ALLOWABLE OPERATING EXPENSES</b>	<u>\$ 431,366</u>	<u>\$ -</u>	<u>\$ 1,955,182</u>	<u>\$ 895,430</u>
<b>CAPITAL EXPENDITURES</b>	<u>\$ 1,869</u>	<u>\$ -</u>	<u>\$ 162,582</u>	<u>\$ 4,657</u>

<b>Crisis Stabilization</b>	<b>FACT</b>	<b>IHOS</b>	<b>Intervention</b>	<b>Outpatient</b>	<b>Outpatient Medical</b>
\$ 2,091,621	\$2,626,671	\$ 609,604	\$ 118,549	\$ 430,111	\$ 752,740
423,322	529,321	135,215	30,296	105,423	135,738
<u>2,514,943</u>	<u>3,155,992</u>	<u>744,819</u>	<u>148,845</u>	<u>535,534</u>	<u>888,478</u>
137,096	142,448	40,924	8,678	30,092	30,198
113,599	90,797	17,390	3,060	16,714	149,239
3,689	19,373	17,686	5,735	6,813	22,756
51,154	150,848	30,548	2,221	11,362	23,582
51,164	-	-	-	-	-
158,229	640	1,232	7	66,251	97,839
53,124	37,549	87,345	1,716	9,606	17,228
51,813	57,965	17,386	3,759	17,009	24,427
51,757	49,976	14,255	1,726	7,281	13,570
95,447	1,147,593	52,122	7,723	40,473	37,005
131,205	73,308	36,473	3,093	15,926	23,079
<u>3,413,220</u>	<u>4,926,489</u>	<u>1,060,180</u>	<u>186,563</u>	<u>757,061</u>	<u>1,327,401</u>
453,500	536,176	135,276	20,461	164,960	233,397
4,962	7,162	1,541	271	1,101	1,930
<u>458,462</u>	<u>543,338</u>	<u>136,817</u>	<u>20,732</u>	<u>166,061</u>	<u>235,327</u>
3,871,682	5,469,827	1,196,997	207,295	923,122	1,562,728
4,962	7,162	1,541	271	1,101	1,930
<u>\$ 3,866,720</u>	<u>\$ 5,462,665</u>	<u>\$ 1,195,456</u>	<u>\$ 207,024</u>	<u>\$ 922,021</u>	<u>\$ 1,560,798</u>
<u>\$ 116,906</u>	<u>\$ 54,269</u>	<u>\$ 4,249</u>	<u>\$ 643</u>	<u>\$ 74,213</u>	<u>\$ 252,932</u>

COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF PROGRAM/COST CENTER  
ACTUAL EXPENSES AND REVENUES  
FOR THE YEAR ENDED JUNE 30, 2011

<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	\$ 123,252	\$ 182,287	\$ 1,111,735	\$ 1,635
Fringe benefits	30,049	44,975	237,681	1,249
Total personnel expenses	<u>153,301</u>	<u>227,262</u>	<u>1,349,416</u>	<u>2,884</u>
<b>OTHER EXPENSES</b>				
Building occupancy	10,728	8,166	169,420	170
Professional services	3,306	4,830	40,353	503
Travel	4,213	3,624	7,136	25
Equipment costs	3,002	15,045	49,264	296
Food service	-	-	125,332	-
Medical and pharmacy	289	12	6,456	-
Subcontracted services	1,923	2,449	50,857	120
Insurance	3,169	4,927	31,849	1,996
Interest	1,858	2,727	95,969	283
Operating supplies and expenses	16,986	17,216	120,194	23,042
Other	2,783	8,207	116,485	1,370
<b>TOTAL PERSONNEL &amp; OTHER EXPENSES</b>	<u>201,558</u>	<u>294,465</u>	<u>2,162,731</u>	<u>30,689</u>
<b>DISTRIBUTED INDIRECT COSTS</b>				
Administration	30,272	43,166	281,133	20,751
Other support costs	293	428	3,144	45
<b>TOTAL DISTRIBUTED INDIRECT COSTS</b>	<u>30,565</u>	<u>43,594</u>	<u>284,277</u>	<u>20,796</u>
<b>TOTAL ACTUAL OPERATING EXPENSES</b>	232,123	338,059	2,447,008	51,485
<b>UNALLOWABLE COSTS</b>	<u>293</u>	<u>428</u>	<u>3,144</u>	<u>45</u>
<b>TOTAL ALLOWABLE OPERATING EXPENSES</b>	<u>\$ 231,830</u>	<u>\$ 337,631</u>	<u>\$ 2,443,864</u>	<u>\$ 51,440</u>
<b>CAPITAL EXPENDITURES</b>	<u>\$ 951</u>	<u>\$ 1,356</u>	<u>\$ 84,443</u>	<u>\$ 652</u>

