

Henderson Behavioral Health, Inc. and Subsidiaries

Combined Financial Statements
and Additional Information
For the Year Ended June 30, 2018

Henderson Behavioral Health, Inc. and Subsidiaries

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Henderson Behavioral Health, Inc. and Subsidiaries
Fort Lauderdale, Florida

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Henderson Behavioral Health, Inc. and Subsidiaries (the "Organization") (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

CPA's + Trusted Advisors

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, 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 Organization's 2017 combined financial statements and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated October 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited combined 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 combined financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and Nonprofit Organizations* and the Florida Single Audit Act, is presented for purposes of additional analysis and is not a required part of the combined financial statements. Further, the schedules of other state funding, local financial assistance, program/covered service actual expenses and revenues, state earnings and bed day availability payments are also presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 17, 2018

COMBINED FINANCIAL STATEMENTS

Henderson Behavioral Health, Inc. and Subsidiaries
Combined Statement of Financial Position
June 30, 2018
(with comparative totals as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 10,805,112	\$ 11,116,427
Restricted cash	207,939	2,550,902
Investments	4,506,424	4,139,665
Accounts receivable, less allowance for doubtful accounts of \$ 235,243 in 2018 and 2017	1,482,219	1,738,443
Grants and contracts receivable	4,946,719	4,147,898
Prepaid expenses	130,802	146,817
Property and equipment, less accumulated depreciation of \$ 14,026,706 and \$ 13,295,343 in 2018 and 2017, respectively	10,151,809	10,622,089
Deposits, inventory and other assets	<u>255,826</u>	<u>149,664</u>
Total assets	<u>\$ 32,486,850</u>	<u>\$ 34,611,905</u>
Liabilities:		
Accounts payable	\$ 223,760	\$ 228,919
Accrued expenses and other liabilities	298,331	325,734
Deferred revenue	44,833	26,900
Accrued employee compensation	1,369,692	1,720,212
Accrued employee leave benefits	541,739	514,385
Obligation under interest rate swap	-	972,586
Capital lease payable	185,259	254,825
Debt	<u>2,816,240</u>	<u>5,100,000</u>
Total liabilities	<u>5,479,854</u>	<u>9,143,561</u>
Unrestricted:		
Undesignated	8,755,075	7,216,423
Board designated	<u>17,500,000</u>	<u>17,500,000</u>
Total unrestricted net assets	26,255,075	24,716,423
Permanently restricted	<u>751,921</u>	<u>751,921</u>
Total net assets	<u>27,006,996</u>	<u>25,468,344</u>
Total liabilities and net assets	<u>\$ 32,486,850</u>	<u>\$ 34,611,905</u>

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

Henderson Behavioral Health, Inc. and Subsidiaries
Combined Statement of Activities
For the Year Ended June 30, 2018
(with comparative totals for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Revenues, Gains and Other Support:				
Grant and contract revenue	\$ 33,777,733	\$ -	\$ 33,777,733	\$ 31,474,932
Net client service revenue	6,840,626	-	6,840,626	6,497,245
Rental income	1,189,404	-	1,189,404	1,059,365
Student counseling	961,106	-	961,106	949,885
Contributions	546,646	-	546,646	643,171
Donated in facility use, goods and services	463,530	-	463,530	525,623
Investment income	274,503	-	274,503	335,228
Miscellaneous	271,800	-	271,800	253,327
	<u>44,325,348</u>	<u>-</u>	<u>44,325,348</u>	<u>41,738,776</u>
Total revenues, gains and other support				
	<u>44,325,348</u>	<u>-</u>	<u>44,325,348</u>	<u>41,738,776</u>
Expenses:				
Program services:				
Case management	4,962,613	-	4,962,613	5,604,235
Medical services	3,085,449	-	3,085,449	3,317,914
Residential level II	2,886,998	-	2,886,998	2,790,055
Central receiving facility	2,847,486	-	2,847,486	1,178,415
Crisis support/emergency	2,502,577	-	2,502,577	2,568,378
Prevention	2,326,286	-	2,326,286	2,420,215
Non-state funded SAMH covered services	2,178,455	-	2,178,455	2,335,301
Outpatient	2,125,446	-	2,125,446	2,448,368
Crisis stabilization	1,958,721	-	1,958,721	2,153,367
Florida assertive community treatment (FACT) team	1,597,085	-	1,597,085	1,696,916
FITT	1,184,973	-	1,184,973	1,042,882
Incidental expenses	855,169	-	855,169	756,449
Outreach	831,715	-	831,715	916,556
Room and board with supervision				
Level I	588,286	-	588,286	431,216
First episode	582,708	-	582,708	675,450
In-home and on-site	578,069	-	578,069	721,608
Room and board with supervision level II	536,438	-	536,438	442,719
Intervention	575,543	-	575,543	1,064,671
Residential level III	439,404	-	439,404	527,237
Residential level I	436,211	-	436,211	516,474
Day treatment	427,484	-	427,484	815,357
Forensic multidisciplinary team	409,344	-	409,344	234,514
Supported employment	357,312	-	357,312	135,872
Room and board with supervision level III	222,099	-	222,099	230,495
Assessment	177,559	-	177,559	78,495
Care coordination team	145,511	-	145,511	21,897
Recovery support	124,639	-	124,639	-
	<u>34,943,580</u>	<u>-</u>	<u>34,943,580</u>	<u>35,125,056</u>
Total program services	<u>34,943,580</u>	<u>-</u>	<u>34,943,580</u>	<u>35,125,056</u>

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

Henderson Behavioral Health, Inc. and Subsidiaries
Combined Statement of Activities
(continued)
For the Year Ended June 30, 2018
(with comparative totals for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Support services:				
Administrative and general	4,447,310	-	4,447,310	4,076,748
Branch services	1,917,997	-	1,917,997	1,023,257
Headway New Vistas, LLC	1,284,006	-	1,284,006	893,660
Fundraising	225,089	-	225,089	194,820
	<u>7,874,402</u>	<u>-</u>	<u>7,874,402</u>	<u>6,188,485</u>
Total support services				
Total expenses	<u>42,817,982</u>	<u>-</u>	<u>42,817,982</u>	<u>41,313,541</u>
Change in net assets before change in fair value of interest rate swap	<u>1,507,366</u>	<u>-</u>	<u>1,507,366</u>	<u>425,235</u>
Change in fair value of interest rate swap	<u>31,286</u>	<u>-</u>	<u>31,286</u>	<u>408,692</u>
Change in net assets	<u>1,538,652</u>	<u>-</u>	<u>1,538,652</u>	<u>833,927</u>
Net Assets, July 1	<u>24,716,423</u>	<u>751,921</u>	<u>25,468,344</u>	<u>24,634,417</u>
Net Assets, June 30	\$ <u>26,255,075</u>	\$ <u>751,921</u>	\$ <u>27,006,996</u>	\$ <u>25,468,344</u>

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

Henderson Behavioral Health, Inc. and Subsidiaries
Combined Statement of Functional Expenses
For the Year Ended June 30, 2018
(with comparative totals for the year ended June 30, 2017)

	Program Services										Florida Assertive Community Treatment (FACT) Team
	Assessment	Care Coordination Team	Case Management	Central Receiving Facility	Crisis Support/ Emergency	Crisis Stabilization	Day Treatment	First Episode			
PROGRAM EXPENSES:											
Salaries	\$ 116,259	\$ 83,151	\$ 3,559,585	\$ 1,519,750	\$ 1,702,868	\$ 1,400,094	\$ 279,901	\$ 381,535	\$ 886,168		
Fringe benefits	24,804	17,740	728,994	389,474	363,306	276,965	59,717	81,400	176,017		
Building occupancy	9,151	6,545	268,961	143,695	134,041	102,186	22,032	30,033	64,941		
Other	-	18,517	-	-	-	-	-	-	-		
Equipment	3,265	2,335	95,948	51,262	47,818	36,453	7,859	10,714	23,167		
Professional services	7,286	5,211	96,870	413,236	65,950	14,958	17,543	23,912	11,793		
In-kind donations	-	-	-	-	-	-	-	-	-		
Food and client services	11,000	7,868	20,056	163,932	89,379	12,161	26,483	36,100	374,536		
Travel	2,739	1,959	80,506	43,011	40,121	30,586	6,595	8,989	19,438		
Medical and pharmacy	320	229	31,305	47,683	19,032	54,777	769	1,049	21,616		
Insurance	1,138	814	33,458	29,586	16,674	12,711	2,741	3,736	8,078		
Operating supplies and expenses	1,597	1,142	46,930	45,857	23,388	17,830	3,844	5,240	11,331		
Interest expense	-	-	-	-	-	-	-	-	-		
Total functional expenses	\$ 177,559	\$ 145,511	\$ 4,962,613	\$ 2,847,486	\$ 2,502,577	\$ 1,958,721	\$ 427,484	\$ 582,708	\$ 1,597,085		
Allocation of other support costs	\$ 10,096	\$ 8,274	\$ 275,374	\$ 179,480	\$ 142,338	\$ 105,641	\$ 24,307	\$ 33,133	\$ 87,386		
Allocation of administration	\$ 22,497	\$ 18,438	\$ 611,048	\$ 399,929	\$ 317,168	\$ 235,397	\$ 54,163	\$ 73,829	\$ 194,719		

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

Henderson Behavioral Health, Inc. and Subsidiaries
 Combined Statement of Functional Expenses
 (continued)

For the Year Ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

	Program Services								
	FITT	Forensic Multidisciplinary Team	Incidental Expenses	In-Home and On-Site	Intervention	Medical Services	Outpatient	Outreach	Prevention
Program Expenses:									
Salaries	\$ 738,903	\$ 268,023	\$ -	\$ 378,498	\$ 377,029	\$ 1,901,810	\$ 1,362,229	\$ 553,188	\$ 1,572,965
Fringe benefits	157,645	57,183	-	80,752	80,439	405,751	290,631	118,022	335,592
Building occupancy	76,489	21,097	-	29,793	29,678	149,701	107,228	43,545	123,816
Other	-	-	8,851	-	-	-	-	-	-
Equipment	20,749	7,526	-	10,629	10,587	53,404	38,252	15,534	44,170
Professional services	46,309	16,798	-	23,721	23,630	129,069	82,245	34,669	22,520
In-kind donations	-	-	-	-	-	288,750	99,540	-	-
Food and client services	89,913	25,360	846,318	35,813	35,391	32,851	77,433	39,187	148,831
Travel	17,409	6,315	-	8,918	8,883	44,808	32,096	13,034	37,061
Medical and pharmacy	2,032	737	-	1,041	1,037	34,562	3,745	1,521	4,325
Insurance	7,235	2,624	-	3,706	3,691	18,622	13,338	5,417	15,402
Operating supplies and expenses	28,289	3,681	-	5,198	5,178	26,121	18,709	7,598	21,604
Interest expense	-	-	-	-	-	-	-	-	-
Total functional expenses	\$ 1,184,973	\$ 409,344	\$ 855,169	\$ 578,069	\$ 575,543	\$ 3,085,449	\$ 2,125,446	\$ 831,715	\$ 2,326,286
Allocation of other support costs	\$ 67,380	\$ 23,276	\$ -	\$ 32,870	\$ 32,725	\$ 159,036	\$ 115,221	\$ 47,291	\$ 132,353
Allocation of administration	150,141	51,864	-	73,242	72,921	354,374	256,741	105,377	294,916

