

**COASTAL BEHAVIORAL HEALTHCARE, INC.**

**AUDITED FINANCIAL STATEMENTS**

**AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2013**

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**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

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

**Report on Financial Statements**

We have audited the accompanying financial statements of Coastal Behavioral Healthcare, Inc. (a non-profit organization) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Coastal Behavioral Healthcare, Inc.'s 2012 financial statements, and our report dated December 27, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matters

### *Other Information*

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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coastal Behavioral Healthcare, Inc.'s internal control over financial reporting and compliance.

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

December 24, 2013  
Sarasota, Florida

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2013**  
 (With summarized financial information as of June 30, 2012)

	<u>2013</u>	<u>Summarized 2012</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$ 1,115,480	\$ 1,597,011
Accounts receivable, net	2,058,901	1,937,071
Inventories	89,889	85,792
Prepaid expenses	266,371	248,328
Total Current Assets	<u>3,530,641</u>	<u>3,868,202</u>
Property, plant and equipment, net	4,938,119	4,938,801
Other assets		
Deposits	11,606	11,606
Other assets, net	53,463	59,403
Investment in CRI	601,018	601,018
Total Other Assets	<u>666,087</u>	<u>672,027</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 9,134,847</u></b>	<b><u>\$ 9,479,030</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities		
Accounts payable	\$ 629,319	\$ 669,881
Accrued liabilities	1,087,689	779,320
Capital leases – current portion	68,909	68,602
Notes payable – current portion	270,455	251,907
Total Current Liabilities	<u>2,056,372</u>	<u>1,769,710</u>
Capital leases – long-term portion	17,014	77,179
Notes payable – long-term portion	2,704,920	2,974,374
Interest rate swap	588,470	811,578
Total Liabilities	<u>5,366,776</u>	<u>5,632,841</u>
Net Assets		
Unrestricted	3,754,571	3,805,839
Temporarily restricted	13,500	40,350
Total Net Assets	<u>3,768,071</u>	<u>3,846,189</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 9,134,847</u></b>	<b><u>\$ 9,479,030</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, 2013**  
(With summarized financial information for the year ended June 30, 2012)

	<u>2013</u>	<u>Summarized 2012</u>
Changes in Unrestricted Net Assets:		
Public Support and Revenues:		
Federal and state awards and grants	\$ 14,000,917	\$ 14,743,239
Other county and local awards and grants	1,297,692	1,685,470
Contributions	474,083	70,331
Client fees	358,394	303,017
Other insurance	351,519	356,227
Medicaid	1,283,715	1,272,564
Medicare	56,960	36,590
Interest	91	1,761
Other	49,624	11,516
Total Public Support and Revenues	<u>17,872,995</u>	<u>18,480,715</u>
Net Assets Released from Restrictions:		
Satisfaction of Restrictions	<u>52,593</u>	-
Total Unrestricted Revenues	<u>17,925,588</u>	<u>18,480,715</u>
Expenses:		
Program Services:		
Assessment	169,487	301,318
Case Management	885,983	1,599,685
Crisis Support	722,418	772,044
Crisis Stabilization	3,005,459	3,336,738
Florida Assertive Community Treatment	4,911,768	5,224,504
In Home/On Site	308,926	558,072
Intervention	96,944	137,879
Outpatient	1,176,183	799,334
Outpatient medical	2,267,744	1,715,006
Outreach	214,624	213,755
Prevention	258,133	258,836
Residential level II	1,842,484	2,076,876
Residential level IV	94,261	26,240
Behavioral Health Fee	196,718	-
Administration	2,025,471	2,616,465
Other Support Costs	<u>23,361</u>	<u>25,000</u>
Total Expenses	<u>18,199,964</u>	<u>19,661,752</u>
(Decrease) Increase in Unrestricted Net Assets	(274,376)	(1,181,037)
Changes in Temporarily Restricted Net Assets:		
Contributions	25,743	40,350
Assets released from restriction	<u>(52,593)</u>	-
(Decrease) Increase in Temporarily Restricted Net Assets	<u>(26,850)</u>	<u>40,350</u>
Change in net assets before swap adjustment	(301,226)	(1,140,687)
Change in fair value of interest rate swap	223,108	(175,370)
Net Assets at beginning of year	<u>3,846,189</u>	<u>5,162,246</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 3,768,071</u></u>	<u><u>\$ 3,846,189</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, 2013**  
(With summarized financial information for the year ended June 30, 2012)

