

COASTAL BEHAVIORAL HEALTHCARE, INC.

AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION

JUNE 30, 2012

COASTAL BEHAVIORAL HEALTHCARE, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2012

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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, 2012 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 2011 financial statements, and in our report dated November 7, 2011, 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, 2012 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 December 27, 2012, 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.

December 27, 2012
Sarasota, Florida

COASTAL BEHAVIORAL HEALTHCARE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(With summarized financial information as of June 30, 2011)

	<u>2012</u>	<u>Summarized 2011</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,597,011	\$ 2,095,739
Certificate of deposit	-	251,870
Accounts receivable, net	1,937,071	1,905,409
Inventories	85,792	49,936
Prepaid expenses	248,328	211,126
Total Current Assets	<u>3,868,202</u>	<u>4,514,080</u>
Property, plant and equipment, net	4,938,801	5,360,156
Other assets		
Deposits	11,606	40,447
Other assets, net	59,403	65,343
Investment in CRI	601,018	601,018
Total Other Assets	<u>672,027</u>	<u>706,808</u>
TOTAL ASSETS	<u>\$ 9,479,030</u>	<u>\$ 10,581,044</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 669,881	\$ 488,321
Accrued liabilities	779,320	636,274
Capital leases – current portion	68,602	68,602
Notes payable – current portion	251,907	234,647
Total Current Liabilities	<u>1,769,710</u>	<u>1,427,844</u>
Capital leases – long-term portion	77,179	130,930
Notes payable – long-term portion	2,974,374	3,223,816
Interest rate swap	811,578	636,208
Total Liabilities	<u>5,632,841</u>	<u>5,418,798</u>
Net Assets		
Unrestricted	3,805,839	5,162,246
Temporarily restricted	40,350	-
Total Net Assets	<u>3,846,189</u>	<u>5,162,246</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,479,030</u>	<u>\$ 10,581,044</u>

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

COASTAL BEHAVIORAL HEALTHCARE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(With summarized financial information for the year ended June 30, 2011)

	<u>2012</u>	<u>Summarized 2011</u>
Changes in Unrestricted Net Assets:		
Public Support and Revenues:		
Federal and state awards and grants	\$ 14,743,239	\$ 14,984,373
Other county and local awards and grants	1,685,470	1,695,674
Contributions	70,331	29,393
Client fees	303,017	316,012
Other insurance	356,227	211,921
Medicaid	1,272,564	1,533,025
Medicare	36,590	32,705
Interest	1,761	4,219
Other	11,516	82,957
Total Public Support and Revenues	<u>18,480,715</u>	<u>18,890,279</u>
Net Assets Released from Restrictions:		
Satisfaction of Restrictions	-	151,333
Total Unrestricted Revenues	<u>18,480,715</u>	<u>19,041,612</u>
Expenses:		
Program Services:		
Assessment	301,318	371,844
Aftercare	-	-
Comprehensive Community Service Team	1,599,685	1,716,758
Crisis Support	772,044	747,165
Crisis Stabilization	3,336,738	3,413,220
Florida Assertive Community Treatment	5,224,504	4,926,489
In Home/On Site	558,072	1,060,180
Intervention	137,879	186,563
Outpatient	799,334	757,061
Outpatient medical	1,715,006	1,327,401
Outreach	213,755	201,558
Prevention	258,836	294,465
Residential level II	2,076,876	2,162,731
Residential level IV	26,240	30,689
Administration	2,616,465	2,365,303
Other Support Costs	25,000	25,000
Total Expenses	<u>19,661,752</u>	<u>19,586,427</u>
(Decrease) Increase in Unrestricted Net Assets	(1,181,037)	(544,815)
Changes in Temporarily Restricted Net Assets:		
Contributions	40,350	16,063
Assets released from restriction	-	(151,333)
(Decrease) Increase in Temporarily Restricted Net Assets	<u>40,350</u>	<u>(135,270)</u>
Change in net assets before swap adjustment	(1,140,687)	(680,085)
Change in fair value of interest rate swap	(175,370)	101,933
Net Assets at beginning of year—as restated	<u>5,162,246</u>	<u>5,740,398</u>
Net Assets at End of Year	<u><u>\$ 3,846,189</u></u>	<u><u>\$ 5,162,246</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, 2012
(With summarized financial information for the year ended June 30, 2011)