<u>Total For All State Designated Cost Centers</u>	<u>Other Support Costs</u>	<u>Administration</u>	<u>Total Agency</u>
\$ 9,770,886	\$ -	\$ 1,829,417	\$ 11,600,303
2,101,946	-	368,857	2,470,803
<u>11,872,832</u>	<u>-</u>	<u>2,198,274</u>	<u>14,071,106</u>
683,186	-	75	683,261
493,279	25,000	31,095	549,374
113,807	-	42,660	156,467
386,483	-	19,212	405,695
176,496	-	-	176,496
340,905	-	-	340,905
298,179	-	-	298,179
271,401	-	-	271,401
269,255	-	5,940	275,195
1,811,653	-	68,047	1,879,700
478,648	-	-	478,648
<u>17,196,124</u>	<u>25,000</u>	<u>2,365,303</u>	<u>19,586,427</u>
2,365,303	-	(2,365,303)	-
25,000	(25,000)	-	-
<u>2,390,303</u>	<u>(25,000)</u>	<u>(2,365,303)</u>	<u>-</u>
19,586,427	-	-	19,586,427
25,000	(25,000)	-	-
<u>\$ 19,561,427</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 19,586,427</u>
<u>\$ 759,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 759,722</u>

COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF PROGRAM/COST CENTER  
ACTUAL EXPENSES AND REVENUES  
FOR THE YEAR ENDED JUNE 30, 2011

<u>FUNDING SOURCES AND REVENUES</u>	<u>Assessment</u>	<u>Aftercare</u>	<u>CCST</u>	<u>Crisis Support</u>
<b>TOTAL STATE SAMH FUNDING</b>				
CFBHN	\$ 126,131	\$ 2,011	\$ 1,173,431	\$ 1,049,624
<b>Total SAMH Funding</b>	<u>126,131</u>	<u>2,011</u>	<u>1,173,431</u>	<u>1,049,624</u>
<b>OTHER GOVERNMENT FUNDING</b>				
Other State Agency Funding	-	-	-	-
Medicaid	-	-	598,221	-
Local Government	328,137	-	-	81,932
Federal Grants and Contracts	-	-	-	-
<b>Total Other Government Funding</b>	<u>328,137</u>	<u>-</u>	<u>598,221</u>	<u>81,932</u>
<b>ALL OTHER REVENUES</b>				
1st & 2nd Party Payments	-	-	29,044	-
3rd Party Payments (except Medicare)	-	-	-	-
Medicare	-	-	-	-
Contributions and Donations	-	-	90	-
Other	-	-	18,860	-
In-kind	-	-	-	-
<b>Total All Other Revenues</b>	<u>-</u>	<u>-</u>	<u>47,994</u>	<u>-</u>
<b>TOTAL ACTUAL FUNDING</b>	<u><u>\$ 454,268</u></u>	<u><u>\$ 2,011</u></u>	<u><u>\$ 1,819,646</u></u>	<u><u>\$ 1,131,556</u></u>

<b>Crisis Stabilization</b>	<b>FACT</b>	<b>IHOS</b>	<b>Intervention</b>	<b>Outpatient</b>	<b>Outpatient Medical</b>
\$ 1,979,998	\$ 4,883,412	\$ 192,483	\$ 156,155	\$ 909,268	\$ 904,819
<u>1,979,998</u>	<u>4,883,412</u>	<u>192,483</u>	<u>156,155</u>	<u>909,268</u>	<u>904,819</u>
-	-	-	-	-	-
255,094	-	-	-	208,779	438,154
990,811	-	5,847	-	115,335	80,000
-	-	811,239	-	-	285,631
<u>1,245,905</u>	<u>-</u>	<u>817,086</u>	<u>-</u>	<u>324,114</u>	<u>803,785</u>
78,069	-	16,847	-	24,784	16,531
146,466	-	2,093	-	697	1,292
-	-	27	-	6	32,672
10,662	998	3,889	-	93	861
-	-	-	-	8	21,324
-	-	-	-	-	-
<u>235,197</u>	<u>998</u>	<u>22,856</u>	<u>-</u>	<u>25,588</u>	<u>72,680</u>
<b><u>\$ 3,461,100</u></b>	<b><u>\$ 4,884,410</u></b>	<b><u>\$ 1,032,425</u></b>	<b><u>\$ 156,155</u></b>	<b><u>\$ 1,258,970</u></b>	<b><u>\$ 1,781,284</u></b>