	<u>2013</u>	<u>Summarized 2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets before swap adjustment	\$ (301,226)	\$ (1,140,687)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	479,900	503,589
Noncash contributions	(462,000)	-
(Increase) Decrease in assets:		
Accounts receivable	(121,830)	(31,662)
Inventories	(4,097)	(35,856)
Prepaid expenses	(18,043)	(37,202)
Other current assets	-	28,841
Increase (Decrease) in liabilities:		
Accounts payable	(40,562)	181,560
Accrued liabilities	308,369	143,046
Net cash used by operating activities	<u>(159,489)</u>	<u>(388,371)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Purchase) Sale of short-term investments	-	251,870
Purchase of property and equipment	(11,278)	(76,294)
Net cash used by investing activities	<u>(11,278)</u>	<u>175,576</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	(250,906)	(232,182)
Payments on capital lease obligations	(59,858)	(53,751)
Net cash used by financing activities	<u>(310,764)</u>	<u>(285,933)</u>
Net change in cash and cash equivalents	(481,531)	(498,728)
Cash and cash equivalents at beginning of year	<u>1,597,011</u>	<u>2,095,739</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 1,115,480</u></u>	<u><u>\$ 1,597,011</u></u>
 <b><u>SUPPLEMENTAL CASH FLOW DISCLOSURES</u></b>		
Interest paid	<u><u>\$ 242,488</u></u>	<u><u>\$ 267,170</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, 2013**  
 (With summarized financial information for the year ended June 30, 2012)

	Program Services			
	Assessment	Aftercare	Case Management	Crisis Support
<b>PERSONNEL SERVICES:</b>				
Salaries and wages	\$ 100,839	\$ -	\$ 519,250	\$ 483,817
Fringes	39,287	-	102,627	125,836
<b>Total personnel services</b>	<u>140,126</u>	<u>-</u>	<u>621,877</u>	<u>609,653</u>
<b>OTHER EXPENSES:</b>				
Building occupancy	971	-	36,896	15,819
Professional services	3,289	-	17,191	14,015
Travel	893	-	8,939	543
Equipment costs	2,117	-	23,882	11,753
Food service	-	-	-	-
Medical and pharmacy	1,129	-	622	185
Subcontracted services	494	-	2,580	2,103
Insurance	6,174	-	11,716	17,364
Interest	1,528	-	10,344	9,381
Depreciation	7,845	-	132,566	13,513
Other	4,921	-	19,370	28,089
<b>Total other expenses</b>	<u>29,361</u>	<u>-</u>	<u>264,106</u>	<u>112,765</u>
<b>TOTAL</b>	<u>\$ 169,487</u>	<u>\$ -</u>	<u>\$ 885,983</u>	<u>\$ 722,418</u>



<b>Crisis Stabilization</b>	<b>FACT</b>	<b>IHOS</b>	<b>Intervention</b>	<b>Outpatient</b>	<b>Outpatient Medical</b>	<b>Outreach</b>
\$ 1,875,589	\$ 2,651,078	\$ 197,335	\$ 56,785	\$ 667,711	\$ 853,145	\$ 136,897
370,395	503,302	43,403	17,545	169,715	157,098	24,839
<u>2,245,984</u>	<u>3,154,380</u>	<u>240,738</u>	<u>74,330</u>	<u>837,426</u>	<u>1,010,243</u>	<u>161,736</u>
98,878	175,228	15,995	6,615	52,272	43,932	11,080
159,290	95,296	5,994	1,881	22,821	817,724	4,164
2,153	11,618	11,369	3,685	18,120	13,531	519
54,114	164,526	4,284	1,464	23,630	41,600	10,393
54,075	27	2	2	4	4	-
80,443	559	3,997	2	73,155	119,931	905
8,752	14,302	900	282	3,425	66,757	625
46,525	61,485	5,560	2,598	23,019	17,206	2,579
45,401	48,959	2,832	891	12,115	24,503	1,971
77,068	1,096,746	12,190	3,018	84,989	78,214	18,005
132,776	88,642	5,065	2,176	25,207	34,099	2,647
<u>759,475</u>	<u>1,757,388</u>	<u>68,188</u>	<u>22,614</u>	<u>338,757</u>	<u>1,257,501</u>	<u>52,888</u>
<u>\$ 3,005,459</u>	<u>\$4,911,768</u>	<u>\$ 308,926</u>	<u>\$ 96,944</u>	<u>\$ 1,176,183</u>	<u>\$ 2,267,744</u>	<u>\$ 214,624</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, 2013**  
 (With summarized financial information for the year ended June 30, 2012)