	2012	Summarized 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets before swap adjustment	\$ (1,140,687)	\$ (680,085)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	503,589	484,588
(Increase) Decrease in assets:		
Accounts receivable	(31,662)	265,342
Inventories	(35,856)	7,249
Prepaid expenses	(37,202)	42,890
Other current assets	28,841	1,508
Increase (Decrease) in liabilities:		
Accounts payable	181,560	46,663
Accrued liabilities	143,046	61,161
Net cash provided by operating activities	(388,371)	229,316
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) Sale of short-term investments	251,870	(251,870)
Sale of property and equipment	-	11,352
Purchase of property and equipment	(76,294)	(460,446)
Net cash (used) by investing activities	175,576	(700,964)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(232,182)	(193,091)
Payments on capital lease obligations	(53,751)	(35,229)
Net cash (used) by financing activities	(285,933)	(228,320)
Net change in cash and cash equivalents	(498,728)	(699,968)
Cash and cash equivalents at beginning of year	2,095,739	2,795,707
Cash and cash equivalents at end of year	\$ 1,597,011	\$ 2,095,739
 <u>SUPPLEMENTAL CASH FLOW DISCLOSURES</u>		
Interest paid	\$ 267,170	\$ 269,255
 Non-cash disclosures:		
Financing of fixed assets through capital lease obligations and notes payable	\$ -	\$ 299,276

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, 2012
 (With summarized financial information for the year ended June 30, 2011)

	Program Services			
	Assessment	Aftercare	CCST	Crisis Support
PERSONNEL SERVICES:				
Salaries and wages	\$ 202,435	\$ -	\$ 863,313	\$ 504,017
Fringes	51,424	-	226,243	135,390
Total personnel services	<u>253,859</u>	<u>-</u>	<u>1,089,556</u>	<u>639,407</u>
OTHER EXPENSES:				
Building occupancy	1,687	-	75,699	22,260
Professional services	9,771	-	64,197	25,045
Travel	1,264	-	22,476	786
Equipment costs	3,584	-	35,490	11,763
Food service	-	-	-	-
Medical and pharmacy	6,265	-	1	73
Subcontracted services	1,031	-	12,564	2,642
Insurance	5,519	-	30,635	15,277
Interest	2,612	-	18,299	9,570
Operating supplies and expenses	9,964	-	213,638	15,767
Other	5,762	-	37,130	29,454
Total other expenses	<u>47,459</u>	<u>-</u>	<u>510,129</u>	<u>132,637</u>
TOTAL	<u>\$ 301,318</u>	<u>\$ -</u>	<u>\$ 1,599,685</u>	<u>\$ 772,044</u>

Crisis Stabilization	FACT	IHOS	Intervention	Outpatient	Outpatient Medical	Outreach
\$ 1,784,361	\$ 2,719,069	\$ 325,383	\$ 87,685	\$ 437,174	\$ 898,188	\$ 135,804
397,536	563,639	55,750	22,340	100,855	152,991	27,096
<u>2,181,897</u>	<u>3,282,708</u>	<u>381,133</u>	<u>110,025</u>	<u>538,029</u>	<u>1,051,179</u>	<u>162,900</u>
140,591	185,724	33,827	6,721	26,470	37,302	11,624
425,639	173,851	18,626	4,471	31,381	156,138	6,932
3,609	22,548	13,844	3,566	9,381	14,942	2,543
57,492	156,704	12,764	1,844	12,748	34,330	4,595
57,795	-	-	-	-	-	-
145,260	803	3,000	-	99,773	123,863	312
11,420	17,881	42,899	472	5,891	137,754	732
40,837	95,864	6,882	2,320	11,460	12,228	2,307
48,181	49,439	8,985	1,195	8,902	32,302	1,853
85,525	1,149,282	22,136	4,802	39,982	85,552	17,233
138,492	89,700	13,976	2,463	15,317	29,416	2,724
<u>1,154,841</u>	<u>1,941,796</u>	<u>176,939</u>	<u>27,854</u>	<u>261,305</u>	<u>663,827</u>	<u>50,855</u>
<u>\$ 3,336,738</u>	<u>\$5,224,504</u>	<u>\$ 558,072</u>	<u>\$ 137,879</u>	<u>\$ 799,334</u>	<u>\$ 1,715,006</u>	<u>\$ 213,755</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, 2012
 (With summarized financial information for the year ended June 30, 2011)

	Program Services		
	Prevention	Residential Level II	Residential Level IV
PERSONNEL SERVICES:			
Salaries and wages	\$ 158,477	\$ 1,043,087	\$ 643
Fringes	39,604	289,018	168
Total personnel services	<u>198,081</u>	<u>1,332,105</u>	<u>811</u>
OTHER EXPENSES:			
Building occupancy	13,235	176,676	120
Professional services	8,817	69,499	851
Travel	1,093	4,547	17
Equipment costs	8,523	48,327	312
Food service	-	129,558	-
Medical and pharmacy	-	4,045	-
Subcontracted services	886	7,108	90
Insurance	6,995	36,865	16
Interest	2,244	89,299	228
Operating supplies and expenses	10,598	102,157	23,687
Other	8,364	76,690	108
Total other expenses	<u>60,755</u>	<u>744,771</u>	<u>25,429</u>
TOTAL	<u>\$ 258,836</u>	<u>\$ 2,076,876</u>	<u>\$ 26,240</u>