**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**SCHEDULE OF PROGRAM/COST CENTER**  
**ACTUAL EXPENSES AND REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<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>				
CFBHN	\$ 231,037	\$ 329,440	\$ 1,949,695	\$ -
<b>Total SAMH Funding</b>	<u>231,037</u>	<u>329,440</u>	<u>1,949,695</u>	<u>-</u>
<b>OTHER GOVERNMENT FUNDING</b>				
Other State Agency Funding	-	-	-	-
Medicaid	-	-	32,777	-
Local Government	-	-	72,296	-
Federal Grants and Contracts	-	-	-	-
<b>Total Other Government Funding</b>	<u>-</u>	<u>-</u>	<u>105,073</u>	<u>-</u>
<b>ALL OTHER REVENUES</b>				
1st & 2nd Party Payments	-	-	27,912	122,825
3rd Party Payments (except Medicare)	-	-	61,373	-
Medicare	-	-	-	-
Contributions and Donations	-	-	1,551	-
Other	-	-	-	35,534
In-kind	-	-	-	-
<b>Total All Other Revenues</b>	<u>-</u>	<u>-</u>	<u>90,836</u>	<u>158,359</u>
<b>TOTAL ACTUAL FUNDING</b>	<u>\$ 231,037</u>	<u>\$ 329,440</u>	<u>\$ 2,145,604</u>	<u>\$ 158,359</u>

<u>Total For All State Designated Cost Centers</u>	<u>Other Support Costs</u>	<u>Administration</u>	<u>Total Agency</u>
\$ 13,887,504	\$ -	\$ -	\$ 13,887,504
<u>13,887,504</u>	<u>-</u>	<u>-</u>	<u>13,887,504</u>
-	-	-	-
1,533,025	-	-	1,533,025
1,674,358	-	-	1,674,358
1,096,870	-	-	1,096,870
<u>4,304,253</u>	<u>-</u>	<u>-</u>	<u>4,304,253</u>
316,012	-	-	316,012
211,921	-	-	211,921
32,705	-	-	32,705
18,144	-	27,312	45,456
75,726	-	32,765	108,491
-	-	-	-
<u>654,508</u>	<u>-</u>	<u>60,077</u>	<u>714,585</u>
<u>\$ 18,846,265</u>	<u>\$ -</u>	<u>\$ 60,077</u>	<u>\$ 18,906,342</u>

**COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

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>				
<u><b>Direct Program</b></u>				
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	5H79T1018019/ 5H79SM058668-03/ 1H79SM059621-01	\$ 1,099,356	\$ -
<u><b>Indirect Programs</b></u>				
<b>Passed through Central Florida Behavioral Health Network, Inc.</b>				
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	CF1258-1001	1,271	-
Children's Health Insurance Program	93.767	CF1258-1001	375,000	-
Medical Assistance Program	93.778	CF1258-1001	1,042,578	-
Block Grants for Community Mental Health Services	93.958	CF1258-1001	862,943	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CF1258-1001	1,824,836	-
<b>Total U.S. Department of Health and Human Services</b>			<u>5,205,984</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><b>5,205,984</b></u>	<u><b>-</b></u>
<b>State of Florida, Department of Children and Families</b>				
<u><b>Indirect Projects</b></u>				
<b>Passed through Central Florida Behavioral Health Network, Inc.</b>				
Baker Act Substance Abuse Treatment and Aftercare Services for Children	60.006	CF1258-1001	1,572,904	-
Indigent Psychiatric Medication Program	60.030	CF1258-1001	282,422	-
Adult Community Mental Health Florida Assertive Community Treatment Teams	60.039	CF1258-1001	197,969	-
Adult Community Mental Health - Community Support Services	60.042	CF1258-1001	990,349	-
Adult Community Mental Health Emergency Stabilization	60.053	CF1258-1001	2,918,346	-
Adult Community Mental Health Emergency Stabilization	60.054	CF1258-1001	603,452	-
Children's Mental Health Community Support Services	60.055	CF1258-1001	70,465	-
Adult Mental Health - Special Projects - Emergency Stabilization	60.061	CF1258-1001	486,610	-
Substance Abuse Treatment and Aftercare Services for Adults	60.033	CF1258-1001	133,367	-
Total through Central Florida Behavioral Health Network, Inc.			<u>7,255,884</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u><b>7,255,884</b></u>	<u><b>-</b></u>
<b>TOTAL FEDERAL AND STATE</b>			<u><b>\$ 12,461,868</b></u>	<u><b>\$ -</b></u>

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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, 2011**

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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' REPORT**



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, 2011, and have issued our report thereon dated November 7, 2011. 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 7, 2011  
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

INDEPENDENT AUDITORS' REPORT

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, 2011. 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 or state project 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, 2011.



### 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 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 7, 2011  
Sarasota, Florida

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**COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**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 Prevention and Treatment of Substance Abuse	93.959
Children’s Health Insurance Program	93.767

**Identification of Major State Projects CSFA Number**

Substance Abuse Treatment and Aftercare Services for Children	60.030
Baker Act	60.006
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, 2011**

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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 34. 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 fiscal year ended June 30, 2011, and have issued our report thereon dated November 7, 2011.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' 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, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which were dated November 7, 2011, 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 or state project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State Project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, (2) Deficiencies in internal control that are not significant deficiencies.

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

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of Coastal Behavioral Healthcare, Inc. and management, and the Florida 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 7, 2011  
Sarasota, Florida