	Program Services			
	Prevention	Residential Level II	Residential Level IV	Behavioral Health Fee
<b>PERSONNEL SERVICES:</b>				
Salaries and wages	\$ 174,568	\$ 966,226	\$ 2,258	\$ -
Fringes	38,536	262,381	555	-
<b>Total personnel services</b>	<u>213,104</u>	<u>1,228,607</u>	<u>2,813</u>	<u>-</u>
<b>OTHER EXPENSES:</b>				
Building occupancy	12,678	108,548	22,398	-
Professional services	5,008	36,114	1,829	-
Travel	846	2,847	117	-
Equipment costs	7,051	45,181	3,731	-
Food service	1	116,075	-	-
Medical and pharmacy	6	6,879	2	-
Subcontracted services	752	5,365	275	-
Insurance	4,803	38,455	561	-
Interest	2,360	72,163	15,066	-
Depreciation	7,186	72,427	30,663	196,718
Other	4,338	109,823	16,806	-
<b>Total other expenses</b>	<u>45,029</u>	<u>613,877</u>	<u>91,448</u>	<u>196,718</u>
<b>TOTAL</b>	<u>\$ 258,133</u>	<u>\$ 1,842,484</u>	<u>\$ 94,261</u>	<u>\$ 196,718</u>

Total Program	Support Services		2013 Total Agency	Summarized Financial Information
	Other Support Costs	Administration		2012 Total Agency
\$ 8,685,498	\$ -	\$ 1,557,576	\$ 10,243,074	\$ 11,189,420
1,855,519	-	273,522	2,129,041	2,421,503
<u>10,541,017</u>	<u>-</u>	<u>1,831,098</u>	<u>12,372,115</u>	<u>13,610,923</u>
601,310	-	-	601,310	731,936
1,184,616	23,361	90,598	1,298,575	1,122,209
75,180	-	16,822	92,002	129,477
393,726	-	26,423	420,149	427,479
170,190	-	-	170,190	187,353
287,815	-	-	287,815	383,395
106,612	-	41	106,653	241,370
238,045	-	-	238,045	270,589
247,514	-	9,422	256,936	273,109
1,831,148	-	51,067	1,882,215	1,786,263
473,959	-	-	473,959	497,649
<u>5,610,115</u>	<u>23,361</u>	<u>194,373</u>	<u>5,827,849</u>	<u>6,050,829</u>
<u>\$ 16,151,132</u>	<u>\$ 23,361</u>	<u>\$ 2,025,471</u>	<u>\$ 18,199,964</u>	<u>\$ 19,661,752</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, 2013

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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, 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.

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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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.

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, 2013 were \$5,940. Future amortization for the next five years is expected to be \$5,940 annually.

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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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.

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 2013, the costs associated with providing charity care services were \$9,329,910. The Organization received \$7,968,687 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, 2013 advertising expense totaled \$18,681.

COASTAL BEHAVIORAL HEALTHCARE, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013

**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, 2012, 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 changes in methodology during the year ended June 30, 2013.

	<b>Fair Value Measures at June 30, 2013</b>			
<b>Liabilities</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Interest Rate SWAP (Derivative Financial Instrument)	<u>\$588,470</u>	<u>\$ -0-</u>	<u>\$588,470</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, typically using the income approach.

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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, 2013:

Land	\$ 276,328
Buildings	7,187,960
Leasehold improvements	1,340,539
Furniture/Fixtures/Equipment	4,332,464
Vehicles	<u>860,505</u>
	13,997,796
Less accumulated depreciation	<u>(9,059,677)</u>
Net Property and Equipment	<u>\$ 4,938,119</u>

The depreciation expense for the year ended June 30, 2013 was \$473,959.