Total Program	Support Services		2012 Total Agency	Summarized Financial Information
	Other Support Costs	Administration		2011 Total Agency
\$ 9,159,636	\$ -	\$ 2,029,784	\$ 11,189,420	\$ 11,600,303
2,062,054	-	359,449	2,421,503	2,470,803
<u>11,221,690</u>	<u>-</u>	<u>2,389,233</u>	<u>13,610,923</u>	<u>14,071,106</u>
731,936	-	-	731,936	683,261
995,218	25,000	101,991	1,122,209	549,374
100,616	-	28,861	129,477	156,467
388,476	-	39,003	427,479	405,695
187,353	-	-	187,353	176,496
383,395	-	-	383,395	340,905
241,370	-	-	241,370	298,179
267,205	-	3,384	270,589	271,401
273,109	-	-	273,109	275,195
1,780,323	-	5,940	1,786,263	1,879,700
449,596	-	48,053	497,649	478,648
<u>5,798,597</u>	<u>25,000</u>	<u>227,232</u>	<u>6,050,829</u>	<u>5,515,321</u>
<u>\$ 17,020,287</u>	<u>\$ 25,000</u>	<u>\$ 2,616,465</u>	<u>\$ 19,661,752</u>	<u>\$ 19,586,427</u>

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

COASTAL BEHAVIORAL HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, North Port, 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.

COASTAL BEHAVIORAL HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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, 2012 were \$5,940.

COASTAL BEHAVIORAL HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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. Because the Organization does not pursue collection of accounts determined to qualify as Charity Care, these amounts are not recorded as revenue.

The Organization determines the costs of providing charity care by calculating a ratio of cost to gross charges and then multiplying that ratio by the gross uncompensated charges associated with providing charity care services. During 2012, the costs associated with providing charity care services were \$9,044,400. The Organization received \$8,574,000 in grant and contractual funding to offset its costs for providing charity care to patients.

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.

GRANT REVENUE - The Organization receives a substantial amount of its revenue in the form of Federal, State and local grants and contracts. The Organization recognizes revenue either based on the terms of the contract service period or to the extent that expenses have been incurred and the resulting revenue earned.

ADVERTISING COSTS - Advertising costs are expensed as incurred. For the year ended June 30, 2012 advertising expense totaled \$17,671.

COASTAL BEHAVIORAL HEALTHCARE, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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 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, 2011, 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. 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 2009 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, 2012.

	Fair Value Measures at June 30, 2012			
Liabilities	Total	Level 1	Level 2	Level 3
Interest Rate SWAP (Derivative Financial Instrument)	<u>\$ 811,578</u>	<u>\$ -0-</u>	<u>\$ 811,578</u>	<u>\$ -0-</u>

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.

COASTAL BEHAVIORAL HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 – FAIR VALUE MEASUREMENTS – CONTINUED

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.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30 2012:

Land	\$ 276,328
Buildings	7,187,108
Leasehold improvements	1,336,593
Furniture/Fixtures/Equipment	3,866,858
Vehicles	<u>857,631</u>
	13,524,518
Less accumulated depreciation	<u>(8,585,717)</u>
Net Property and Equipment	<u>\$ 4,938,801</u>

The depreciation expense for the year ended June 30, 2012 was \$497,649.

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, 2012, 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.	\$ 3,126,285
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 \$132,151.	<u>99,996</u>
Total	<u>3,226,281</u>
Less Current Portion	<u>(251,907)</u>
Long-Term Debt	<u>\$ 2,974,374</u>

COASTAL BEHAVIORAL HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - LONG TERM DEBT - CONTINUED

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

<u>Year ending June 30:</u>	
2013	\$ 251,907
2014	270,455
2015	284,054
2016	272,680
2017	293,703
Thereafter	<u>1,853,481</u>
	<u>\$ 3,226,280</u>

In June 2007, the Organization entered into a \$4,000,000 term loan agreement. The term loan was used to pay off existing debt. 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.

At June 30, 2012, the Organization's unrestricted net assets did not meet the required covenant amount.

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 \$811,578 at June 30, 2012, 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 \$175,370 during the year ended June 30, 2012, and is 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, 2012 and 2011. Accumulated depreciation amounted to \$65,871.

