

**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.  
MIAMI, FLORIDA**

**INDEPENDENT AUDITOR'S  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**



# **SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.**

**JUNE 30, 2020**

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**THOMAS & COMPANY, C.P.A., P.A.**  
Certified Public Accountants and Business Consultants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
South Florida Behavioral Health Network, Inc.  
Miami, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of South Florida Behavioral Health Network, Inc. (a nonprofit organization), which comprise of the statement of financial June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Florida Behavioral Health Network, Inc. as of June 30, 2020 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.

## ***Other Matters***

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards and State financial assistance 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 Chapter 10.650 Rules of the Auditor General of the State of Florida, the Schedule of Related Party Transaction Adjustments, the Schedule of State Earnings, Cost Center Actual Expenses and Revenues, Bed-Day Availability Payments as required by the Florida Department of Children and Families (the "Department"), *Florida Administrative code 65E-14, Drug Abuse and mental health services*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material aspects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020 on our consideration South Florida Behavioral Health Network, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Florida Behavioral Health Network, Inc.'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 South Florida Behavioral Health Network, Inc.'s internal control over financial reporting and compliance.

  
Thomas & Company CPA, PA  
Cooper City, FL  
December 4, 2020

**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020**

**ASSETS**

**Current Assets**

Cash and Cash Equivalent	\$	9,123,868
Restricted Cash		6,496,553
Grants Receivable		9,859,967
Prepaid Expenses		58,325
Accounts Receivable - Other		1,026,829
<b>Total Current Assets</b>		<b>26,565,542</b>

**Non-Current Assets**

Furniture & Equipment		132,708
Computer Hardware & Software		339,788
Leasehold Improvement		19,062
Less: Accumulated Depreciation/Amortization		(481,158)
<b>Total Furniture and Equipment, Net</b>		<b>10,400</b>

**Other Assets**

Security Deposits		29,486
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<b>TOTAL ASSETS</b>	\$	<b>26,605,428</b>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

**Current Liabilities**

Subcontracted Grants Payable	\$	8,595,307
Accounts Payable and Accrued Expenses		7,661,366
Deferred Revenue		9,319,730
<b>Total Current Liabilities</b>		<b>25,576,403</b>

<b>TOTAL LIABILITIES</b>		<b>25,576,403</b>
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**NET ASSETS**

Without Donor Restrictions		1,029,025
<b>TOTAL NET ASSETS</b>		<b>1,029,025</b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$	<b>26,605,428</b>
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**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2020**

	<b>WITHOUT DONOR RESTRICTIONS</b>	<b>WITH DONOR RESTRICTIONS</b>	<b>TOTAL</b>
<b>REVENUE AND SUPPORT</b>			
Government Contracts and Grants	\$ 90,526,968	\$ 12,722,905	\$ 103,249,873
Other Contributions	514,307	-	514,307
<b>TOTAL REVENUE AND SUPPORT</b>	<b>\$ 91,041,275</b>	<b>\$ 12,722,905</b>	<b>\$ 103,764,180</b>
<b>OPERATING EXPENSES</b>			
Program Services	86,924,254	12,722,905	99,647,159
Management & General	4,174,084	-	4,174,084
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 91,098,338</b>	<b>\$ 12,722,905</b>	<b>\$ 103,821,243</b>
<b>CHANGE IN NET ASSETS</b>	<b>(57,063)</b>	<b>-</b>	<b>(57,063)</b>
<b>NET ASSETS AT THE BEGINNING OF YEAR</b>	<b>1,086,088</b>	<b>-</b>	<b>1,086,088</b>
<b>NET ASSETS AT THE END OF YEAR</b>	<b>\$ 1,029,025</b>	<b>\$ -</b>	<b>\$ 1,029,025</b>