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, 2013, 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.	\$ 2,909,069
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 \$127,795.	<u>66,306</u>
Total	2,975,375
Less Current Portion	<u>(270,455)</u>
Long-Term Debt	<u>\$ 2,704,920</u>



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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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**NOTE 4 - LONG TERM DEBT - CONTINUED**

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

<u>Year ending June 30:</u>	
2014	\$ 270,455
2015	284,054
2016	272,680
2017	293,703
2018	316,347
Thereafter	<u>1,538,136</u>
	<u>\$ 2,975,375</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, 2013, the Organization's unrestricted net assets did not meet the required covenant amount.

During 2013, the Organization and financial institution entered into a forbearance agreement regarding the \$4,000,000 term loan agreement. The forbearance agreement outlines terms in which the financial institution may agree to forbear from exercising its rights under the existing loan document due to existing defaults. The forbearance expires the earlier of January 31, 2014 or the occurrence of a default under the loan or forbearance agreement, other than existing defaults. The interest rate on the current outstanding debt will be modified as defined in the note equivalent to the 1 month LIBOR rate plus 4.6%. There were no changes in scheduled principal and interest payments and the terms of the interest rate swap agreement remain in effect. In addition, the forbearance agreement contains other affirmative covenants the Organization is to comply with.

**Subsequent Event**

Subsequent to year end, on December 23, 2013, the Organization entered into a new loan agreement with a new financial institution. The new loan agreement refinanced the \$4,000,000 term note as described above. As a result, the old term note and forbearance agreement have been terminated. The refinancing loan also terminated the interest rate swap. The refinanced loan is in the amount of \$3,240,000. Interest is fixed at 4.95% per annum for the first five years of the loan. After year five the interest rate will reset and be no less than 4.95% and no greater than 8.25% per annum. The note will mature in ten years and is based on a twenty year amortization.

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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**NOTE 4 - LONG TERM DEBT - CONTINUED**

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, which was \$2,909,069 at June 30, 2013. 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 \$588,470 at June 30, 2013, 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 \$223,108 during the year ended June 30, 2013, 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, 2013. Accumulated depreciation amounted to \$93,211.

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

<u>Year ending June 30:</u>	
2014	\$ 68,909
2015	<u>21,608</u>
Total minimum lease payments	90,517
Less amount representing interest	<u>(4,594)</u>
Present value of net minimum lease payments	85,923
Less current maturities	<u>(68,909)</u>
Capital lease obligations, net of current portion	<u>\$ 17,014</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 \$209,448 for 2013. Rental expense for equipment was \$126,669 for 2013.

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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**NOTE 6 - OPERATING LEASES - CONTINUED**

The following represents future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2013 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>
2014	\$ 74,789	\$ 82,452	\$ 157,241
2015	\$ 55,233	\$ 82,452	\$ 137,685
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.

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 \$1,604,872 as of June 30, 2013. 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, 2013 were as follows:

	<b><u>Total</u></b>
Medicare and Medicaid	28%
Private Insurance	12%
Self Pay	60%

**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.

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**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 8 – INVESTMENT – CRI – CONTINUED**

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, 2013, 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 2013.

**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 each year. For 2013, no discretionary contribution was made by the Organization.

**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 \$9,297,234. As a result, the Organization's potential exposure for claims for a named hurricane would be \$464,861.

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

Self-Insured Health Plan

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

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

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

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

Public Support

The Organization receives a significant amount of its income from public support through grants and contracts, which provide for reimbursement of actual costs incurred. These grants and contracts are subject to year-end adjustment and audit and retroactive adjustment by third-party payors. All known adjustments, affecting such grants and contracts, have been provided for in the financial statements. The ability to continue operating at the current level of service if the grants or contracts were lost or cancelled, is dependent upon the Organization's ability to generate other unrestricted revenue sources.

The Organization from time to time is also involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that any such 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 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2013:

Contributions	<u>\$ 13,500</u>
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**NOTE 13 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through December 24, 2013 which is the date the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**

INDEPENDENT AUDITOR'S 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, 2013, and have issued our report thereon dated December 24, 2013, which contained an unmodified 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.