COASTAL BEHAVIORAL HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - CAPITAL LEASE OBLIGATIONS - CONTINUED

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

<u>Year ending June 30:</u>	
2013	\$ 68,602
2015	68,911
2016	<u>21,608</u>
Total minimum lease payments	159,121
Less amount representing interest	<u>(13,340)</u>
Present value of net minimum lease payments	145,781
Less current maturities	<u>(68,602)</u>
Capital lease obligations, net of current portion	<u>\$ 77,179</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 \$212,502 for 2012. Rental expense for equipment was \$101,896 for 2012.

The following represents future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2012 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>
2013	\$ 134,777	\$ 151,393	\$ 286,770
2014	\$ 110,901	\$ 110,976	\$ 221,877
2015	\$ 91,345	\$ 91,140	\$ 182,485
2016	\$ 26,487	\$ -0-	\$ 26,487

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.

COASTAL BEHAVIORAL HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 \$651,128 as of June 30, 2012. 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, 2012 were as follows:

	<u>Total</u>
Medicare and Medicaid	24%
Private Insurance	18%
Self Pay	58%

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.

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>(12,605)</u>
Total Net Assets	<u>\$ 1,304,431</u>

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

During the year ended June 30, 2012, the Organization received support from the State of Florida, Department of Children and Families through Central Florida Behavioral Health Network, Inc. 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 2012.

COASTAL BEHAVIORAL HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, which ranged from 0% to 3% during 2012, based on each full-time employee's gross salary to the non-contributory plan. The Organization also contributes 1% based on those eligible employees who contribute 1% of their own eligible wages in the contributory plan. Retirement costs for the year ended June 30, 2012 were \$177,798.

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. The Organization's buildings are insured with a value of \$8,951,000. As a result, the Organization's potential exposure for claims for a named hurricane would be \$448,000.

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.

COASTAL BEHAVIORAL HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - COMMITMENTS AND CONTINGENCIES - CONTINUED

Litigation

The Organization is currently the defendant in a lawsuit in which the plaintiff, a former employee, is claiming breach of contract. The matter is currently pending in the American Arbitration Association. The Organization believes it has a valid defense and counterclaim, and is vigorously defending its position. Although the outcome is not certain, there is potential for an unfavorable outcome. Since the claim is in excess of \$150,000 before attorney's fees, in the event of an unfavorable outcome, potential claims could be in that range of loss of to the Organization.

On July 2, 2012, the Organization received notice from the Agency for Health Care Administration, (ACHA), of its intention to terminate the parties Medicaid Provider Agreement, (MPA), relative to each of the Organization's service locations. The decision was based upon allegations that the Organization failed to meet its contractual obligations. The matter was resolved through a negotiation of settlement agreement, which is pending execution by ACHA. The agreement extends the effective date of the termination to June 1, 2013 and requires the Organization to take certain corrective action with the deadlines set forth in the settlement agreement. If ACHA finds the Organization in substantial compliance with the terms and conditions of the agreement, ACHA will rescind the pending termination. Otherwise, the MPA will be terminated.

The Organization is also involved in other litigation arising in the course of business. The Organization is vigorously contesting these allegations. After consultation with legal counsel, management estimates that these matters will be either resolved without material adverse effect on the Organization's future financial position, or are too early in the process to evaluate the likelihood of an outcome. However, depending on the above and timing of such resolution, an unfavorable outcome 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 - UNCERTANTIES

The Organization's sub-contract with Central Florida Behavioral Healthcare Network, Inc. (CFBHN) is currently being competitively bid as part of the system of behavioral healthcare services in Sarasota and Desoto Counties. Other behavioral healthcare providers in these same service areas are also having their sub-contracts competitively bid in the same ITN request released by CFBHN. The reason for the competitive bidding process is that as of July 1, 2012, one of the contract deliverables for each of the Managing Entities for the Department of Children & Families (DCF) is to develop a schedule in which all of the sub-contracts for services will be competitively bid, as a result of the business platform that Governor Scott has adopted and has implemented in Florida.

COASTAL BEHAVIORAL HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 - RESTATEMENT OF NET ASSETS

Beginning net assets have been restated to reflect a correction in accumulated depreciation. During 2012, it was discovered that various fixed assets acquired in prior periods had not been depreciated pursuant to generally accepted accounting principles. As a result, the restatement reflects the corrected accumulated depreciation for these assets, as of June 30, 2010.