**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**WITHOUT DONOR RESTRICTIONS**

	<b>Residential</b>	<b>Crisis Stabilization</b>	<b>Case Management</b>	<b>Outreach</b>	<b>Outpatient</b>	<b>SA Detoxification</b>	<b>Crisis Support</b>	<b>Medical Services</b>	<b>Prevention</b>	<b>Short Term Residential</b>
<b>Personnel Costs</b>										
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes & Employee Benefits	-	-	-	-	-	-	-	-	-	-
<b>Total Personnel Costs</b>	-	-	-	-	-	-	-	-	-	-
<b>Other Expenses</b>										
Occupancy	-	-	-	-	-	-	-	-	-	-
Professional Fee	-	-	-	-	-	-	-	-	-	-
Management Information System	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-
Office Supplies and Expenses	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
Subcontracted Grants	\$ 20,032,375	\$ 11,594,979	\$ 4,130,498	\$ 1,957,019	\$ 6,425,502	\$ 2,360,573	\$ 4,806,959	\$ 2,704,936	\$ 4,104,164	\$ 2,966,743
<b>Total Other Expenses</b>	20,032,375	11,594,979	4,130,498	1,957,019	6,425,502	2,360,573	4,806,959	2,704,936	4,104,164	2,966,743
<b>Grand Total Expenses</b>	\$ 20,032,375	\$ 11,594,979	\$ 4,130,498	\$ 1,957,019	\$ 6,425,502	\$ 2,360,573	\$ 4,806,959	\$ 2,704,936	\$ 4,104,164	\$ 2,966,743

The Accompanying notes are an integral part of this financial statement

**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (Cont.)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**WITHOUT DONOR RESTRICTIONS**

	<b>Intervention</b>	<b>Incidental Expenses</b>	<b>Assessments</b>	<b>In-Home On-site Services</b>	<b>CCST</b>	<b>First Episode Team</b>	<b>FACT Team</b>	<b>Federal Project Grant</b>	<b>Network Evaluation and Development</b>	<b>Forensic Multi-Disciplinary Team</b>	<b>BNET</b>
<b>Personnel Costs</b>											
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes & Employee Benefits	-	-	-	-	-	-	-	-	-	-	-
<b>Total Personnel Costs</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Other Expenses</b>											
Occupancy	-	-	-	-	-	-	-	-	-	-	-
Professional Fee	-	-	-	-	-	-	-	-	-	-	-
Management Information System	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-
Office Supplies and Expenses	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements											
Subcontracted Grants	\$ 1,154,162	\$ 1,793,145	\$ 798,016	\$ 3,054,762	\$ 1,327,652	\$ 853,000	\$ 2,989,155	2,274,039	\$ 432,149	\$ 527,521	\$ 46,662
<b>Total Other Expenses</b>	1,154,162	1,793,145	798,016	3,054,762	1,327,652	853,000	2,989,155	2,274,039	432,149	527,521	46,662
<b>Grand Total Expenses</b>	\$ 1,154,162	\$ 1,793,145	\$ 798,016	\$ 3,054,762	\$ 1,327,652	\$ 853,000	\$ 2,989,155	\$ 2,274,039	\$ 432,149	\$ 527,521	\$ 46,662



**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (Cont.)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	WITHOUT DONOR RESTRICTIONS								WITH DONOR RESTRICTIONS		TOTAL EXPENSES	
	FIT Team	Care Coordination	Transition Vouchers	CAT Team	Sustainability Payment	Provider Provision Projects	Other Bundled Projects	Other Program Services	Total Program Expenses	Management and General		Mental Health Diversion Facility Construction
<b>Personnel Costs</b>												
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 494,135	\$ 494,135	\$ 2,883,213	\$ -	\$ 3,377,348
Payroll Taxes & Employee Benefits	-	-	-	-	-	-	-	96,383	96,383	558,167	-	654,550
<b>Total Personnel Costs</b>	-	-	-	-	-	-	-	590,518	590,518	3,441,380	-	4,031,898
<b>Other Expenses</b>												
Occupancy	-	-	-	-	-	-	-	12,922	12,922	235,692	-	248,614
Professional Fee	-	-	-	-	-	-	-	303,587	303,587	136,029	-	439,616
Management Information System	-	-	-	-	-	-	-	3,519	3,519	92,681	-	96,200
Travel	-	-	-	-	-	-	-	1,965	1,965	58,917	-	60,882
Insurance	-	-	-	-	-	-	-	-	-	24,297	-	24,297
Office Supplies and Expenses	-	-	-	-	-	-	-	49,751	49,751	184,938	-	234,689
Miscellaneous	-	-	-	-	-	-	-	-	-	150	-	150
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	12,722,905	12,722,905
Subcontracted Grants	\$ 673,750	\$ 526,658	\$ 525,297	\$ 2,312,500	\$ 2,732,952	\$ 654,997	\$ 1,443,857	\$ 757,970	\$ 85,961,992	\$ -	\$ -	\$ 85,961,992
<b>Total Other Expenses</b>	673,750	526,658	525,297	2,312,500	2,732,952	654,997	1,443,857	1,129,714	86,333,736	732,704	12,722,905	99,789,345
<b>Grand Total Expenses</b>	\$ 673,750	\$ 526,658	\$ 525,297	\$ 2,312,500	\$ 2,732,952	\$ 654,997	\$ 1,443,857	\$ 1,720,232	\$ 86,924,254	\$ 4,174,084	\$ 12,722,905	\$ 103,821,243