December 24, 2013  
Sarasota, Florida

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF STATE EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2013

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Total Expenditures	\$ 18,199,964
Less other State and Federal funds	(630,817)
Less non-match SAMH funds	(6,133,292)
Less unallowable costs per 65-E14, FAC	<u>(23,361)</u>
Total Allowable Expenditures (Sum of lines 1,2,3, and 4)	11,412,494
Maximum Available Earnings (Line 5 times 75%)	8,559,371
Amount of State Funds Requiring Match	<u>7,176,201</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>\$ -</u></u>



COASTAL BEHAVIORAL HEALTHCARE, INC.  
 SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS  
 FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 305.09	12,775	3,047	9,728	\$ 2,196,228	\$ 2,967,916	\$ -

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COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

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THERE WERE NO RELATED PARTY TRANSACTIONS DURING THE YEAR ENDED JUNE 30, 2013.

**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**SCHEDULE OF PROGRAM/COST CENTER**  
**ACTUAL EXPENSES AND REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>EXPENSE CATEGORIES</u>	<u>Assessment</u>	<u>Aftercare</u>	<u>Case Management</u>	<u>Crisis Support</u>
<b>PERSONNEL EXPENSES</b>				
Salaries	\$ 100,839	\$ -	\$ 519,250	\$ 483,817
Fringe benefits	39,287	-	102,627	125,836
Total personnel expenses	<u>140,126</u>	<u>-</u>	<u>621,877</u>	<u>609,653</u>
<b>OTHER EXPENSES</b>				
Building occupancy	971	-	36,896	15,819
Professional services	3,289	-	17,191	14,015
Travel	893	-	8,939	543
Equipment costs	2,117	-	23,882	11,753
Food service	-	-	-	-
Medical and pharmacy	1,129	-	622	185
Subcontracted services	494	-	2,580	2,103
Insurance	6,174	-	11,716	17,364
Interest	1,528	-	10,344	9,381
Depreciation	7,845	-	132,566	13,513
Other	4,921	-	19,370	28,089
<b>TOTAL PERSONNEL &amp; OTHER EXPENSES</b>	<u>169,487</u>	<u>-</u>	<u>885,983</u>	<u>722,418</u>
<b>DISTRIBUTED INDIRECT COSTS</b>				
Administration	46,760	-	122,488	96,687
Other support costs	248	-	1,297	1,058
<b>TOTAL DISTRIBUTED INDIRECT COSTS</b>	<u>47,008</u>	<u>-</u>	<u>123,785</u>	<u>97,745</u>
<b>TOTAL ACTUAL OPERATING EXPENSES</b>	216,495	-	1,009,768	820,163
<b>UNALLOWABLE COSTS</b>	<u>248</u>	<u>-</u>	<u>1,297</u>	<u>1,058</u>
<b>TOTAL ALLOWABLE OPERATING EXPENSES</b>	<u>\$ 216,247</u>	<u>\$ -</u>	<u>\$ 1,008,471</u>	<u>\$ 819,105</u>
<b>CAPITAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<b>Crisis Stabilization</b>	<b>FACT</b>	<b>IHOS</b>	<b>Intervention</b>	<b>Outpatient</b>	<b>Outpatient Medical</b>
\$ 1,875,589	\$2,651,078	\$ 197,335	\$ 56,785	\$ 667,711	\$ 853,145
370,395	503,302	43,403	17,545	169,715	157,098
<u>2,245,984</u>	<u>3,154,380</u>	<u>240,738</u>	<u>74,330</u>	<u>837,426</u>	<u>1,010,243</u>
98,878	175,228	15,995	6,615	52,272	43,932
159,290	95,296	5,994	1,881	22,821	817,724
2,153	11,618	11,369	3,685	18,120	13,531
54,114	164,526	4,284	1,464	23,630	41,600
54,075	27	2	2	4	4
80,443	559	3,997	2	73,155	119,931
8,752	14,302	900	282	3,425	66,757
46,525	61,485	5,560	2,598	23,019	17,206
45,401	48,959	2,832	891	12,115	24,503
77,068	1,096,746	12,190	3,018	84,989	78,214
132,776	88,642	5,065	2,176	25,207	34,099
<u>3,005,459</u>	<u>4,911,768</u>	<u>308,926</u>	<u>96,944</u>	<u>1,176,183</u>	<u>2,267,744</u>
461,206	499,944	35,411	16,854	156,412	299,955
4,401	7,192	452	142	1,722	3,321
<u>465,607</u>	<u>507,136</u>	<u>35,863</u>	<u>16,996</u>	<u>158,134</u>	<u>303,276</u>
3,471,066	5,418,904	344,789	113,940	1,334,317	2,571,020
4,401	7,192	452	142	1,722	3,321
<u>\$ 3,466,665</u>	<u>\$ 5,411,712</u>	<u>\$ 344,337</u>	<u>\$ 113,798</u>	<u>\$ 1,332,595</u>	<u>\$ 2,567,699</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF PROGRAM/COST CENTER  
ACTUAL EXPENSES AND REVENUES  
FOR THE YEAR ENDED JUNE 30, 2013