Beginning Net Assets, as previously reported	\$ 6,565,288
Restatement	<u>(824,890)</u>
Beginning Net Assets, as restated	<u>\$ 5,740,398</u>

NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2012:

Contributions	<u>\$ 40,350</u>
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NOTE 15 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 27, 2012 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, 2012, and have issued our report thereon dated December 27, 2012, 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 20 - 26 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.

December 27, 2012
Sarasota, Florida

COASTAL BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF STATE EARNINGS
FOR THE YEAR ENDED JUNE 30, 2012

Total Expenditures	\$ 19,661,752
Less other State and Federal funds	(950,665)
Less non-match SAMH funds	(6,954,548)
Less unallowable costs per 65-E14, FAC	<u>(25,000)</u>
Total Allowable Expenditures (Sum of lines 1,2,3, and 4)	11,731,539
Maximum Available Earnings (Line 5 times 75%)	8,798,654
Amount of State Funds Requiring Match	<u>6,957,156</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>\$ 1,841,498</u></u>

COASTAL BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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	\$ -

COASTAL BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS
FOR THE YEAR ENDED JUNE 30, 2012

THERE WERE NO RELATED PARTY TRANSACTIONS DURING THE YEAR ENDED JUNE 30, 2012.

COASTAL BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF PROGRAM/COST CENTER
ACTUAL EXPENSES AND REVENUES
FOR THE YEAR ENDED JUNE 30, 2012

<u>EXPENSE CATEGORIES</u>	<u>Assessment</u>	<u>Aftercare</u>	<u>CCST</u>	<u>Crisis Support</u>
PERSONNEL EXPENSES				
Salaries	\$ 202,435	\$ -	\$ 863,313	\$ 504,017
Fringe benefits	51,424	-	226,243	135,390
Total personnel expenses	<u>253,859</u>	<u>-</u>	<u>1,089,556</u>	<u>639,407</u>
OTHER EXPENSES				
Building occupancy	1,687	-	75,699	22,260
Professional services	9,771	-	64,197	25,045
Travel	1,264	-	22,476	786
Equipment costs	3,584	-	35,490	11,763
Food service	-	-	-	-
Medical and pharmacy	6,265	-	1	73
Subcontracted services	1,031	-	12,564	2,642
Insurance	5,519	-	30,635	15,277
Interest	2,612	-	18,299	9,570
Operating supplies and expenses	9,964	-	213,638	15,767
Other	5,762	-	37,130	29,454
TOTAL PERSONNEL & OTHER EXPENSES	<u>301,318</u>	<u>-</u>	<u>1,599,685</u>	<u>772,044</u>
DISTRIBUTED INDIRECT COSTS				
Administration	65,958	-	248,757	165,092
Other support costs	443	-	2,351	1,134
TOTAL DISTRIBUTED INDIRECT COSTS	<u>66,401</u>	<u>-</u>	<u>251,108</u>	<u>166,226</u>
TOTAL ACTUAL OPERATING EXPENSES	367,719	-	1,850,793	938,270
UNALLOWABLE COSTS	<u>443</u>	<u>-</u>	<u>2,351</u>	<u>1,134</u>
TOTAL ALLOWABLE OPERATING EXPENSES	<u>\$ 367,276</u>	<u>\$ -</u>	<u>\$ 1,848,442</u>	<u>\$ 937,136</u>
CAPITAL EXPENDITURES	<u>\$ 1,358</u>	<u>\$ -</u>	<u>\$ 13,069</u>	<u>\$ 3,398</u>

Crisis Stabilization	FACT	IHOS	Intervention	Outpatient	Outpatient Medical
\$ 1,784,361	\$2,719,069	\$ 325,383	\$ 87,685	\$ 437,174	\$ 898,188
397,536	563,639	55,750	22,340	100,855	152,991
<u>2,181,897</u>	<u>3,282,708</u>	<u>381,133</u>	<u>110,025</u>	<u>538,029</u>	<u>1,051,179</u>
140,591	185,724	33,827	6,721	26,470	37,302
425,639	173,851	18,626	4,471	31,381	156,138
3,609	22,548	13,844	3,566	9,381	14,942
57,492	156,704	12,764	1,844	12,748	34,330
57,795	-	-	-	-	-
145,260	803	3,000	-	99,773	123,863
11,420	17,881	42,899	472	5,891	137,754
40,837	95,864	6,882	2,320	11,460	12,228
48,181	49,439	8,985	1,195	8,902	32,302
85,525	1,149,282	22,136	4,802	39,982	85,552
138,492	89,700	13,976	2,463	15,317	29,416
<u>3,336,738</u>	<u>5,224,504</u>	<u>558,072</u>	<u>137,879</u>	<u>799,334</u>	<u>1,715,006</u>
538,045	610,733	92,500	18,472	165,079	301,971
4,901	7,674	820	203	1,174	2,519
<u>542,946</u>	<u>618,407</u>	<u>93,320</u>	<u>18,675</u>	<u>166,253</u>	<u>304,490</u>
3,879,684	5,842,911	651,392	156,554	965,587	2,019,496
4,901	7,674	820	203	1,174	2,519
<u>\$ 3,874,783</u>	<u>\$ 5,835,237</u>	<u>\$ 650,572</u>	<u>\$ 156,351</u>	<u>\$ 964,413</u>	<u>\$ 2,016,977</u>
<u>\$ 19,364</u>	<u>\$ 12,570</u>	<u>\$ 1,904</u>	<u>\$ 380</u>	<u>\$ 3,398</u>	<u>\$ 12,418</u>