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

Henderson Behavioral Health, Inc. and Subsidiaries
 Combined Statement of Functional Expenses
 (continued)

For the Year Ended June 30, 2018
 (with comparative totals for the year ended June 30, 2017)

	Program Services							Non-State Funded SAMH Covered Services	
	Recovery Support	Residential Level I	Room and Board with Supervision Level I	Residential Level II	Room and Board with Supervision Level II	Residential Level III	Room and Board with Supervision Level III		Supportive Employment
Program Expenses:									
Salaries	\$ 81,608	\$ 240,369	\$ 337,852	\$ 1,946,661	\$ 286,802	\$ 210,052	\$ 134,726	\$ 64,379	\$ 1,329,800
Fringe benefits	17,411	51,283	72,081	415,320	61,189	44,814	28,744	13,735	283,712
Building occupancy	6,424	63,308	87,114	168,478	94,606	135,889	27,300	5,068	104,675
Other	-	-	-	-	-	-	-	-	10,682
Equipment	2,292	6,750	9,487	54,663	8,054	5,898	3,783	1,808	37,341
Professional services	5,115	15,065	22,580	62,682	17,975	13,165	8,444	4,035	83,343
In-kind donations	-	-	-	-	-	-	-	-	-
Food and client services	7,722	43,564	13,377	109,183	41,007	9,797	12,389	265,079	21,231
Travel	1,923	5,663	7,960	45,866	6,757	4,949	3,174	1,517	31,331
Medical and pharmacy	224	4,554	29,887	38,347	13,301	9,898	370	177	157,352
Insurance	799	2,354	3,308	19,061	2,808	2,057	1,319	630	87,747
Operating supplies and expenses	1,121	3,301	4,640	26,737	3,939	2,885	1,850	884	31,241
Interest expense	-	-	-	-	-	-	-	-	-
Total functional expenses	\$ 124,639	\$ 436,211	\$ 588,286	\$ 2,886,998	\$ 536,438	\$ 439,404	\$ 222,099	\$ 357,312	\$ 2,178,455
Allocation of other support costs	\$ 7,087	\$ 24,805	\$ 33,373	\$ 164,226	\$ 30,506	\$ 24,989	\$ 12,629	\$ 20,326	\$ 123,875
Allocation of administration	\$ 15,792	\$ 55,273	\$ 74,363	\$ 365,940	\$ 67,974	\$ 55,681	\$ 28,141	\$ 45,291	\$ 276,020

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

Henderson Behavioral Health, Inc. and Subsidiaries
Combined Statement of Functional Expenses
(continued)
For the Year Ended June 30, 2018
(with comparative totals for the year ended June 30, 2017)

	Support Services						Total 2017
	Total Program Services	Administrative and General	Branch Services	Headway New Vistas LLC	Fundraising	Total Support Services	
Program Expenses:							
Salaries	\$ 21,714,205	\$ 2,613,866	\$ 1,265,775	\$ 353,451	\$ 99,775	\$ 4,332,867	\$ 25,162,466
Fringe benefits	4,632,721	557,668	270,053	75,409	21,287	924,417	5,615,103
Building occupancy	2,055,794	283,619	145,363	495,050	11,458	935,490	2,899,338
Other	38,050	232,771	13,376	22,482	3,579	272,208	266,592
Equipment	609,748	73,399	35,544	9,922	2,802	121,667	922,978
Professional services	1,268,124	251,692	79,330	27,054	6,253	364,329	1,122,498
In-kind donations	388,290	-	-	-	75,240	75,240	463,530
Food and client services	2,595,961	-	-	18,798	-	18,798	2,350,726
Travel	511,608	61,585	29,823	8,328	2,351	102,087	646,951
Medical and pharmacy	479,890	-	-	-	-	-	479,890
Insurance	299,054	104,219	-	104,922	-	209,141	510,812
Operating supplies and expenses	350,135	122,335	78,733	58,303	2,344	261,715	576,557
Interest expense	-	146,156	-	110,287	-	256,443	299,462
Total functional expenses	\$ 34,943,580	\$ 4,447,310	\$ 1,917,997	\$ 1,284,006	\$ 225,089	\$ 7,874,402	\$ 41,313,541
Allocation of other support costs	\$ 1,917,997	\$ -	\$ (1,917,997)	\$ -	\$ -	\$ (1,917,997)	\$ -
Allocation of administration	\$ 4,271,239	\$ (4,447,310)	\$ -	\$ 157,085	\$ 18,986	\$ (4,271,239)	\$ -

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

Henderson Behavioral Health, Inc.
Combined Statement of Cash Flows
For the Year Ended June 30, 2018
(with comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,538,652	\$ 833,927
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for depreciation	801,865	759,279
Gain (loss) on sale of assets	-	(3,000)
Grant for property and equipment	(44,735)	(24,280)
Realized/unrealized (gains) losses on investments	(182,212)	(227,574)
Change in fair value of interest rate swap	(31,286)	(408,692)
(Increase) decrease in assets:		
Restricted cash - (Note 3)	98,125	(95,708)
Accounts receivable	256,224	199,319
Grants and contracts receivable	(798,821)	(305,412)
Prepaid expenses	16,015	47,115
Deposits, inventory and other assets	(106,162)	15,128
(Increase) decrease in liabilities:		
Accounts payable	(5,159)	14,463
Accrued expenses and other liabilities	(27,403)	91,165
Deferred revenue	17,933	(83,439)
Accrued employee compensation	(350,520)	592,041
Accrued employee leave benefits	27,354	14,094
Net cash provided by (used in) operating activities	<u>1,209,870</u>	<u>1,418,426</u>
Cash Flows From Investing Activities:		
Proceeds from sale of assets	-	3,000
Purchases of property and equipment	(286,850)	(402,405)
Purchase of investments, net	(184,547)	(73,203)
Net cash provided by (used in) investing activities	<u>(471,397)</u>	<u>(472,608)</u>
Cash Flows From Financing Activities:		
Settlement of restricted cash - swap (Note 3)	2,244,838	-
Principal payments on capital lease	(69,566)	(67,177)
Settlement of interest rate swap	(941,300)	-
Principal payments on debt	(2,283,760)	-
Net cash provided by (used in) financing activities	<u>(1,049,788)</u>	<u>(67,177)</u>
Net increase (decrease) in cash and cash equivalents	(311,315)	878,641
Cash and Cash Equivalents, July 1	<u>11,116,427</u>	<u>10,237,786</u>
Cash and Cash Equivalents, June 30	<u>\$ 10,805,112</u>	<u>\$ 11,116,427</u>

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

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2018
(with comparative totals for the year ended June 30, 2017)

Note 1 - Organization and Operations

Henderson Behavioral Health, Inc. and Subsidiaries (collectively, the "Organization") provides behavioral healthcare throughout South Florida in Broward and Palm Beach Counties, the Treasure Coast and Okeechobee. The Organization charges fees based upon its patients' ability to pay for clinical services and receive grants, contracts and contributions from various governmental and charitable agencies. Gifts, donations and volunteer services are also received from individuals and corporations.

Note 2 - Summary of Significant Accounting Policies

A summary of the Organization's significant accounting policies consistently applied in the preparation of the combined financial statements follows:

Basis of presentation: Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958 *Nonprofit Entities*. Under ASC No. 958, the Organization is required to report 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.

The combined financial statements include the accounts of Henderson Behavioral Health, Inc. (a nonprofit, tax exempt organization), the parent and sole member of its two Limited Liability Companies, subsidiaries, Henderson Behavioral Health, LLC and Headway New Vistas, LLC. Henderson Behavioral Health, LLC (the "Center") is responsible for delivering health services, management and other administrative services and functions. Headway New Vistas, LLC ("Headway") owns all the real estate properties, which are leased to third-party tenants and the Center (Notes 8 and 12). Both of these entities operate to further enhance Henderson Behavioral Health, Inc.'s 501(c)(3) nonprofit status.

Restricted and unrestricted revenue and support: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Noncash contributions are recorded at their fair value on the date received.

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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Cash and cash equivalents: The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains its cash balances in two financial institutions located in Florida, which at times, has exceeded federally insured limits.

The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 2 - Summary of Significant Accounting Policies (continued)

Investments: Readily marketable investments are primarily held in brokerage accounts administered for the Organization. The broker is responsible for the custody and disbursement of funds on instructions from the Board of Directors/Finance Committee of the Organization.

Readily marketable investments are stated at fair value using quoted market prices. In accordance with the policy of stating investments at fair value, net unrealized appreciation or depreciation for the year is reflected in the accompanying statements of activities.

Accounts receivable: Accounts receivable are carried at amounts estimated to be realized by the Organization based on past experience.

Client services are provided at rates established periodically, primarily by Medicaid intermediaries and state and local funding authorities. Payments for services may differ from the amounts billed due to subsequent changes in rates, discrepancies as to eligibility dates and approved services, and other similar issues. Allowances for doubtful accounts are recorded to reflect the differences between the amounts billed for services and expected reimbursement. The expense for these billing differences is recorded as an offset to revenue.

The Organization has established a sliding fee scale based on the Federal poverty guidelines wherein the clients are expected to pay amounts based upon their individual financial ability. Client services rendered to Medicaid program beneficiaries are reimbursed under a maximum fee for service methodology. The Organization is reimbursed at a predictable rate.

Promises to give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At June 30, 2018 and 2017, the Organization had no unconditional or conditional promises to give.

Deposits, inventory and other assets: Deposits, inventory and other assets primarily include security deposits, utility deposits and drug inventories. Inventories consist primarily of drugs held for the clients served by the Organization as part of the Indigent Drug Program. Donated drugs are stated at fair market value. Purchased drugs are stated at current replacement cost and the resulting carrying amounts are not significantly different from that which would result if the lower of cost (first-in, first-out method) or market value were used. At June 30, 2018 and 2017, drug inventory amounted to \$ 104,309 and \$ 84,045, respectively.

Prepaid expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Property and equipment: Property and equipment are carried at cost if purchased or, if donated, at fair value on the date of donation, less accumulated depreciation.

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Note 2 - Summary of Significant Accounting Policies (continued)

The Organization follows the policy of providing for depreciation using the straight-line method over the estimated useful life of each type of asset which is as follows:

Buildings and improvements	10-39.50 years
Equipment, including air-conditioning	5-20 years
Vehicles	5 years
Furniture and fixtures	5-10 years
Landscaping, parking lot, sprinklers	10-20 years
Leasehold improvements	Lesser of lease term or 39.50 years

Donations of property and equipment 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. Without donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time.