**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (57,063)
Adjustment to reconcile change in net assets	
Add : Depreciation & Amortization	12,716
(Increase) / Decrease in Grants Receivable	(1,112,701)
(Increase) / Decrease in Restricted Cash	(2,496,553)
(Increase) / Decrease in Prepaid Expenses	1,029,230
(Increase) / Decrease in Accounts Receivable - Other	(939,887)
Increase / (Decrease) in Accounts Payable and Accrued Expenses	3,983,962
Increase / (Decrease) in Subcontracted Grants Payable	(1,055,053)
Increase / (Decrease) in Deferred Revenue	1,482,767

<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 847,418</b>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Computer Hardware and Software	(4,142)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(4,142)</b>

<b>NET INCREASE IN CASH</b>	<b>843,276</b>
<b>Cash at the beginning of the Year</b>	8,280,592
<b>Cash at the end of the Year</b>	<b>\$ 9,123,868</b>

**South Florida Behavioral Health Network, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

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**Note 1: NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of the Organization.**

South Florida Behavioral Health Network, Inc. (the “Organization”) was established as a Florida non-profit corporation in 1996. The purpose of the Organization is to coordinate the availability and quality of the treatment and support services related to substance abuse, mental health and co-occurring disorders

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual Basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are changes therein are classified and reported as follows:

**Without Donor Restrictions** – Net Assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs are generally not considered “restricted” under GAAP, though for internal reporting, the Organization tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board designated.

**With Donor Restrictions** – Net assets subject to donor-imposed stipulations that are more restrictive than the Organization’s mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, when the donor stipulates that resources be maintained in perpetuity.

**Contributions** - The Organization recognizes immediately as support (income) all unconditional contributions received and makes an important distinction between restrictions and conditions. The Organization accounts for its government grants as exchange transactions.

**Donated Materials and Services** - Donated materials, if significant, are recorded as contributions at their estimated fair values at date of receipt. Donated services are recognized when there is an objective basis to measure the value of such services and such services create or enhance a non-financial asset or the service requires specialized skills that would be purchased if not provided by donation.

**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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**Note 1: NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and Equipment, Net**

Property and equipment are stated at historical cost, less accumulated depreciation. Donated property and equipment are recorded at their estimated fair value at the date of donation.

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Furniture and fixtures	5 Years
Equipment	5 Years

Cost of major additions and improvements that extend the life of the asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

The Organization reviews assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. A determination of impairment, if any, is made based on the estimates of undiscounted future cash flows.

**Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Accordingly, actual results could differ from those estimates.

**Income Taxes**

The Organization is considering implementing the new accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC740, income taxes. Using the guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by taxing authorities, it also provides guidance for the de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2020, the organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Tax years that remain subject to examination by federal authorities are June 30, 2019, June 30, 2018 and June 30, 2017.

**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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**Note 1: NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents**

Cash and Cash Equivalents consists of cash held in checking and money market accounts and is considered highly liquid. At various times during the fiscal year, the Organization's cash balance exceeded the federally insured limits. As of June 30, 2020, cash balance was \$15,620,421. Management believes the organization is not exposed to any significant credit risk on cash and cash equivalents.

**Basis of Accounting**

The Organization uses the accrual method of accounting as prescribed by Generally Accepted Accounting Principles in the United States of America.

**Fixed Assets**

Fixed Assets valued in excess of \$1,000 are capitalized. Fixed Assets are valued at cost when purchased or estimated fair value at date of donation and are depreciated using the straight-line method over their estimated useful lives of five to seven years. In the absence of donor restrictions in the use of donated fixed assets, the Organization records such donations as revenue without donor restrictions in the period received. As of June 30, 2020, The Organization has following Assets:

Computer Hardware & Software	339,788
Furniture, Fixtures & Equipment	132,708
Leasehold Improvement	<u>19,062</u>
Total	491,558
Less: Accumulated Depreciation	<u>(481,158)</u>
Total Fixed Assets	<u>\$ 10,400</u>

Depreciation and Amortization Expense for the year ended June 30, 2020 was \$12,716.