COASTAL BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF PROGRAM/COST CENTER
ACTUAL EXPENSES AND REVENUES
FOR THE YEAR ENDED JUNE 30, 2012

<u>EXPENSE CATEGORIES</u>	<u>Outreach</u>	<u>Prevention</u>	<u>Residential Level II</u>	<u>Residential Level IV</u>
PERSONNEL EXPENSES				
Salaries	\$ 135,804	\$ 158,477	\$ 1,043,087	\$ 643
Fringe benefits	27,096	39,604	289,018	168
Total personnel expenses	<u>162,900</u>	<u>198,081</u>	<u>1,332,105</u>	<u>811</u>
OTHER EXPENSES				
Building occupancy	11,624	13,235	176,676	120
Professional services	6,932	8,817	69,499	851
Travel	2,543	1,093	4,547	17
Equipment costs	4,595	8,523	48,327	312
Food service	-	-	129,558	-
Medical and pharmacy	312	-	4,045	-
Subcontracted services	732	886	7,108	90
Insurance	2,307	6,995	36,865	16
Interest	1,853	2,244	89,299	228
Operating supplies and expenses	17,233	10,598	102,157	23,687
Other	2,724	8,364	76,690	108
TOTAL PERSONNEL & OTHER EXPENSES	<u>213,755</u>	<u>258,836</u>	<u>2,076,876</u>	<u>26,240</u>
DISTRIBUTED INDIRECT COSTS				
Administration	35,819	42,887	311,209	19,943
Other support costs	314	380	3,048	39
TOTAL DISTRIBUTED INDIRECT COSTS	<u>36,133</u>	<u>43,267</u>	<u>314,257</u>	<u>19,982</u>
TOTAL ACTUAL OPERATING EXPENSES	249,888	302,103	2,391,133	46,222
UNALLOWABLE COSTS	<u>314</u>	<u>380</u>	<u>3,048</u>	<u>39</u>
TOTAL ALLOWABLE OPERATING EXPENSES	<u>\$ 249,574</u>	<u>\$ 301,723</u>	<u>\$ 2,388,085</u>	<u>\$ 46,183</u>
CAPITAL EXPENDITURES	<u>\$ 737</u>	<u>\$ 883</u>	<u>\$ 6,405</u>	<u>\$ 411</u>

<u>Total For All State Designated Cost Centers</u>	<u>Other Support Costs</u>	<u>Administration</u>	<u>Total Agency</u>
\$ 9,159,636	\$ -	\$ 2,029,784	\$ 11,189,420
2,062,054	-	359,449	2,421,503
<u>11,221,690</u>	<u>-</u>	<u>2,389,233</u>	<u>13,610,923</u>
731,936	-	-	731,936
995,218	25,000	101,991	1,122,209
100,616	-	28,861	129,477
388,476	-	39,003	427,479
187,353	-	-	187,353
383,395	-	-	383,395
241,370	-	-	241,370
267,205	-	3,384	270,589
273,109	-	-	273,109
1,780,323	-	5,940	1,786,263
449,596	-	48,053	497,649
<u>17,020,287</u>	<u>25,000</u>	<u>2,616,465</u>	<u>19,661,752</u>
2,616,465	-	(2,616,465)	-
25,000	(25,000)	-	-
<u>2,641,465</u>	<u>(25,000)</u>	<u>(2,616,465)</u>	<u>-</u>
19,661,752	-	-	19,661,752
25,000	-	-	25,000
<u>\$ 19,636,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,636,752</u>
<u>\$ 76,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,295</u>

COASTAL BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF PROGRAM/COST CENTER
ACTUAL EXPENSES AND REVENUES
FOR THE YEAR ENDED JUNE 30, 2012