The Organization received vehicles donated as grants for the years ended June 30, 2018 and 2017 totaling \$ 44,735 and 24,280, respectively. Donated property is to be used for the purpose of providing services related to the Organization's mission and demographic population served. The property may be sold, however, the proceeds from the sale are to be used for the establishment of a new facility that serves the mission of the Organization.

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renovations are capitalized over their estimated useful lives.

Deferred revenue: Grant and contract revenue that is not recognized because the allowable cost as defined by the individual grant or contract has not been incurred is considered deferred revenue.

Accrued employee leave benefits: The Organization accrues for employee paid time off up to a maximum of 100 hours per employee. The accrual is calculated at current salary rates.

Grant and contract revenue: Grant and contract revenue is recognized when the allowable costs as defined by the individual grants or contracts are incurred and/or the unit of service has been performed. Grant and contracts receivable at year end represent units of service performed and/or allowable expenditures, which have not yet been reimbursed by the granting agency.

Note 2 - Summary of Significant Accounting Policies (continued)

Donated services, goods, and facilities: The Organization pays for most services requiring specific expertise. However, a number of volunteers have donated their time in certain of the Organization's program service areas. Because these donated services do not require specialized skills, its value has not been recorded in the accompanying combined financial statements. However, when the value of donated services requires specific expertise, they are reflected in the combined financial statements as revenues and expenses. For the years ended June 30, 2018 and 2017, the Organization recorded \$ 99,540 and \$ 74,345, respectively, for donated services, which relates to medical services (therapists and psychiatrists) and \$ 75,240 and \$ 59,278, respectively, for advertising and public relations. Donated goods are recorded as contributions and a corresponding expense at their estimated fair value at the date of donation. During the years ended June 30, 2018 and 2017, the Center recorded \$ 288,750 and \$ 392,000, respectively, in such donations, consisting principally of drugs allocated to several of the Organization's programs.

Functional expenses: The Organization has a number of programs (reporting units) and maintains accounting records separately for each of them. Expenses incurred are charged to each program for direct expenditures incurred. All expenses not directly chargeable to a program are allocated based on the program's proportionate share of total expenditures.

Joint costs of fundraising appeals: The Organization utilizes various pamphlets, brochures and information methods to inform the general public of their activities and to solicit funds. These costs are charged to fundraising.

Use of estimates: The presentation of combined 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 and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized prior year information: The combined financial statements include summarized comparative information from the prior year, which is not presented by net asset type and functional expense classification and does not include sufficient detail to conform with generally accepted accounting principles. This information should be read in conjunction with the Organization's combined financial statements for the year ended June 30, 2017, from which the comparative information was extracted.

Date of management review: Subsequent events were evaluated by management through October 17, 2018, which is the date the combined financial statements were available for issuance.

Note 3 - Restricted Cash

Restricted cash consists of cash deposited in the Organization's bank accounts on behalf of clients. The Organization is trustee for client funds which are expended on behalf of the clients for personal items. The related liability is included in "accrued expenses and other liabilities" in the combined statement of financial position. The total amount of restricted cash held on behalf of clients at June 30, 2018 and 2017 was \$ 207,939 and \$ 306,064, respectively.

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Note 3 - Restricted Cash (continued)

In addition, the Organization was also required to have collateral for the interest rate swap agreement which was also classified as restricted cash. The balance of this collateral account at June 30, 2017 was \$ 2,244,838 and was recorded in a separate account held by the same financial institution which held the interest rate swap. As a result of the existing bond being refinanced during the year (Note 6), this interest rate swap was settled, and as a result, there is no restricted cash necessary to be held.

Note 4 - Investments

The Organization follows Statement of Financial Accounting Standards in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures* for fair value measurements of investments that are recognized and disclosed at fair value in the combined financial statements on a recurring basis. ASC No. 820 establishes 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 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly (e.g. quoted prices in active markets for similar securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 inputs are unobservable inputs for the investments (e.g. information about assumptions, including risk, market participants would use in pricing a security).

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table represents the investments as held by the Organization at June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2018</u>
Domestic fixed income securities	\$ 1,242,507	\$ -	\$ -	\$ 1,242,507
International equities	1,001,476	-	-	1,001,476
Domestic equities	983,848	-	-	983,848
Money market/cash	829,996	-	-	829,996
Commodities	206,560	-	-	206,560
International fixed income securities	204,227	-	-	204,227
Real estate investment funds	<u>37,810</u>	<u>-</u>	<u>-</u>	<u>37,810</u>
Total	<u>\$ 4,506,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,506,424</u>

Henderson Behavioral Health, Inc. and Subsidiaries
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Note 4 - Investments (continued)

The following table represents the investments as held by the Organization at June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2017</u>
Domestic fixed income securities	\$ 1,065,163	\$ -	\$ -	\$ 1,065,163
Domestic equities	998,713	-	-	998,713
International equities	826,689	-	-	826,689
Money market/cash	664,838	-	-	664,838
International fixed income securities	208,877	-	-	208,877
Commodities	166,821	-	-	166,821
U.S. treasury securities	149,918	-	-	149,918
Real estate investment funds	<u>58,646</u>	<u>-</u>	<u>-</u>	<u>58,646</u>
Total	<u>\$ 4,139,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,139,665</u>

The input or methodology used for valuing securities is not necessarily an indicator of risk associated with investing in those securities.

Investment income (loss) is composed of:

	<u>2018</u>	<u>2017</u>
Unrealized gain (loss) on investments	\$ 118,502	\$ 243,845
Interest and dividend income	109,297	123,176
Realized gain (loss) on investments	63,710	(16,271)
Investment fees and charges	<u>(17,006)</u>	<u>(15,522)</u>
	<u>\$ 274,503</u>	<u>\$ 335,228</u>

At June 30, 2018, the Organization's investments are categorized as follows:

Unrestricted	\$ 3,754,503
Permanently restricted	<u>751,921</u>
	<u>\$ 4,506,424</u>

At June 30, 2017, the Organization's investments are categorized as follows:

Unrestricted	\$ 3,387,744
Permanently restricted	<u>751,921</u>
	<u>\$ 4,139,665</u>

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Note 5 - Property and Equipment

	<u>2018</u>		<u>2017</u>
Buildings and improvements	\$ 15,852,442	\$	15,729,551
Equipment, including air-conditioning	4,014,475		3,898,422
Vehicles	1,041,950		1,035,126
Furniture and fixtures	792,543		777,228
Landscaping, parking lot, sprinklers	115,060		115,060
Leasehold improvements	<u>74,976</u>		<u>74,976</u>
	21,891,446		21,630,363
Less accumulated depreciation	<u>(14,026,706)</u>		<u>(13,295,343)</u>
	7,864,740		8,335,020
Land	<u>2,287,069</u>		<u>2,287,069</u>
	<u>\$ 10,151,809</u>	\$	<u>10,622,089</u>

Provision for depreciation amounted to \$ 801,865 and \$ 759,279 for the years ended June 30, 2018 and 2017, respectively.

Note 6 - Debt

Debt at June 30, 2018 and 2017 is summarized as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Term loan with a financial institution in the amount of \$ 3,000,000. This loan requires monthly principal and interest payments of \$ 42,050, which includes interest at a fixed rate or 4.75% through November 2024, at which time all unpaid interest and principal will become due. This loan is collateralized by certain property and equipment of the Organization.	\$ 2,816,240	\$ --
Broward County (FL) Health Facilities Authority Variable Rate (0.10% at June 30, 2017) Demand Revenue Bonds, Series 2004, was payable in monthly installments through July 2029 with principal amounts ranging from \$ 26,250 to \$ 46,666. Collateralized by a \$ 5,100,000 letter of credit which expired on December 15, 2017. The letter of credit which collateralizes the revenue bonds was secured by real property with a net book value of approximately \$ 5,507,500 at June 30, 2017 plus certain improvements, equipment, furniture and fixtures, and an assignment of rents/leases. Further, the letter of credit was cross-collateralized and cross-defaulted with the line of credit discussed in Note 7, as well as the restricted cash of \$ 2,244,838 at June 30, 2017, as discussed in Note 3. During the year ended June 30, 2018, the Organization paid down \$ 2,100,000 of the outstanding balance and refinanced the remaining \$ 3,000,000 with the term loan discussed above.	<u>--</u>	<u>5,100,000</u>
	<u>\$ 2,816,240</u>	<u>\$ 5,100,000</u>

Henderson Behavioral Health, Inc. and Subsidiaries
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Note 6 - Debt (continued)

The Organization previously negotiated a swap agreement related to the Broward County Health Facilities Authority Variable Rate Demand Revenue Bonds that was to expire in July 2029. The agreement effectively converted the variable rate debt to fixed rate debt to the extent of the notional amount. The fixed rate was 4.33% and allows for monthly interest payments to be calculated using a floating rate of 0.67. Actual interest payments received from the bank was 0.41% as of June 30, 2017 (BMA index - Bond Market Association average market rate paid on tax exempt notes).

The fair value (obligation) of the interest rate swap at June 30, 2017 was \$ (972,586). The net change in fair value of fixed interest rate swap for the years ended June 30, 2018 and 2017 was \$ 31,286 and \$ 408,692, respectively. During the year ended June 30, 2018 this agreement was terminated when the refinancing of the bond occurred, as discussed above. The fair value of the swap at the time of termination was \$ (941,300).

Future maturities of debt at June 30, 2018, are approximately as follows:

<u>Year Ending</u> <u>June 30</u>		
2019	\$	411,100
2020		399,000
2021		418,300
2022		438,600
2023		459,900
Thereafter		<u>689,300</u>
	\$	<u><u>2,816,200</u></u>

Note 7 - Line of Credit

At June 30, 2018 and 2017, the Organization had available a \$ 750,000 revolving line of credit with a bank for working capital needs which will expire in October 2018. Interest is charged at the bank's variable prime rate (5.00% and 4.25% at June 30, 2018 and 2017, respectively) and payable monthly on the outstanding balance. In addition, this line of credit is cross-collateralized and cross-defaulted with the debt agreement above (Note 6). At June 30, 2018 and 2017, the Organization had no outstanding balance on the line of credit. The line of credit requires adherence to a number of restrictive covenants which must be adhered to by the Organization. Among other provisions, the agreement requires the Organization to maintain a minimum net worth to be greater than \$ 17 million and a debt service coverage ratio of no less than 1.00 to 1.00 at June 30, 2017 and 1.20 to 1.00 at June 30, 2018. At June 30, 2018 and 2017, the Organization was in compliance with all of its covenants.