<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	\$ 136,897	\$ 174,568	\$ 966,226	\$ 2,258
Fringe benefits	24,839	38,536	262,381	555
Total personnel expenses	<u>161,736</u>	<u>213,104</u>	<u>1,228,607</u>	<u>2,813</u>
<b>OTHER EXPENSES</b>				
Building occupancy	11,080	12,678	108,548	22,398
Professional services	4,164	5,008	36,114	1,829
Travel	519	846	2,847	117
Equipment costs	10,393	7,051	45,181	3,731
Food service	-	1	116,075	-
Medical and pharmacy	905	6	6,879	2
Subcontracted services	625	752	5,365	275
Insurance	2,579	4,803	38,455	561
Interest	1,971	2,360	72,163	15,066
Depreciation	18,005	7,186	72,427	30,663
Other	2,647	4,338	109,823	16,806
<b>TOTAL PERSONNEL &amp; OTHER EXPENSES</b>	<u>214,624</u>	<u>258,133</u>	<u>1,842,484</u>	<u>94,261</u>
<b>DISTRIBUTED INDIRECT COSTS</b>				
Administration	32,747	33,118	207,222	16,667
Other support costs	314	378	2,698	138
<b>TOTAL DISTRIBUTED INDIRECT COSTS</b>	<u>33,061</u>	<u>33,496</u>	<u>209,920</u>	<u>16,805</u>
<b>TOTAL ACTUAL OPERATING EXPENSES</b>	247,685	291,629	2,052,404	111,066
<b>UNALLOWABLE COSTS</b>	<u>314</u>	<u>378</u>	<u>2,698</u>	<u>138</u>
<b>TOTAL ALLOWABLE OPERATING EXPENSES</b>	<u>\$ 247,371</u>	<u>\$ 291,251</u>	<u>\$ 2,049,706</u>	<u>\$ 110,928</u>
<b>CAPITAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Behavioral Health Fee	Total For All State Designated Cost Centers	Other Support Costs	Administration	Total Agency
\$ -	\$ 8,685,498	\$ -	\$ 1,557,576	\$ 10,243,074
-	1,855,519	-	273,522	2,129,041
-	10,541,017	-	1,831,098	12,372,115
-	601,310	-	-	601,310
-	1,184,616	23,361	90,598	1,298,575
-	75,180	-	16,822	92,002
-	393,726	-	26,423	420,149
-	170,190	-	-	170,190
-	287,815	-	-	287,815
-	106,612	-	41	106,653
-	238,045	-	-	238,045
-	247,514	-	9,422	256,936
196,718	1,831,148	-	51,067	1,882,215
-	473,959	-	-	473,959
196,718	16,151,132	23,361	2,025,471	18,199,964
-	2,025,471	-	(2,025,471)	-
-	23,361	(23,361)	-	-
-	2,048,832	(23,361)	(2,025,471)	-
196,718	18,199,964	-	-	18,199,964
-	23,361	-	-	23,361
\$ 196,718	\$ 18,176,603	\$ -	\$ -	\$ 18,176,603
\$ -	\$ -	\$ -	\$ 475,465	\$ 475,465

COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF PROGRAM/COST CENTER  
ACTUAL EXPENSES AND REVENUES  
FOR THE YEAR ENDED JUNE 30, 2013