<u>FUNDING SOURCES AND REVENUES</u>	<u>Assessment</u>	<u>Aftercare</u>	<u>CCST</u>	<u>Crisis Support</u>
TOTAL STATE SAMH FUNDING				
CFBHN	\$ 62,717	\$ 543	\$ 1,150,727	\$ 1,031,572
Total SAMH Funding	<u>62,717</u>	<u>543</u>	<u>1,150,727</u>	<u>1,031,572</u>
OTHER GOVERNMENT FUNDING				
Other State Agency Funding	-	-	-	-
Medicaid	48	-	498,075	-
Local Government	378,834	-	-	80,000
Federal Grants and Contracts	-	-	-	-
Total Other Government Funding	<u>378,882</u>	<u>-</u>	<u>498,075</u>	<u>80,000</u>
ALL OTHER REVENUES				
1st & 2nd Party Payments	-	-	-	-
3rd Party Payments (except Medicare)	-	-	-	-
Medicare	-	-	-	-
Contributions and Donations	-	-	-	-
Other	-	-	-	-
In-kind	-	-	-	-
Total All Other Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ACTUAL FUNDING	<u><u>\$ 441,599</u></u>	<u><u>\$ 543</u></u>	<u><u>\$ 1,648,802</u></u>	<u><u>\$ 1,111,572</u></u>

Crisis Stabilization	FACT	IHOS	Intervention	Outpatient	Outpatient Medical
\$ 1,974,407	\$ 4,880,057	\$ 353,971	\$ 123,636	\$ 898,104	\$ 912,113
<u>1,974,407</u>	<u>4,880,057</u>	<u>353,971</u>	<u>123,636</u>	<u>898,104</u>	<u>912,113</u>
-	-	-	-	-	-
301,629	-	1,270	-	93,434	378,108
995,278	-	-	-	100,009	69,690
-	-	237,398	-	-	601,625
<u>1,296,907</u>	<u>-</u>	<u>238,668</u>	<u>-</u>	<u>193,443</u>	<u>1,049,423</u>
93,978	-	-	-	34,169	10,263
247,467	-	-	-	-	6,353
-	-	-	-	-	36,590
2,858	-	-	-	1,473	6,511
-	-	-	-	-	-
-	-	-	-	-	-
<u>344,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,642</u>	<u>59,717</u>
<u>\$ 3,615,617</u>	<u>\$ 4,880,057</u>	<u>\$ 592,639</u>	<u>\$ 123,636</u>	<u>\$ 1,127,189</u>	<u>\$ 2,021,253</u>

COASTAL BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF PROGRAM/COST CENTER
ACTUAL EXPENSES AND REVENUES
FOR THE YEAR ENDED JUNE 30, 2012

<u>FUNDING SOURCES AND REVENUES</u>	<u>Outreach</u>	<u>Prevention</u>	<u>Residential Level II</u>	<u>Residential Level IV</u>
TOTAL STATE SAMH FUNDING				
CFBHN	\$ 239,815	\$ 287,100	\$ 1,877,817	\$ -
Total SAMH Funding	<u>239,815</u>	<u>287,100</u>	<u>1,877,817</u>	<u>-</u>
OTHER GOVERNMENT FUNDING				
Other State Agency Funding	-	-	-	-
Medicaid	-	-	-	-
Local Government	-	-	55,671	-
Federal Grants and Contracts	-	-	-	-
Total Other Government Funding	<u>-</u>	<u>-</u>	<u>55,671</u>	<u>-</u>
ALL OTHER REVENUES				
1st & 2nd Party Payments	-	-	31,097	133,511
3rd Party Payments (except Medicare)	-	-	102,407	-
Medicare	-	-	-	-
Contributions and Donations	-	-	16,610	-
Other	-	-	-	-
In-kind	-	-	-	-
Total All Other Revenues	<u>-</u>	<u>-</u>	<u>150,114</u>	<u>133,511</u>
TOTAL ACTUAL FUNDING	<u><u>\$ 239,815</u></u>	<u><u>\$ 287,100</u></u>	<u><u>\$ 2,083,602</u></u>	<u><u>\$ 133,511</u></u>

Total For All State Designated Cost Centers	Other Support Costs	Administration	Total Agency
\$ 13,792,579	\$ -	\$ -	\$ 13,792,579
<u>13,792,579</u>	<u>-</u>	<u>-</u>	<u>13,792,579</u>
-	-	-	-
1,272,564	-	-	1,272,564
1,679,482	-	-	1,679,482
839,023	-	111,642	950,665
<u>3,791,069</u>	<u>-</u>	<u>111,642</u>	<u>3,902,711</u>
303,018	-	-	303,018
356,227	-	-	356,227
36,590	-	-	36,590
27,452	-	89,216	116,668
-	-	13,273	13,273
-	-	-	-
<u>723,287</u>	<u>-</u>	<u>102,489</u>	<u>825,776</u>
\$ 18,306,935	\$ -	\$ 214,131	\$ 18,521,066