**Fair Value of Financial Instruments**

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments: Cash, accounts receivable, and accounts payable. The Carrying amounts reported in the statement of financial position approximated fair values because of the short maturities of these instruments.

**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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**Note 1: NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue Recognition**

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The grants received is generated substantially from completed services. Those contracts predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards. The timing of revenue recognition was not affected by the new standard. The organization identifies all performance obligations in connection with the services and only recognizes revenue once the performance obligations have been met and does not believe that it is required to provide additional services or obligations to the client. For grants received the transaction price is evidenced in the award amount and evidenced with a budget for expenditures. Since the grants are awarded on a cost reimbursement basis and there is a budget established by the grantor agency costs are reimbursed in accordance with the expenditures as performance obligations are satisfied. The Organization disburses majority of the grants received to subcontracted providers, there for once grants are received it is disbursed to the various subcontractors as per the grant agreements.

Management has analyzed the provisions of the FASB’s ASC Topic 606, Revenue from Contracts with Customers, and have concluded that no changes are necessary to conform with the new standard. Grants are recorded as revenue once the appropriate performance obligations have been met and requests reimbursement. Program fees are recognized monthly after the performance obligations have been satisfied with respect to the applicable service for that month. No adjustment has been recorded as the organization does not expect there to be any retrospective adjustments for the services the performed prior to July 1, 2019.

**Contract Balances**

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Statement of Financial Position. Amounts are billed upon achievement of contractual milestones. However, sometimes receive advances or deposits from grantors, before revenue is recognized, resulting in contract liabilities. These deposits are liquidated when revenue is recognized. The Beginning and Ending balances of contract receivables are the following:

	2020	2019
Receivables	9,859,967	8,747,266
Unbilled Receivables	-	-
Advances and Deposits	9,319,730	7,836,963

**Note 2: SUBCONTRACTED GRANT PAYABLE**

Subcontracted Grant Payable is funds due to subcontractors as of June 30, 2020, which totaled \$8,595,307.

**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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**Note 3: DEFERRED REVENUE**

At June 30, 2020, the Organization received money for services not earned during the 2020 fiscal year. The entire amount of unearned funds was carried forward to the 2020 fiscal year and accordingly presented as deferred revenue in the accompanying statement of financial position. This amount includes the money received for the Building Project (Note 14) and funds received in advance from the major grantor.

**Note 4: COMMITMENTS AND CONTINGENCIES**

The Organization leases office space from Hines REIT Airport Corporate Center, L.L.C. It is a ten-year lease, that commenced January 1, 2011 and ends December 31, 2020. The first five months of the lease period were offered at no cost to the Organization and starting with the first six months, the monthly lease payment for year 1 is \$15,360 as follows: Base Rental \$5,282 and Common Areas Maintenance is \$10,079. However, the monthly lease expense for year one is \$18,162 due to the lease rebate for the first five months. The base rent will increase \$4,527 per year and the Common Area Maintenance is expected to increase by 3% each year. The approximate minimum future annual rental commitments under operating leases as of June 30, 2020 are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 358,116

**Note 5: PASS-THROUGH ENTITY**

The Organization is contracted by the State of Florida Department of Children and Families to act as a Managing Entity (ME) for the services to be provided under subcontracts.

**Note 6: ECONOMIC DEPENDENCY**

The Organization's program service revenues are derived mostly from contracts with the State of Florida Department of Children and Families. Majority of the revenues related to these contracts are for direct services provided through subcontracts with providers. The Organization's ability to continue operating is primarily predicated on funding from governmental agencies and is expected to continue.

**Note 7: GRANT RECEIVABLES**

Grants receivable consists of amounts due from a governmental agency for services. The carrying amount of Grants receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all Grants receivable balances and based on an assessment of current collectability, estimates the portion of the balance, if any that will not be collected. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The Organization considers all of the receivables to be collectible at June 30, 2020.

**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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**Note 8: CONCENTRATION OF CREDIT RISK**

The Organization maintains cash balances at one bank located in South Florida. The accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, cash balances of the Organization exceeded insured limits. The Organization derived majority of its revenue from a contract with the State of Florida Department of Children and Families (DCF). Accordingly, the Organization's ability to continue operating is dependent on funding from DCF, which is expected to continue.