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Note 8 - Lease Commitments

Operating leases: The Organization maintains real estate rental arrangements at three locations, these respective leases expire in various years through June 2022. Monthly rental payments range from approximately \$ 1,500 to \$ 8,100, plus applicable incidental expenses. Total rent expense in connection with these arrangements and other expired arrangements amounted to approximately \$ 165,000 and \$ 162,000 in 2018 and 2017, respectively. In addition, the Organization leased certain real estate from Headway (Note 2) for approximately \$ 1,114,000 and \$ 945,000 in fiscal years 2018 and 2017, respectively.

The future approximate minimum lease payments required under these leases and as of June 30, 2018 are as follows:

Year Ending <u>June 30</u>		
2019	\$	143,800
2020	\$	99,600
2021	\$	99,000
2022	\$	95,200
2023	\$	NONE

Capital lease: The Organization previously entered into a lease agreement for office equipment that was classified as a capital lease. The cost of the equipment under this capital lease is included in the statement of financial position as property and equipment of \$ 354,720 at June 30, 2018 and 2017. Accumulated depreciation of the leased equipment at June 30, 2018 and June 30, 2017 was approximately \$ 172,800 and \$ 106,400, respectively.

At June 30, 2018 and 2017, the present value of the minimum lease payments required on this capital lease was \$ 185,259 and \$ 254,825, respectively, net of the amount representing interest of \$ 8,507 and \$ 16,317, respectively.

The future minimum lease payments required under this capital lease and the present value of the net minimum lease payments as of June 30, 2018 is as follows:

Year ending <u>June 30</u>		<u>Amount</u>
2019	\$	77,376
2020		77,376
2021		39,014
Total minimum lease payments		193,766
Less: amount representing interest at 3.50%		8,507
Present value of net minimum capital lease payments		\$ <u><u>185,259</u></u>

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Note 9 - Designated Unrestricted Net Assets

At June 30, 2018 and 2017, the Board of Directors had designated unrestricted net assets to be set-aside for the following purposes:

	2018	2017
Operating expenses reserve	\$ 10,000,000	\$ 10,000,000
Building and capital improvements	5,000,000	5,000,000
Technology and infrastructure	2,500,000	2,500,000
	<u>\$ 17,500,000</u>	<u>\$ 17,500,000</u>

Note 10 - Endowments

The Organization's endowment consists of three individual funds established for a variety of purposes. These donor-restricted funds function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretations of Relevant Law: The Organization has interpreted the State of Florida's Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") as requiring the preservation of the fair value of an original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

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Note 10 - Endowments (continued)

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>
Donor-restricted endowment funds	\$ <u>2,619</u>	\$ <u>-</u>	\$ <u>751,921</u>	\$ <u>754,540</u>
Total funds	\$ <u><u>2,619</u></u>	\$ <u><u>-</u></u>	\$ <u><u>751,921</u></u>	\$ <u><u>754,540</u></u>

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>
Donor-restricted endowment funds	\$ <u>20,190</u>	\$ <u>-</u>	\$ <u>751,921</u>	\$ <u>772,111</u>
Total funds	\$ <u><u>20,190</u></u>	\$ <u><u>-</u></u>	\$ <u><u>751,921</u></u>	\$ <u><u>772,111</u></u>

Changes in endowment net assets for the year ended June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>
Endowment net assets, at beginning of year	\$ 20,190	\$ -	\$ 751,921	\$ 772,111
Investment income	13,081	-	-	13,081
Net depreciation (realized and unrealized)	<u>(30,652)</u>	<u>-</u>	<u>-</u>	<u>(30,652)</u>
Endowment net assets, at end of year	\$ <u><u>2,619</u></u>	\$ <u><u>-</u></u>	\$ <u><u>751,921</u></u>	\$ <u><u>754,540</u></u>

Changes in endowment net assets for the year ended June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>
Endowment net assets, at beginning of year	\$ 15,188	\$ -	\$ 751,921	\$ 767,109
Investment income	10,783	-	-	10,783
Net appreciation (realized and unrealized)	<u>(5,781)</u>	<u>-</u>	<u>-</u>	<u>(5,781)</u>
Endowment net assets, at end of year	\$ <u><u>20,190</u></u>	\$ <u><u>-</u></u>	\$ <u><u>751,921</u></u>	\$ <u><u>772,111</u></u>

Note 10 - Endowments (continued)

Funds with Deficiencies: From time to time the fair value of certain endowments may fall under historical values (original gift/book values), and therefore, are considered to be underwater. A deficiency will be recorded as a reduction in unrestricted net assets in accordance with accounting principles generally accepted in the United States of America. Future gains will be used to restore a deficiency in unrestricted net assets before any net appreciation above the historical cost value of such funds increases unrestricted net assets. As such, there was no deficiency at June 30, 2018 and June 30, 2017.

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce expected returns of the consumer price index plus 500 basis points while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that includes equity investments, fixed income investments, mutual funds, treasury securities, money markets, and cash using prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization has a policy of appropriating for distribution each year 5 percent of the trailing three years average market value on June 30th of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an annual rate equal or greater than the consumer price index. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Permanent Endowment: The Organization previously entered into agreements with the Community Foundation of Broward, Inc., a Florida nonprofit corporation (the "Foundation") to create designated funds to serve as permanent endowments on behalf of the Organization. Distributions from the funds will only be made with the approval and authorization of the Board of Trustees of the Foundation and the funds are the property of the Foundation. As such, they are not carried as an asset of the Organization. It is the general policy of the Foundation to make distributions to the Organization from the endowments at least once annually. The ending asset value of the endowments at June 30, 2018 and 2017 was \$ 183,038 and \$ 180,267, respectively.

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Note 11 - Grants and Contracts for Organization Operations

Funding agreements for services to be provided are generally entered into on an annual basis. The release of funds are subject to monies being made available by the Federal government, the Florida Legislature, the Broward County Board of County Commissioners and certain other grantor agencies. Generally, agreements may be terminated by either party upon thirty to ninety days written notice. However, such an event would be unlikely if contract performance continues to be satisfactory.

In addition, certain funding arrangements require the Organization to provide additional services on a specified matching basis. In all such contract arrangements, the Organization has met its matching requirements.

Program expenditures made by the Organization are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In certain instances, the grantor may increase its grant of funds to the Organization to offset amounts which would otherwise be refundable based on audits. As of June 30, 2018, the Organization had no amounts required to be returned as a result of such audits.

Matching requirements, which are based on revenues earned for the year ended June 30, 2018, rather than contractual amounts, are as follows:

<u>Grantor</u>	<u>Contract Number</u>	<u>Matching Requirement</u>
Broward Behavioral Health Coalition, Inc.	34357	\$ 4,477,287
Broward County	14-CP-CSA-8263-01/01	111,206
	16-CP-CSA-8263-01/6	54,580
	16-CP-CSA-8263-01/5	53,245
	16-CP-HIP-8263-01	46,088
	12-CP-CSA-8263-01/1	41,695
	10-CP-HIP-8263-7	26,708
	12-CP-CSA-8263-01/2	24,805
	16-CP-CSA-8263-01/3	10,359
Children's Services Council of Broward County	15-2157	32,863
	15-2158	22,136
	14-2156	18,219
	16-2159	10,464
	18-2150	1,375
State of Florida Department of Transportation	YR41	<u>4,474</u>
		<u>\$ 4,935,504</u>

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2018
(with comparative totals for the year ended June 30, 2017)

Note 12 - Client Service Revenue

The components of client service revenue for the year ended June 30, 2018 are summarized as follows:

	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
Client service revenue, gross	\$ 12,669,293	\$ 273,325	\$ 12,942,618
Less: contractual and charitable adjustments	4,434,253	40,999	4,475,252
Less: provision for doubtful accounts	<u>1,527,743</u>	<u>98,997</u>	<u>1,626,740</u>
Client service revenue, net	<u>\$ 6,707,297</u>	<u>\$ 133,329</u>	<u>\$ 6,840,626</u>

The components of client service revenue for the year ended June 30, 2017 are summarized as follows:

	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
Client service revenue, gross	\$ 12,035,468	\$ 243,218	\$ 12,278,686
Less: contractual and charitable adjustments	4,185,936	36,433	4,222,369
Less: provision for doubtful accounts	<u>1,470,734</u>	<u>88,338</u>	<u>1,559,072</u>
Client service revenue, net	<u>\$ 6,378,798</u>	<u>\$ 118,447</u>	<u>\$ 6,497,245</u>

Note 13 - Income Taxes

Henderson Behavioral Health, Inc. is a nonprofit organization, exempt from tax under Internal Revenue Code Section 501(c)(3). Henderson Behavioral Health, LLC and Headway New Vistas, LLC are both Florida limited liability companies wholly owned by Henderson Behavioral Health, Inc. Both limited liability companies are treated as disregarded entities for Federal and state income tax and exist to further enhance Henderson Behavioral Health, Inc.'s 501(c)(3) nonprofit status. Therefore, no tax provision has been made in the accompanying combined financial statements (Note 2).

Note 14 - Employee Benefit Plans

The Organization provides a noncontributory revenue sharing retirement plan (the "Plan") covering substantially all of its employees. Contributions by the Organization to the Plan are determined annually by the Board of Directors and allocated based on participant compensation. The revenue sharing retirement plan contributions for the years ended June 30, 2018 and 2017 was \$ 788,786 and \$ 741,354, respectively.

The Organization also offers all employees a tax-sheltered annuity program under Internal Revenue Code Section 403(b). Employees may contribute a maximum of 20% of their annual compensation to the program subject to certain limitations. No contributions are made by the Organization to this program.

In addition, the Organization maintains a Section 125 cafeteria plan for the benefit of its employees. No contribution is required of the Organization to this Plan.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2018
(with comparative totals for the year ended June 30, 2017)

Note 15 - Related Party Transactions

The Organization is related to Henderson Center Residential Services, Inc., a Florida nonprofit corporation, through common board members. The Organization has sponsored Henderson Center Residential Services, Inc. in a program with the United States Department of Housing and Urban Development (HUD).

The HUD program consists of operating a sixteen-unit independent living facility in Pompano Beach, Florida. HUD granted Henderson Center Residential Services, Inc. a 9.25%, forty-year mortgage note in 1990. Principal and interest are payable in monthly installments of \$ 4,524 over 40 years. This mortgage note had a balance of \$ 385,066 and \$ 402,835 as of June 30, 2018 and 2017, respectively. The Organization has guaranteed this mortgage obligation. The Organization would be required to perform under the guarantee in the event of nonpayment of the mortgage note payments to HUD. At June 30, 2018, the maximum potential amount of future payments the Organization could be required to make under the agreement is the outstanding balance of the obligation and any accrued interest thereon. There are no organizational assets held as security for the loan. Collateral for the mortgage note is the purchased facility.