**COASTAL BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal/State Agency Pass-Through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Entity Identifying Number	Federal/ State Expenditures	Transfers to Subrecipients
U.S. Department of Health and Human Services				
<u>Direct Program</u>				
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	5H79T1018019-04/ 5H79SM058668-03/ 1H79SM059621- 02S1	\$ 955,571	\$ -
<u>Indirect Programs</u>				
Passed through Central Florida Behavioral Health Network, Inc.				
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	CF1258-1001	848	-
Children's Health Insurance Program	93.767	CF1258-1001	440,000	-
Medical Assistance Program	93.778	CF1258-1001	1,109,162	-
Block Grants for Community Mental Health Services	93.958	CF1258-1001	1,057,901	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CF1258-1001	1,016,025	-
Total U.S. Department of Health and Human Services			4,579,507	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			4,579,507	-
State of Florida, Department of Children and Families				
<u>Indirect Projects</u>				
Passed through Central Florida Behavioral Health Network, Inc.				
Baker Act	60.006	CF1258-1001	1,572,904	-
Substance Abuse Treatment and Aftercare Services for Children	60.030	CF1258-1001	501,018	-
Children's Substance Abuse - Special Projects - Treatment and Aftercare	60.102	CF1258-1001	598,646	-
Adult Community Mental Health Florida Assertive Community Treatment Teams	60.042	CF1258-1001	990,349	-
Adult Community Mental Health - Community Support Services	60.053	CF1258-1001	2,723,104	-
Adult Community Mental Health Emergency Stabilization	60.054	CF1258-1001	624,156	-
Children's Mental Health Community Support Services	60.055	CF1258-1001	100,374	-
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	186,809	-
Total through Central Florida Behavioral Health Network, Inc.			7,783,970	-
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			7,783,970	-
TOTAL FEDERAL AND STATE			\$ 12,363,477	\$ -

**COASTAL BEHAVIORAL HEALTHCARE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012**

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

INDEPENDENT AUDITORS' 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, 2012, and have issued our report thereon dated December 27, 2012. 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.

We noted certain matters that we reported to management in a separate letter dated December 27, 2012.

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.

December 27, 2012
Sarasota, Florida



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 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, 2012. 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, 2012.

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.,

December 27, 2012
Sarasota, Florida

**COASTAL BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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
Medical Assistance Program	93.778

Identification of Major State Projects CSFA Number

Substance Abuse Treatment and Aftercare Services for Adults	60.033
Adult Community Mental Health Florida	
Assertive Community Treatment Teams	60.042
Adult Community Mental Health – Community Support Services	60.053
Children’s Substance Abuse – Special Projects –	
Treatment and Aftercare	60.102

**COASTAL BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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 pages 35–36. 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, 2012, and have issued our report thereon dated December 27, 2012.

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 December 27, 2012, 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. Our audit disclosed the following matter:

Fixed Assets

During our audit of fixed assets, we noted that certain assets acquired in past years, had not been depreciated. As a result, a prior period adjustment was recorded to properly reflect the accumulated depreciation for those assets. We also noted that the Organization uses excel as its fixed asset data base and depreciation software, which is a manually intensive process and allows opportunity for additional human error.

We recommend that the Organization consider purchasing fixed asset software that will calculate depreciation and track the Organization's assets. In addition, the Organization should review the current fixed asset ledger in detail and consider performing a physical inventory of its assets.

There were no 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.

December 27, 2012
Sarasota, Florida



December 27, 2012

To: Auditor General

From: Joanne Radcliffe, Interim CEO

Re: Audit for FY 2011/12 - Response to Management Letter

Audit Finding:

During our audit of fixed assets, we noted that certain assets acquired in past years, had not been depreciated. We also noted that the Organization uses excel as its fixed asset data base and depreciation software, which is a manually intensive process and allows opportunity for additional human error.

Audit Recommendation:

We recommend that the Organization consider purchasing fixed asset software that will calculate depreciation and track the Organization's assets. In addition, the Organization should review the current fixed asset ledger in detail and consider performing a physical inventory of its assets.

Organization's Response:

Coastal Behavioral Healthcare, Inc. is in the process of acquiring a new software system that includes a Fixed Asset Module that complies with the audit recommendation. In addition, the Finance Department will undertake a complete physical inventory and reconcile the results with the general ledger; appropriate adjustments will be recorded in accordance with generally accepted accounting principles.