<u>FUNDING SOURCES AND REVENUES</u>	<u>Assessment</u>	<u>Aftercare</u>	<u>Case Management</u>	<u>Crisis Support</u>
<b>TOTAL STATE SAMH FUNDING</b>				
CFBHN	\$ 302,518	\$ -	\$ 816,773	\$ 706,508
<b>Total SAMH Funding</b>	<u>302,518</u>	<u>-</u>	<u>816,773</u>	<u>706,508</u>
<b>OTHER GOVERNMENT FUNDING</b>				
Other State Agency Funding	-	-	-	-
Medicaid	-	-	159,534	1,781
Local Government	78,184	-	-	80,002
Federal Grants and Contracts	-	-	-	-
<b>Total Other Government Funding</b>	<u>78,184</u>	<u>-</u>	<u>159,534</u>	<u>81,783</u>
<b>ALL OTHER REVENUES</b>				
1st & 2nd Party Payments	159	-	21,369	34
3rd Party Payments (except Medicare)	-	-	-	(800)
Medicare	-	-	-	-
Contributions and Donations	-	-	-	-
Other	-	-	-	-
In-kind	-	-	-	-
<b>Total All Other Revenues</b>	<u>159</u>	<u>-</u>	<u>21,369</u>	<u>(766)</u>
<b>TOTAL ACTUAL FUNDING</b>	<u><u>\$ 380,861</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 997,676</u></u>	<u><u>\$ 787,525</u></u>

<b>Crisis Stabilization</b>	<b>FACT</b>	<b>IHOS</b>	<b>Intervention</b>	<b>Outpatient</b>	<b>Outpatient Medical</b>
\$ 2,196,228	\$ 4,862,838	\$ 263,690	\$ 136,135	\$ 909,874	\$ 1,185,772
<u>2,196,228</u>	<u>4,862,838</u>	<u>263,690</u>	<u>136,135</u>	<u>909,874</u>	<u>1,185,772</u>
-	-	-	-	-	-
242,136	-	2,857	48	314,491	562,868
994,330	-	-	-	25,023	69,319
-	-	-	-	-	543,467
<u>1,236,466</u>	<u>-</u>	<u>2,857</u>	<u>48</u>	<u>339,514</u>	<u>1,175,654</u>
85,660	-	21,878	1,083	23,547	21,575
237,765	-	-	-	385	1,548
(150)	-	-	-	145	56,965
594	-	809	10	527	1,486
-	-	-	-	-	-
-	-	-	-	-	-
<u>323,869</u>	<u>-</u>	<u>22,687</u>	<u>1,093</u>	<u>24,604</u>	<u>81,574</u>
<u>\$ 3,756,563</u>	<u>\$ 4,862,838</u>	<u>\$ 289,234</u>	<u>\$ 137,276</u>	<u>\$ 1,273,992</u>	<u>\$ 2,443,000</u>



**COASTAL BEHAVIORAL HEALTHCARE, INC.**  
**SCHEDULE OF PROGRAM/COST CENTER**  
**ACTUAL EXPENSES AND REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<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	\$ 241,649	\$ 269,749	\$ 1,478,367	\$ -
<b>Total SAMH Funding</b>	<u>241,649</u>	<u>269,749</u>	<u>1,478,367</u>	<u>-</u>
<b>OTHER GOVERNMENT FUNDING</b>				
Other State Agency Funding	-	-	-	-
Medicaid	-	-	-	-
Local Government	-	-	49,470	-
Federal Grants and Contracts	-	-	-	-
<b>Total Other Government Funding</b>	<u>-</u>	<u>-</u>	<u>49,470</u>	<u>-</u>
<b>ALL OTHER REVENUES</b>				
1st & 2nd Party Payments	-	-	47,335	135,754
3rd Party Payments (except Medicare)	-	-	112,621	-
Medicare	-	-	-	-
Contributions and Donations	25,079	-	206	-
Other	-	-	-	-
In-kind	-	-	-	-
<b>Total All Other Revenues</b>	<u>25,079</u>	<u>-</u>	<u>160,162</u>	<u>135,754</u>
<b>TOTAL ACTUAL FUNDING</b>	<u>\$ 266,728</u>	<u>\$ 269,749</u>	<u>\$ 1,687,999</u>	<u>\$ 135,754</u>