**Note 9: FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Note 10: MATCHING FUNDS**

The Organization is responsible for meeting the match requirements per its contract with the State of Florida Department of Children and Families. The Organization meets this requirement by contractually requiring the individual subcontracted agencies to meet the match requirements. The Chief Financial Officer verifies that each subcontracted agency has met their match requirements.

**Note 11: RELATED PARTY TRANSACTIONS**

There are no related party transactions.

**Note 12: DEFINED CONTRIBUTION PLAN**

One of the retirement benefits that Organization provides to the employees is a 403 (b) Thrift Plan. It is a Defined Contribution Plan and is administered by Mutual of America. Any employee who is 21 or older is eligible to participate in the plan if the employee has completed one year of service with the agency. Employees can contribute any percentage of their salary up to the maximum permitted by the law. 42 employees are currently enrolled in the plan. During the fiscal year ended June 30, 2020 the Employee contribution was \$140,267. The Employer contribution during the fiscal year was \$143,797.

**Note 13: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 4, 2020 which is the date the financial statements became available to be issued. As a result of the spread of the COVID-19 "Coronavirus", economic uncertainties have arisen which are likely to negatively impact South Florida Behavioral Health Network Inc's revenue sources. Other financial impacts could occur, although such potential impacts are unknown at this time.



**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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**Note 14: BUILDING PROJECT**

**Description**

The Board of County Commissioners of Miami-Dade adopted a resolution on July 20, 2004, authorizing the issuance of \$2.926 Billion in general obligation bonds for capital projects (Building Better Communities General Obligation Bond Program). The Organization contracted with Board of County Commissioners of Miami-Dade County & the Board of trustees of the Public Health Trust of Miami Dade (PHT) on June 5, 2019 to renovate a facility located at 2200 NW 7 Avenue, Miami, Florida for a Mental Health Diversion Facility. This agreement accomplishes a variety of non-custodial treatment and support services which will provide a full continuum of care and assist in diverting individuals with mental illnesses from the criminal justice system.

**Cost**

The total estimated project cost is \$48,130,000. The funding of the project consists of: (1) Funding from the Building Better Communities General Obligation Bond Program in the amount of approximately, \$40,130,000 and (2) Funding from the Public Health Trust of Miami-Dade County in the amount of \$8,000,000.

**Sublease Agreement and Other Terms**

The Organization and Miami-Dade County entered into a five (5) year sublease agreement On May 1, 2019, for the space at 2200 NW 7 Avenue, Miami, Florida with two (5) year renewal options. The space is leased at \$1 per year. For at least 25 years from the completion of the project or expiration of the Sub-lease agreement with Miami-Dade County for the project or the expiration of the Grantee's sublease agreement with Miami-Dade County for the property, the grantee shall use the facility and/or equipment acquired and/or improved under the Project for activities benefiting the public and no other purposes. The Grantee agrees to: (1) maintain the Project (2) keep the Project open to all Miami-Dade County Residents; and (3) allow all Miami Dade County Residents equal access and use of the Project.

**Note 15: RESTRICTED CASH**

The Organization received \$6,496,553 of advanced funding from Miami Dade County, for the Project mentioned in Note 14. The liability for the unearned funds is classified as deferred revenue.

**Note 16: LIQUIDITY**

The Organization's main source of revenue is contributions and grants. These sources of revenue are what will be used to fund the Organization operations; the remainder of the revenue is from contributions from various sources. The Organization considers contributions without donor restrictions, program income and other miscellaneous income for use in programs that are ongoing, major, and central to its annual operations as available to meet cash needs for general expenditures. General expenditures include general and administrative expenses, program costs, and other

**SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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**Note 16: LIQUIDITY (Cont.)**

administrative costs which are necessary to sustain operations and is expected to be paid in the subsequent year. Annual operations are defined as total expense related to both program services and supporting services activities. The Organization manages its cash available to meet general expenditures through the following three guiding principles:

1. Operating within a prudent range of financial soundness and stability
2. Maintaining adequate liquid assets
3. Maintaining sufficient reserves to provide reasonable assurance that long-term agreements or other commitments and obligations will continue to be met, thereby ensuring the sustainability of the Organization.

The Assets which are listed on the balance sheet as current assets (Cash, Grants Receivable and Other Current Assets) are all assets available for general expenditure. Although, complete receivables may not be fully collectible (expected to collect 100%), the net realizable value of Accounts Receivable is available for general expenditures.

**Liquidity Management**

The Organization maintains a policy of structuring financial assets to be available as general expenditures, liabilities, and other obligations become due.