Henderson Center Residential Services, Inc. uses the Organization to provide it with support in areas such as management and accounting. The Organization charges Henderson Center Residential Services, Inc. a monthly management fee for these services. Total management fees for the years ended June 30, 2018 and 2017 were \$ 4,500. Additionally, the Organization had balances included in accounts receivable for the years ended June 30, 2018 and 2017 of \$ 638,133 and \$ 620,947, respectively, relating to amounts paid by the Organization on behalf of Henderson Center Residential Services, Inc.; however, management maintains a reserve of \$ 235,243 as of June 30, 2018 and 2017 due to the remote likelihood of its collection in full.

Note 16 - Concentration in Operations

For the year ended June 30, 2018, approximately 80% and 77% of the Organization's total revenues and receivables were derived from three entities. The entities and their respective revenue and receivable percentages are as follows:

	<u>Revenues</u>	<u>Receivables</u>
State of Florida Department of Children and Families	52%	43%
Broward County	13%	18%
Medicaid	<u>15%</u>	<u>16%</u>
	<u>80%</u>	<u>77%</u>

A significant change in funding from these governmental entities could have an adverse effect on the Organization's operations.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2018
(with comparative totals for the year ended June 30, 2017)

Note 17 - Contingencies

Litigation: The Organization is subject to claims and litigations arising in the normal course of operations. The Organization does not believe the outcome of any such claims will be material to its financial position.

Outstanding liens: At June 30, 2018 and 2017, a portion of the Organization's real property, with a net book value of approximately \$ 1,031,900 and \$ 1,091,900, respectively, was originally acquired with funds provided under a contract with Broward County, Florida. Certain "special provisions" of the contract require that the property shall be used for the originally authorized purpose for a period ending September 2023. If the property is no longer necessary for operations prior to September 2023, the Organization must obtain approval from Broward County, Florida to use the property for other purposes. After September 2023, Broward County, Florida will no longer have a claim to the property. Broward County's claim to the property is evidenced by recorded mortgages. Such liens reported outstanding balances as of June 30, 2018 and 2017 of approximately \$ 144,600 and \$ 222,900, respectively.

Note 18 - Supplemental Cash Flow Information

Supplemental Disclosure of Cash Flow Information:

	<u>2018</u>	<u>2017</u>
Cash received during the year for - Interest and dividend income	\$ 152,248	\$ 277,591
Cash paid during the year for - Interest expense	\$ 274,939	\$ 300,423

Other Noncash Investing and Financing Activities:

Acquisition of property and equipment- Cost of property and equipment	\$ 331,585	\$ 426,686
Less: vehicles provided through grants from the State of Florida Department of Transportation	<u>(44,735)</u>	<u>(24,280)</u>
Cash paid for property and equipment	<u>\$ 286,850</u>	<u>\$ 402,406</u>
Issuance of term loan- Outstanding balance of existing bonds	\$ 3,000,000	\$ -
Less: Proceeds of term loan	<u>(3,000,000)</u>	<u>-</u>
Cash received for term loan	<u>\$ -</u>	<u>\$ -</u>

ADDITIONAL INFORMATION

Henderson Behavioral Health, Inc. and Subsidiaries
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance
 For the Year Ended June 30, 2018

Federal/State Agency, Pass-through Entity Federal Program	CFDA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
Federal Agency Name:				
Indirect Programs:				
Department of Health and Human Services - Passed through the State of Florida	93.958	34357	\$ 2,295,180	\$ -
Department of Children and Families - Passed through the Broward Behavioral Health Coalition, Inc. -	93.959	34357	814,867	-
Alcohol, Drug Abuse and Mental Services	93.767	34357	444,526	-
	93.150	34357	248,109	-
	93.778	34357	219,213	-
			<u>4,021,895</u>	<u>-</u>
Passed through the Southeast Florida Behavioral Health Network, Inc. -				
Alcohol, Drug Abuse and Mental Services	93.778	PNA30	261,246	-
	93.958	PNA30	137,819	-
	93.958	LTF10	53,850	-
	93.558	LTF10	53,556	-
	93.959	LTF10	768	-
			<u>507,239</u>	<u>-</u>

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Expenditures of Federal Awards
and State Financial Assistance
(continued)
For the Year Ended June 30, 2018

Federal/State Agency, Pass-through Entity Federal Program	CFDA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
Federal Agency Name (continued): Indirect Programs (continued): Passed through Child Net, Inc. - Residential Group Care Program Services	93.658 93.667	HEN17RGC HEN17RGC	659,080 183,733	- -
Placement Partnership Program	93.958	HEN17PPP	435,852	-
Safety Management Response Team	93.658 93.658 93.958 93.556 93.558 93.645 93.659 93.556	PHEN17SMS HEN17SMS PHEN17SMS PHEN17SMS HEN17SMS HEN17SMS HEN17SMS HEN17SMS	311,515 208,914 80,972 63,805 62,337 12,249 11,294 1,664 <u>2,031,415</u>	- - - - - - - -
Passed through Broward Healthy Start Coalition, Inc. - Care Coordination Services	93.778 93.994	HBH2017-18 HBH2017-18	369,289 109,511 <u>478,800</u>	- - -
Department of Housing and Urban Development - Passed through Broward County, Florida Supportive Housing Program	14.267	16-CP-HIP-8263-HUD15-01	<u>221,645</u>	-

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Expenditures of Federal Awards
and State Financial Assistance
(continued)
For the Year Ended June 30, 2018

Federal/State Agency, Pass-through Entity Federal Program	CFDA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
Federal Agency Name (continued): Indirect Programs (continued): Passed through Hollywood Housing Authority Shelter Care Plus	14.238	FL136SR0001	162,014	-
Department of Agriculture - Passed through State of Florida Department of Elder Affairs Child and Adult Care Food Program	10.558	Y-6050	52,950	-
Department of Transportation - Passed through State of Florida Department of Transportation Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	YR41	44,735	-
Department of Education - Passed through the State of Florida Department of Education Supported Employment Services	84.126	VR5063	29,720	-
Total expenditures of Federal Awards			\$ 7,550,413	\$ -

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Expenditures of Federal Awards
and State Financial Assistance
(continued)

For the Year Ended June 30, 2018

Federal/State Agency, Pass-through Entity State Project	CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
State Agency Name:				
Direct Projects:				
State of Florida, Department of Corrections - Substance Abuse Services - Recently Assertive Community Treatment	70.016	HENDERSON	\$ 51,801	\$ -
State of Florida, Department of Juvenile Justice - Mental Health and Substance Abuse Services	80.011	10309	24,526	-
Indirect Projects:				
State of Florida, Department of Children and Families - Passed through the Broward Behavioral Health Coalition, Inc. -	60.163 60.114	34357 34357	3,261,603 685,233 <u>3,946,836</u>	- - -
Forensic Services and Competency Restoration Training	60.114	LH287	1,401,600	-
Passed through Child Net, Inc. - Placement Partnership Program	60.074 60.074	HEN17PPP PHEN17SMS	100,963 44,180 <u>145,143</u>	- - -
Total Expenditures of State Financial Assistance			\$ 5,569,906	\$ -

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance, Other State Funding and Local Financial Assistance.

Henderson Behavioral Health, Inc. and Subsidiaries
 Schedule of Other State Funding
 For the Year Ended June 30, 2018

Grantor	Program Title	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
Other State Funding:				
Department of Health and Human Services - Passed through the State of Florida				
Department of Children and Families - Passed through the Broward Behavioral Health Coalition, Inc. -	Alcohol, Drug Abuse and Mental Health Services	34357	\$ 11,124,806	\$ -
Passed through the Southeast Florida Behavioral Health Network, Inc -	Alcohol, Drug Abuse and Mental Health Services	PNA30	784,434	-
		PDF04	600,000	-
		LTF10	338,942	-
			<u>1,723,376</u>	<u>-</u>
Total Other State Funding			\$ 12,848,182	\$ -

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance, Other State Funding and Local Financial Assistance.

Henderson Behavioral Health, Inc. and Subsidiaries
 Schedule of Local Financial Assistance
 For the Year Ended June 30, 2018

<u>Grantor</u>	<u>Program Title</u>	<u>Contract Number</u>	<u>County Taxonomy Code</u>	<u>Expenditures</u>
Local Financial Assistance: Broward County	Responding Effectively to Adolescents and Children at Home (REACH) -	14-CP-CSA-8263-01/4	--	\$ 1,000,859
	Safe Haven - Board and Care	16-CP-HIP-8263-02	PF-100	839,038
	Crisis Stabilization	16-CP-HCS-8263-02	RM-330.330	567,980
	Dual Diagnosis	16-CP-HCS-8263-01/5	RP-330, RF-200, RF-250, TP-850.850	479,205
	Crossover Wraparound	16-CP-CSA-8263-01/3	PH-100, PH-236,950, TJ300.800	93,227
	Family Intervention Team	16-CP-CSA-8263-01/6	RF-330, RF-200, RF-250	491,223
	General Case Management	16-CP-CSA-8263-01	PH-100, PH-236,950, TJ300.800	375,248
	Wraparound Case Management	16-CP-CSA-8263-01/2	PH-100, PH-236,950, TJ300.800	223,252
	Mobile Crisis Services	17-CP-HCS-8263-01	RP-150	450,943
	Chronic Homeless Initiative (HHOPE) - Supported Employment Services, Co-Occurring Treatment and Peer Mentoring	16-CP-HIP-8263-01	ND-360,825, RF-650, RD-150	414,798
	Court Project - Crisis Shelter, Transitional Shelter and Rental Assistance	10-HIP-8263-7	BH-180.150, BH-18-950,	240,371

Henderson Behavioral Health, Inc. and Subsidiaries
 Schedule of Local Financial Assistance
 (continued)
 For the Year Ended June 30, 2018

Grantor	Program Title	Contract Number	County Taxonomy Code	Expenditures	
Local Financial Assistance: (continued): Broward County	Outpatient Adult Mental Health Services	16-CP-HCS-8263-01	RF-330, RF-200, RF-250	<u>294,615</u>	
	Drug Court - Medical Director	--	--	<u>5,470,759</u>	
	Children Services Council of Broward County	Family Strengthening - Multi-Systemic Therapy	15-2157	--	657,261
		Homebuilders Program	15-2158	--	442,719
		Diversion Wraparound	14-2156	--	364,385
		Healthy Youth Transitions	16-2159	--	212,279
		Children's After School Program	--	--	71,068
		Family Intensive Team	18-2150	--	<u>27,507</u>
					<u>1,775,219</u>

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Local Financial Assistance
(continued)
For the Year Ended June 30, 2018

Grantor	Program Title	Contract Number	County Taxonomy Code	Expenditures
Local Financial Assistance: (continued): United Way of Broward County	Hill	--	--	97,718
	IRMA Funding	--	--	67,097
	Military Outreach Program	--	--	43,361
				<u>208,176</u>
City of Fort Lauderdale	Youth Emergency Services	PB1181129	--	15,000
	Total expenditures of Local Financial Assistance			\$ <u><u>7,536,862</u></u>

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance, Other State Funding and Local Financial Assistance.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Schedule of Expenditures of Federal Awards and State
Financial Assistance, Other State Funding and Local Financial Assistance
June 30, 2018

Note 1 - Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance, Other State Funding and Local Financial Assistance (the "Schedules") include the federal award, state financial assistance, other state and local funding Henderson Behavioral Health, Inc. and Subsidiaries (the "Organization") and are presented on the accrual basis of accounting. The information in the Schedule of Expenditures of Federal Awards and State Financial Assistance is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Because the Schedules presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, Chapter 10.650, *Rules of Auditor General* and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Organization did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Contingency

The grants from governmental agencies amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and other regulations.