<u>Behavioral Health Fee</u>	<u>Total For All State Designated Cost Centers</u>	<u>Other Support Costs</u>	<u>Administration</u>	<u>Total Agency</u>
\$ -	\$ 13,370,101	\$ -	\$ -	\$ 13,370,101
-	13,370,101	-	-	13,370,101
-	-	-	-	-
-	1,283,715	-	-	1,283,715
-	1,296,328	-	-	1,296,328
-	543,467	-	87,350	630,817
-	3,123,510	-	87,350	3,210,860
-	358,394	-	-	358,394
-	351,519	-	-	351,519
-	56,960	-	-	56,960
-	28,711	-	10,478	39,189
-	-	-	49,715	49,715
-	-	-	462,000	462,000
-	795,584	-	522,193	1,317,777
<b>\$ -</b>	<b>\$ 17,289,195</b>	<b>\$ -</b>	<b>\$ 609,543</b>	<b>\$ 17,898,738</b>

COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2013

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>Direct Program</u>				
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	5H79SM059621	\$ 560,305	\$ -
<u>Indirect Programs</u>				
<b>Passed through Central Florida Behavioral Health Network, Inc.</b>				
Temporary Assistance for Needy Families	93.558	CF1258-1001	58,650	
Social Services Block Grant	93.667	CF1258-1001	13,925	
Children's Health Insurance Program	93.767	CF1258-1001	432,000	-
Medical Assistance Program	93.778	CF1258-1001	1,361,238	-
Block Grants for Community Mental Health Services	93.958	CF1258-1001	818,443	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CF1258-1001	<u>825,029</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>4,069,590</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><b>4,069,590</b></u>	<u><b>-</b></u>
<b>State of Florida, Department of Children and Families</b>				
<u>Indirect Projects</u>				
<b>Passed through Central Florida Behavioral Health Network, Inc.</b>				
Baker Act	60.006	CF1258-1001	1,564,018	-
Adult Community Mental Health Florida Assertive Community Treatment Teams	60.042	CF1258-1001	984,752	-
Adult Mental Health - Special Projects - Emergency Stabilization	60.061	CF1258-1001	<u>483,860</u>	<u>-</u>
Total through Central Florida Behavioral Health Network, Inc.			<u>3,032,630</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u><b>3,032,630</b></u>	<u><b>-</b></u>
<b>TOTAL FEDERAL AND STATE</b>			<u><b>\$ 7,102,220</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, 2013**

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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 AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Coastal Behavioral Healthcare, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 24, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Coastal Behavioral Healthcare, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and other Matters

As part of obtaining reasonable assurance about whether Coastal Behavioral Healthcare, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

December 24, 2013  
Sarasota, Florida



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133 AND  
THE RULES OF THE AUDITOR GENERAL CHAPTER 10.650

Independent Auditor's Report

To the Board of Directors  
Coastal Behavioral Healthcare, Inc.

**Report on Compliance for Each Major Federal Program and State Project**

We have audited Coastal Behavioral Healthcare, Inc.'s, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) 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, 2013. Coastal Behavioral Healthcare, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Coastal Behavioral Healthcare, Inc.'s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Coastal Behavioral Healthcare, Inc.'s compliance.



## Opinion on Each Major Federal Program and State Project

In our opinion, Coastal Behavioral Healthcare, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of Coastal Behavioral Healthcare, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Coastal Behavioral Healthcare, Inc.'s internal control over the types of requirements that could have a direct and material effect on a major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project 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 Coastal Behavioral Healthcare, Inc.'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, such that there is a reasonable possibility that material noncompliance with a type of compliance requirements of a federal program or state project will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. However, material weaknesses may exist that have not been identified.

The purpose of this report is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650 Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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

December 24, 2013  
Sarasota, Florida

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**COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued: Unmodified

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: Unmodified

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**

Substance Abuse and Mental Health Services – Projects of Regional and National Significance 93.243

Block Grants for Prevention and Treatment of Substance Abuse 93.959

**Identification of Major State Projects CSFA Number**

Baker Act 60.006

Adult Mental Health – Special Projects – Emergency Stabilized 60.061

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**COASTAL BEHAVIORAL HEALTHCARE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**SECTION I – SUMMARY OF AUDITOR’S 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, 2013, and have issued our report thereon dated December 24, 2013.

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*; and Chapter 10.650 Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance For Each Major Federal Program and State Project and Report on Internal Control over Compliance in accordance with OMB Circular A-133, and Chapter 10.650 Rules of the Florida Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which were dated December 24, 2013, 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 noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance.

There were no current year comments reported as part of the Management Letter. All prior year comments not presented here have been corrected.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended 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 24, 2013  
Sarasota, Florida