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Program/Covered Service Actual Expenses and Revenues
For the Year Ended June 30, 2018

Adult Mental Health

Funding Sources and Revenues	Assessment	Care Coordination Team	Case Management	Central Receiving Facility	Crisis/Support Emergency	Crisis Stabilization	Day Treatment	First Episode	Florida Assertive Community Treatment (FACT) Team	Forensic Multidisciplinary Team
State SAMH Funding:										
From the District funding these contracts										
34357	\$ 220,275	\$ 139,029	\$ 1,262,830	\$ 3,442,957	\$ 1,091,649	\$ 1,995,111	\$ 85,866	\$ 722,895	\$ 993,080	\$ 507,824
LH287	-	-	-	-	-	-	-	-	-	-
PNA30	-	-	-	-	-	-	-	-	956,299	-
PDF04	-	-	-	-	-	-	-	-	-	-
LTF10	-	-	-	-	-	-	-	-	-	-
Total state SAMH funding	220,275	139,029	1,262,830	3,442,957	1,091,649	1,995,111	85,866	722,895	1,949,379	507,824
Other Government Funding:										
Local government	-	-	289,803	-	525,808	367,980	66,367	-	-	-
Medicaid	-	-	1,611,175	-	-	-	169,991	-	-	-
Federal grants and contracts	-	-	-	-	-	-	-	-	-	-
Other state agency funding	-	18,517	-	-	-	-	161,864	-	-	-
Total other government funding	-	18,517	1,900,978	-	525,808	367,980	398,222	-	-	-
All Other Revenues:										
Other	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-
Student counseling	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-	-	-	-
First and second party payments Medicare	-	-	59,441	-	-	-	-	-	-	-
Total all other revenues	-	-	59,441	-	-	-	-	-	-	-
Total funding	\$ 220,275	\$ 157,546	\$ 3,223,249	\$ 3,442,957	\$ 1,617,457	\$ 2,363,091	\$ 484,088	\$ 722,895	\$ 1,949,379	\$ 507,824

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Program/Covered Service Actual Expenses and Revenues
For the Year Ended June 30, 2018

Adult Mental Health										
Funding Sources and Revenues	In-Home and On-Site	Incidental Expenses	Intervention	Medical Services	Outpatient	Outreach	Recovery Support	Residential Level I	Room and Board with Supervision Level I	Residential Level II
State SAMH Funding:										
From the District funding these contracts										
34357	\$ 36,315	\$ 537,595	\$ -	\$ 1,651,981	\$ 692,102	\$ -	\$ 154,623	\$ 522,179	\$ 313,205	\$ 533,839
LH287	-	-	-	-	-	-	-	-	-	1,401,600
PNA30	-	227,200	-	-	-	-	-	-	-	-
PDF04	-	-	-	-	-	-	-	-	-	-
LTF10	-	120	32,578	-	-	-	-	-	-	-
Total state SAMH funding	<u>36,315</u>	<u>764,915</u>	<u>32,578</u>	<u>1,651,981</u>	<u>692,102</u>	<u>-</u>	<u>154,623</u>	<u>522,179</u>	<u>313,205</u>	<u>1,935,439</u>
Other Government Funding:										
Local government	-	-	-	279,706	-	112,801	-	-	-	-
Medicaid	75,885	-	36,879	738,080	189,202	7,501	-	23,559	360,827	129,003
Federal grants and contracts	-	-	-	-	-	-	-	-	-	415,304
Other state agency funding	-	-	-	-	-	-	-	-	-	-
Total other government funding	<u>75,885</u>	<u>-</u>	<u>36,879</u>	<u>1,017,786</u>	<u>189,202</u>	<u>120,302</u>	<u>-</u>	<u>23,559</u>	<u>360,827</u>	<u>544,307</u>
All Other Revenues:										
Other	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-
Student counseling	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	193,463	99,540	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-	-	-	-
First and second party payments	-	-	-	-	55,077	-	-	6,245	8,597	9,979
Medicare	-	-	-	82,642	-	-	-	-	-	-
Total all other revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,105</u>	<u>154,617</u>	<u>-</u>	<u>-</u>	<u>6,245</u>	<u>8,597</u>	<u>9,979</u>
Total funding	<u>\$ 112,200</u>	<u>\$ 764,915</u>	<u>\$ 69,457</u>	<u>\$ 2,945,872</u>	<u>\$ 1,035,921</u>	<u>\$ 120,302</u>	<u>\$ 154,623</u>	<u>\$ 551,983</u>	<u>\$ 682,629</u>	<u>\$ 2,489,725</u>

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Program/Covered Service Actual Expenses and Revenues
(continued)
For the Year Ended June 30, 2018

Funding Sources and Revenues	Adult Mental Health				Children's Mental Health					
	Room and Board with Supervision Level II	Residential Level III	Room and Board with Supervision Level III	Supportive Employment	Total for Adult Mental Health	Case Management	Crisis Support/Emergency	In-Home and On-Site	Incidental Expenses	Intervention
State SAMH Funding:										
From the District funding these contracts										
34357	\$ 73,464	\$ 334,209	\$ 248,455	\$ 411,647	\$ 15,971,130	\$ 462,421	\$ 1,149,505	\$ 3,089	\$ 5,060	\$ 224,186
LH287	-	-	-	-	1,401,600	-	-	-	-	-
PNA30	-	-	-	-	1,183,499	-	-	-	-	-
PDF04	-	-	-	-	-	-	-	-	-	-
LTF10	-	-	-	-	32,698	55,486	-	85,424	13,600	195,444
Total state SAMH funding	73,464	334,209	248,455	411,647	18,588,927	517,907	1,149,505	88,513	18,660	419,630
Other Government Funding:										
Local government	635,889	249,990	-	-	2,528,344	463,152	404,373	333,202	-	-
Medicaid	17,852	-	-	-	3,359,954	1,342,407	55,090	183,225	-	85,260
Federal grants and contracts	-	-	-	-	415,304	322,323	-	-	-	-
Other state agency funding	-	-	-	-	180,381	-	-	-	-	-
Total other government funding	653,741	249,990	-	-	6,483,983	2,127,882	459,463	516,427	-	85,260
All Other Revenues:										
Other	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-
Student counseling	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	293,003	-	-	-	-	-
Contributions and donations	-	-	-	-	162,357	122,170	-	-	-	-
First and second party payments	9,311	6,897	6,810	-	82,642	-	-	-	-	-
Medicare	-	-	-	-	-	-	-	-	-	-
Total all other revenues	9,311	6,897	6,810	-	538,002	122,170	-	-	-	-
Total funding	\$ 736,516	\$ 591,096	\$ 255,265	\$ 411,647	\$ 25,610,912	\$ 2,767,959	\$ 1,608,968	\$ 604,940	\$ 18,660	\$ 504,890

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Program/Covered Service Actual Expenses and Revenues
(continued)
For the Year Ended June 30, 2018

Funding Sources and Revenues	Adult Substance Abuse			Children's Substance Abuse			Total For State Funded SAMH Covered Services	Non-State Funded SAMH Covered Services	All State - Designated SAMH Covered Services
	Intervention	Outpatient	Outreach	Total Adult Substance Abuse	Intervention	Outreach			
State SAMH Funding:									
From the District funding these contracts									
34357	\$ 15,439	\$ -	\$ 342,827	\$ 1,216,312	\$ 5,662	\$ 263,421	\$ 19,349,410	\$ -	\$ 19,349,410
LH287	-	-	-	-	-	-	1,401,600	-	1,401,600
PNA30	-	-	-	-	-	-	1,183,499	-	1,183,499
PDF04	-	-	-	600,000	-	-	600,000	-	600,000
LTF10	20,807	-	-	20,807	-	-	446,864	-	446,864
Total state SAMH funding	36,246	-	342,827	1,837,119	5,662	263,421	22,981,373	-	22,981,373
Other Government Funding:									
Local government	-	-	-	-	-	-	6,622,540	1,134,336	7,756,876
Medicaid	98,102	404,807	-	536,047	-	-	6,368,970	62,085	6,431,055
Federal grants and contracts	-	-	-	-	-	-	2,859,103	-	2,859,103
Other state agency funding	-	-	-	-	-	-	180,381	-	180,381
Total other government funding	98,102	404,807	-	536,047	-	-	16,030,994	1,196,421	17,227,415
All Other Revenues:									
Other	-	-	-	-	-	-	-	66,140	66,140
Rental income	-	-	-	-	-	-	-	-	-
Student counseling	-	-	-	-	-	-	-	961,106	961,106
In-kind	-	-	-	-	-	-	388,290	-	388,290
Contributions and donations	-	-	-	-	-	-	-	289,299	289,299
First and second party payments	-	-	-	-	-	-	382,498	-	382,498
Medicare	-	-	-	-	-	-	82,642	-	82,642
Total all other revenues	-	-	-	-	-	-	853,430	1,316,545	2,169,975
Total funding	\$ 134,348	\$ 404,807	\$ 342,827	\$ 2,373,166	\$ 5,662	\$ 263,421	\$ 39,865,797	\$ 2,512,966	\$ 42,378,763

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Program/Covered Service Actual Expenses and Revenues
(continued)
For the Year Ended June 30, 2018

Funding Sources and Revenues	Non-SAMH Covered Services	Fundraising	Total Funding
State SAMH Funding:			
From the District funding these contracts			
34357	\$ -	\$ -	\$ 19,349,410
LH287	-	-	1,401,600
PNA30	-	-	1,183,499
PDF04	-	-	600,000
LTF10	-	-	446,864
Total State SAMH funding	-	-	22,981,373
Other Government Funding:			
Local government	-	-	7,756,876
Medicaid	-	-	6,431,055
Federal grants and contracts	-	-	2,859,403
Other state agency funding	-	-	180,381
Total other government funding	-	-	17,227,415
All Other Revenues:			
Other	424,594	-	490,734
Rental income	1,189,404	-	1,189,404
Student counseling	-	-	961,106
In-kind	-	75,240	463,530
Contributions and donations	-	257,347	546,646
First and second party payments	-	-	382,498
Medicare	-	-	82,642
Total all other revenues	1,613,998	332,587	4,116,560
Total funding	\$ 1,613,998	\$ 332,587	\$ 44,325,348

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Program/Covered Service Actual Expenses and Revenues
(continued)
For the Year Ended June 30, 2018

Adult Mental Health										
Expense Categories	Assessment	Care Coordination Team	Case Management	Central Receiving Facility	Crisis Support/Emergency	Crisis Stabilization	Day Treatment	First Episode	Florida Assertive Community Treatment (FACT) Team	
Personnel Expenses:										
Salaries	\$ 116,259	\$ 83,151	\$ 1,996,767	\$ 1,476,207	\$ 853,674	\$ 1,400,094	\$ 255,496	\$ 381,535	\$ 886,168	
Fringe benefits	24,804	17,740	395,567	380,184	182,131	276,965	54,510	81,400	176,017	
Total personnel expenses	141,063	100,891	2,392,334	1,856,391	1,035,805	1,677,059	310,006	462,935	1,062,185	
Other Expenses:										
Building occupancy	9,151	6,545	145,944	140,268	67,197	102,186	20,111	30,033	64,941	
Other	-	18,517	-	-	-	-	-	-	-	
Equipment	3,265	2,335	52,063	50,039	23,972	36,453	7,174	10,714	23,167	
Professional services	7,286	5,211	44,020	411,913	12,728	14,958	16,013	23,912	11,793	
In-kind donations	-	-	-	-	-	-	-	-	-	
Food and client care services	11,000	7,868	7,897	159,812	9,030	12,161	24,174	36,100	374,536	
Travel	2,739	1,959	43,684	41,985	20,113	30,586	6,020	8,989	19,438	
Medical and pharmacy	320	229	5,098	47,563	16,697	54,777	702	1,049	21,616	
Insurance	1,138	814	18,155	29,160	8,359	12,711	2,502	3,736	8,078	
Operating supplies and expenses	1,597	1,142	25,465	45,259	11,725	17,830	3,509	5,240	11,331	
Interest expense	-	-	-	-	-	-	-	-	-	
Total other expenses	36,496	44,620	342,326	925,999	169,821	281,662	80,205	119,773	534,900	
Total personnel and other expenses	177,559	145,511	2,734,660	2,782,390	1,205,626	1,958,721	390,211	582,708	1,597,085	
Distributed Indirect Costs:										
Allocation of other support costs	10,096	8,274	148,616	175,699	68,593	105,641	22,188	33,133	87,386	
Allocation of administration	22,497	18,438	328,598	391,503	152,844	235,397	49,440	73,829	194,719	
Total distributed indirect costs	32,593	26,712	477,214	567,202	221,437	341,038	71,628	106,962	282,105	
Total actual operating expenses	210,152	172,223	3,211,874	3,349,592	1,427,063	2,299,759	461,839	689,670	1,879,190	
Unallowable Costs	-	-	-	-	-	-	-	-	-	
Total allowed operating expenses	\$ 210,152	\$ 172,223	\$ 3,211,874	\$ 3,349,592	\$ 1,427,063	\$ 2,299,759	\$ 461,839	\$ 689,670	\$ 1,879,190	
Capital Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 12,691	\$ -	\$ -	\$ -	\$ -	

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Program/Covered Service Actual Expenses and Revenues
(continued)
For the Year Ended June 30, 2018

Adult Mental Health									
Expense Categories	Forensic Multidisciplinary Team	In-Home and On-Site	Incidental Expenses	Intervention	Medical Services	Outpatient	Outreach	Recovery Support	Residential Level I
Personnel Expenses:									
Salaries	\$ 268,023	\$ 59,218	-	\$ 36,659	\$ 1,554,611	\$ 545,172	\$ 63,494	\$ 81,608	\$ 240,369
Fringe benefits	57,183	12,634	-	7,821	331,676	1,16,312	13,546	17,411	51,283
Total personnel expenses	325,206	71,852	-	44,480	1,886,287	661,484	77,040	99,019	291,652
Other Expenses:									
Building occupancy	21,097	4,661	-	2,886	122,371	42,913	4,998	6,424	63,308
Other	-	-	-	-	-	-	-	-	-
Equipment	7,526	1,663	-	1,029	43,654	15,309	1,783	2,292	6,750
Professional services	16,798	3,711	-	2,298	97,432	31,038	3,979	5,115	15,065
In-kind donations	-	-	-	-	193,463	99,540	-	-	-
Food and client care services	25,360	5,603	831,566	3,469	-	125	6,008	7,722	43,564
Travel	6,315	1,395	-	864	36,628	12,845	1,496	1,923	5,663
Medical and pharmacy	737	163	-	101	33,607	1,499	175	224	4,554
Insurance	2,624	580	-	359	15,222	5,338	622	799	2,354
Operating supplies and expenses	3,681	813	-	503	21,352	7,488	872	1,121	3,301
Interest expense	-	-	-	-	-	-	-	-	-
Total other expenses	84,138	18,589	831,566	11,509	563,729	216,095	19,933	25,620	144,559
Total personnel and other expenses	409,344	90,441	831,566	55,989	2,450,016	877,579	96,973	124,639	436,211
Distributed Indirect Costs:									
Allocation of other support costs	23,276	5,143	-	3,183	128,305	44,266	5,514	7,087	24,805
Allocation of administration	51,864	11,459	-	7,094	285,897	98,636	12,286	15,792	55,273
Total distributed indirect costs	75,140	16,602	-	10,277	414,202	142,902	17,800	22,879	80,078
Total actual operating expenses	484,484	107,043	831,566	66,266	2,864,218	1,020,481	114,773	147,518	516,289
Unallowable Costs									
Total allowed operating expenses	\$ 484,484	\$ 107,043	\$ 831,566	\$ 66,266	\$ 2,864,218	\$ 1,020,481	\$ 114,773	\$ 147,518	\$ 516,289
Capital Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,775

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Program/Covered Service Actual Expenses and Revenues
(continued)
For the Year Ended June 30, 2018

Expense Categories	Adult Mental Health				Children's Mental Health				
	Room and Board with Supervision Level I	Residential Level II	Room and Board with Supervision Level II	Residential Level III	Room and Board with Supervision Level III	Supportive Employment	Total for Adult Mental Health	Case Management	Crisis Support/ Emergency
Personnel Expenses:									
Salaries	\$ 337,852	\$ 1,415,970	\$ 286,802	\$ 210,052	\$ 134,726	\$ 64,379	\$ 12,748,286	\$ 1,562,818	\$ 849,194
Fringe benefits	72,081	302,097	61,189	44,814	28,744	13,735	2,719,844	333,427	181,175
Total personnel expenses	409,933	1,718,067	347,991	254,866	163,470	78,114	15,468,130	1,896,245	1,030,369
Other Expenses:									
Building occupancy	87,114	126,705	94,606	135,889	27,300	5,068	1,331,716	123,017	66,844
Other	-	-	-	-	-	-	18,517	-	-
Equipment	9,487	39,761	8,054	5,898	3,783	1,808	357,979	43,885	23,846
Professional services	22,580	29,422	17,975	13,165	8,444	4,035	818,891	52,850	53,222
In-kind donations	-	-	-	-	-	-	293,003	-	-
Food and client care services	13,377	58,970	41,007	9,797	12,389	265,079	1,966,614	12,159	80,349
Travel	7,960	33,362	6,757	4,949	3,174	1,517	300,361	36,822	20,008
Medical and pharmacy	29,887	36,888	13,301	9,898	370	177	279,632	26,207	2,335
Insurance	3,308	13,865	2,808	2,057	1,319	630	136,538	15,303	8,315
Operating supplies and expenses	4,640	19,448	3,939	2,885	1,850	884	195,875	21,465	11,663
Interest expense	-	-	-	-	-	-	-	-	-
Total other expenses	178,353	358,421	188,447	184,538	58,629	279,198	5,699,126	331,708	266,582
Total personnel and other expenses	588,286	2,076,488	536,438	439,404	222,099	357,312	21,167,256	2,227,953	1,296,951
Distributed Indirect Costs:									
Allocation of other support costs	33,373	118,140	30,506	24,989	12,629	20,326	1,141,168	126,758	73,745
Allocation of administration	74,363	263,248	67,974	55,681	28,141	45,291	2,540,264	282,450	164,324
Total distributed indirect costs	107,736	381,388	98,480	80,670	40,770	65,617	3,681,432	409,208	238,069
Total actual operating expenses	696,022	2,457,876	634,918	520,074	262,869	422,929	24,848,688	2,637,161	1,535,020
Unallowable Costs									
Total allowed operating expenses	\$ 696,022	\$ 2,457,876	\$ 634,918	\$ 520,074	\$ 262,869	\$ 422,929	\$ 24,848,688	\$ 2,637,161	\$ 1,535,020
Capital Expenditures	\$ 17,775	\$ 17,775	\$ 17,775	\$ 17,775	\$ 17,775	\$ -	\$ 119,341	\$ 41,419	\$ 41,419

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Program/Covered Service Actual Expenses and Revenues
(continued)
For the Year Ended June 30, 2018

Expense Categories	Children's Mental Health										Total for Children's Mental Health	
	In-Home and On-Site	Incidental Expenses	Intervention	Medical Services	Outpatient	Outreach	Prevention	Residential Level II				
Personnel Expenses:												
Salaries	\$ 319,280	\$ -	\$ 266,475	\$ 347,199	\$ 603,405	\$ 169,724	\$ 1,572,965	\$ 530,691	\$ 6,221,751			
Fringe benefits	68,118	-	56,852	74,075	128,736	36,211	335,592	113,223	1,327,409			
Total personnel expenses	387,398	-	323,327	421,274	732,141	205,935	1,908,557	643,914	7,549,160			
Other Expenses:												
Building occupancy	25,132	-	20,976	27,330	47,497	13,360	123,816	41,773	489,745			
Other	-	8,851	-	-	-	-	-	-	8,851			
Equipment	8,966	-	7,483	9,750	16,944	4,766	44,170	14,902	174,712			
Professional services	20,010	-	16,701	31,637	37,817	10,637	22,520	33,260	278,654			
In-kind donations	-	-	-	95,287	-	-	-	-	95,287			
Food and client care services	30,210	9,809	25,213	32,851	57,093	16,059	148,831	50,213	462,787			
Travel	7,523	-	6,278	8,180	14,217	3,999	37,061	12,504	146,592			
Medical and pharmacy	878	-	733	955	1,659	467	4,325	1,459	39,018			
Insurance	3,126	-	2,609	3,400	5,908	1,662	15,402	5,196	60,921			
Operating supplies and expenses	4,385	-	3,660	4,769	8,287	2,331	21,604	7,289	85,453			
Interest expense	-	-	-	-	-	-	-	-	-			
Total other expenses	100,230	18,660	83,653	214,159	189,422	53,281	417,729	166,596	1,842,020			
Total personnel and other expenses	487,628	18,660	406,980	635,433	921,563	259,216	2,326,286	810,510	9,391,180			
Distributed Indirect Costs:												
Allocation of other support costs	27,727	-	23,141	30,731	52,401	14,739	132,353	46,086	527,681			
Allocation of administration	61,783	-	51,564	68,477	116,762	32,843	294,916	102,692	1,175,811			
Total distributed indirect costs	89,510	-	74,705	99,208	169,163	47,582	427,269	148,778	1,703,492			
Total actual operating expenses	577,138	18,660	481,685	734,641	1,090,726	306,798	2,753,555	959,288	11,094,672			
Unallowable Costs												
Total allowed operating expenses	\$ 577,138	\$ 18,660	\$ 481,685	\$ 734,641	\$ 1,090,726	\$ 306,798	\$ 2,753,555	\$ 959,288	\$ 11,094,672			
Capital Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,838			

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Program/Covered Service Actual Expenses and Revenues
(continued)
For the Year Ended June 30, 2018

Expense Categories	Adult Substance Abuse				Total for Adult Substance Abuse	Children Substance Abuse					
	Central Receiving Facility	Day Treatment	FITT	Incidental Expenses			Intervention	Outpatient	Outreach	Intervention	
Personnel Expenses:											
Salaries	\$ 43,543	\$ 24,405	\$ 738,903	\$ -	\$ 70,907	\$ 180,940	\$ 1,272,350	\$ 2,988			
Fringe benefits	9,290	5,207	157,645	-	15,128	38,603	271,456	638			
Total personnel expenses	52,833	29,612	896,548	-	86,035	219,543	1,543,806	3,626			
Other Expenses:											
Building occupancy	3,427	1,921	76,489	-	5,581	14,243	118,479	235			
Other	-	-	-	-	-	-	-	-			
Equipment	1,223	685	20,749	-	1,991	5,081	35,728	84			
Professional services	1,323	1,530	46,309	-	4,444	11,340	78,336	187			
In-kind donations	-	-	-	-	-	-	-	-			
Food and client care services	4,120	2,309	89,913	4,943	6,709	17,120	145,329	-			
Travel	1,026	575	17,409	-	1,671	4,263	29,978	70			
Medical and pharmacy	120	67	2,032	-	195	497	3,498	8			
Insurance	426	239	7,235	-	694	1,772	12,458	29			
Operating supplies and expenses	598	335	28,289	-	974	2,485	35,615	41			
Interest expense	-	-	-	-	-	-	-	-			
Total other expenses	12,263	7,661	288,425	4,943	22,259	56,801	459,421	654			
Total personnel and other expenses	65,096	37,273	1,184,973	4,943	108,294	276,344	2,003,227	4,280			
Distributed Indirect Costs:											
Allocation of other support costs	3,781	2,119	67,380	-	6,158	15,713	113,705	243			
Allocation of administration	8,426	4,723	150,141	-	13,721	35,013	253,367	542			
Total distributed indirect costs	12,207	6,842	217,521	-	19,879	50,726	367,072	785			
Total actual operating expenses	77,303	44,115	1,402,494	4,943	128,173	327,070	2,370,299	5,065			
Unallowable Costs											
Total allowed operating expenses	\$ 77,303	\$ 44,115	\$ 1,402,494	\$ 4,943	\$ 128,173	\$ 327,070	\$ 2,370,299	\$ 5,065			
Capital Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Program/Covered Service Actual Expenses and Revenues
(continued)
For the Year Ended June 30, 2018

Expense Categories	Children Substance Abuse		Total for State Funded SAMH Covered Services	Non-State Funded Covered Services	All State-Designated SAMH Covered Services	Non-SAMH Covered Services	Fundraising	Other Support Costs	Administration	Total Expenses
	Outreach	Total for Children Substance Abuse								
Personnel Expenses:										
Salaries	\$ 139,030	\$ 142,018	\$ 20,384,405	\$ 1,329,800	\$ 21,714,205	\$ 353,451	\$ 99,775	\$ 1,265,775	\$ 2,613,866	\$ 26,047,072
Fringe benefits	29,662	30,300	4,349,009	283,712	4,632,721	75,409	21,287	270,053	557,668	5,557,138
Total personnel expenses	168,692	172,318	24,733,414	1,613,512	26,346,926	428,860	121,062	1,535,828	3,171,534	31,604,210
Other Expenses:										
Building occupancy	10,944	11,179	1,951,119	104,675	2,055,794	495,050	11,458	145,363	283,619	2,991,284
Other	-	-	27,368	10,682	38,050	22,482	3,579	13,376	232,771	310,258
Equipment	3,904	3,988	572,407	37,341	609,748	9,922	2,802	35,544	73,399	731,415
Professional services	8,713	8,900	1,184,781	83,343	1,268,124	27,054	6,253	79,330	251,692	1,632,453
In-kind donations	-	-	388,290	-	388,290	-	75,240	-	-	463,530
Food and client care services	-	-	2,574,730	21,231	2,595,961	18,798	-	-	-	2,614,759
Travel	3,276	3,346	480,277	31,331	511,608	8,328	2,351	29,823	61,585	613,695
Medical and pharmacy	382	390	322,538	157,352	479,890	-	-	-	-	479,890
Insurance	1,361	1,390	211,307	87,747	299,054	104,922	-	-	104,219	508,195
Operating supplies and expenses	1,910	1,951	318,894	31,241	350,135	58,303	2,344	78,733	122,335	611,850
Interest expense	-	-	-	-	-	110,287	-	-	146,156	256,443
Total other expenses	30,490	31,144	8,031,711	564,943	8,596,654	855,146	104,027	382,169	1,275,776	11,213,772
Total personnel and other expenses	199,182	203,462	32,765,125	2,178,455	34,943,580	1,284,006	225,089	1,917,997	4,447,310	42,817,982
Distributed Indirect Costs:										
Allocation of other support costs	11,325	11,568	1,794,122	123,875	1,917,997	-	-	(1,917,997)	-	-
Allocation of administration	25,235	25,777	3,995,219	276,020	4,271,239	157,085	18,986	-	(4,447,310)	-
Total distributed indirect costs	36,560	37,345	5,789,341	399,895	6,189,236	157,085	18,986	(1,917,997)	(4,447,310)	-
Total actual operating expenses	235,742	240,807	38,554,466	2,578,350	41,132,816	1,441,091	244,075	-	-	42,817,982
Unallowable Costs										
Total allowed operating expenses	\$ 235,742	\$ 240,807	\$ 38,554,466	\$ 2,578,350	\$ 41,132,816	\$ 1,441,091	\$ -	\$ -	\$ -	\$ 42,575,907
Capital Expenditures										
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,406	\$ 331,585

**Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Related Party Transaction Adjustments
For the Year Ended June 30, 2018**

Henderson Behavioral Health, Inc. and Subsidiaries did not have any related party transaction adjustments for the year ended June 30, 2018.

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of State Earnings
For the Year Ended June 30, 2018

Total Expenditures	\$ 42,817,982
Less other state and Federal funds	(9,655,538)
Less nonmatch SAMH funds	(13,803,304)
Less unallowable costs per 65E-14, F.A.C.	<u>(244,075)</u>
Total Allowable Expenditures	\$ <u>19,115,065</u>
Maximum Available Earnings	\$ <u>14,336,299</u>
Amount of State Funds Requiring Match	\$ <u>8,922,196</u>
Amount Due to Department *	\$ <u>5,414,103</u>

* If this amount is negative, the amount due to the department up to the amount on line listed as "amount of state funds requiring match."

Henderson Behavioral Health, Inc. and Subsidiaries
 Schedule of Bed-Day Availability Payments
 For the Year Ended June 30, 2018

Program	Covered Service	State Contracted Rate	Total Units of Service Provided	Total Units of Services Paid by Third Party Contracts, Local Government or Other State Agencies	Maximum Number of Units Eligible For Payment by Department	Amount Paid For Services by the Department	Maximum Dollar Value of Units Eligible for Payment by the Department	Amount Owed to Department
Adult Mental Health (34357)	Crisis Stabilization	\$ 303.67	8,395	1,825	6,570	\$ 1,995,111	\$ 1,995,111	\$ NONE
Adult Mental Health (LH287)	Residential Level II	240.00	5,840	-	5,840	\$ 1,401,600	\$ 1,401,600	\$ NONE

INTERNAL CONTROLS AND COMPLIANCE

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
Henderson Behavioral Health, Inc. and Subsidiaries
Fort Lauderdale, 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 combined financial statements of Henderson Behavioral Health, Inc. and Subsidiaries (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated October 17, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 17, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL

To the Board of Directors
Henderson Behavioral Health, Inc. and Subsidiaries
Fort Lauderdale, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Henderson Behavioral Health, Inc. and Subsidiaries (the "Organization") (a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Compliance Supplement*, and the compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended June 30, 2018. Henderson Behavioral Health, Inc. and Subsidiaries and Subsidiaries 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 federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and/or state project occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Henderson Behavioral Health, Inc. and Subsidiaries 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 of compliance, we considered Henderson Behavioral Health, Inc. and Subsidiaries internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or 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 to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henderson Behavioral Health, Inc. and Subsidiaries 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 and/or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of 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 and/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 and/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 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance 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 the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 17, 2018

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

A. Summary of Auditor’s Results

1. The auditor's report expresses an unmodified opinion on the combined financial statements of Henderson Behavioral Health, Inc. and Subsidiaries.
2. No material weaknesses relating to the audit of the combined financial statements are reported in the 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*.
3. No instances of noncompliance material to the combined financial statements of Henderson Behavioral Health, Inc. and Subsidiaries were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal program are reported in the Independent Auditor’s Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*.
5. The auditor’s report on compliance for the major federal programs and state projects for Henderson Behavioral Health, Inc. and Subsidiaries expresses an unmodified opinion.
6. There are no audit findings relative to the major federal programs and state projects for Henderson Behavioral Health, Inc. and Subsidiaries reported in Part C of this schedule.
7. The programs/projects tested as major program/projects are the following:

Federal Programs	Federal CFDA No.
United States Department of Health and Human Services, Medical Assistance Program	93.778
Block Grants for Prevention and Treatment of Substance Abuse	93.959
State Projects	State CSFA No.
State of Florida Department of Children and Families, Centralized Receiving Systems	60.163

8. The threshold for distinguishing Type A and B programs/projects was \$ 750,000 and \$ 300,000 respectively.
9. Henderson Behavioral Health, Inc. and Subsidiaries was determined to be a low risk auditee pursuant to the Uniform Guidance.

Henderson Behavioral Health, Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
(continued)
For the Year Ended June 30, 2018

B. Findings - Financial Statement Audit

No matters were reported.

C. Findings and Questioned Costs - Major Federal Awards Programs and State Financial Assistance Project Audits

No matters were reported.

D. Other Issues

1. No management letter is required because there were no findings required to be reported in a separate management letter.
2. No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects.
3. No corrective action plan is required because there were no findings reported under the Uniform Guidance or the Florida Single Audit Act.