

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

**INDEPENDENT AUDITOR'S
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**



SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.

JUNE 30, 2022

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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

Opinion

We have audited the accompanying financial statements of South Florida Behavioral Health Network, Inc. (a Not-for-profit corporation) ("the Agency"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cashflows and changes in net assets for the years then ended, and the related notes to the financial statements.

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, 2022 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Florida Behavioral Health Network, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about South Florida Behavioral Health Network, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 South Florida Behavioral Health Network, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Florida Behavioral Health Network, Inc.'s ability to continue as a going concern for a reasonable period of time.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 respects, in relation to the financial statements as a whole. *The Florida Department of State, Rule 65E-14.003, Audits of Contractors participating in the Substance Abuse and Mental Health Programs* require that Schedules of State Earnings, Bed Day Availability, Related Party Transaction Adjustments, and Cost Center Actual Funding Source and Expense Schedule be presented to supplement the financial statements. Such information, although not a part of the financial statements, are required by the Florida Department of State, Rule 65E-14.003, Audits of Contractors Participating in the Substance Abuse and Mental Health Programs, who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2022, on our consideration of 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
Cooper City, Florida
December 1, 2022

Thomas S Conroy CPA PA

SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

Current Assets

Cash and Cash Equivalent	\$	24,110,688
Restricted Cash		987,561
Grants Receivable		8,251,994
Prepaid Expenses		68,957
Accounts Receivable - Other		1,257,029
Total Current Assets		34,676,229

Non-Current Assets

Furniture & Equipment		132,708
Computer Hardware & Software		367,601
Leasehold Improvement		19,062
Less: Accumulated Depreciation/Amortization		(493,259)
Total Furniture and Equipment, Net		26,112

Other Assets

Security Deposits		29,486
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TOTAL ASSETS	\$	34,731,827
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LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities

Subcontracted Grants Payable	\$	13,120,620
Accounts Payable and Accrued Expenses		13,010,843
Deferred Revenue		7,603,832
Total Current Liabilities		33,735,295

TOTAL LIABILITIES		33,735,295
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NET ASSETS

Without Donor Restrictions		996,532
TOTAL NET ASSETS		996,532

TOTAL LIABILITIES AND NET ASSETS	\$	34,731,827
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SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.
STATEMENT OF ACTIVITIES
June 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT			
Government Contracts and Grants	99,951,351	10,969,183	110,920,534
Other Contributions	1,204,852	-	1,204,852
TOTAL REVENUE AND SUPPORT	\$ 101,156,203	\$ 10,969,183	\$ 112,125,386
OPERATING EXPENSES			
Program Services	94,669,333	10,969,183	105,638,516
Management & General	6,496,366	-	6,496,366
TOTAL OPERATING EXPENSES	\$ 101,165,699	\$ 10,969,183	\$ 112,134,882
CHANGE IN NET ASSETS	(9,496)	-	(9,496)
NET ASSETS AT THE BEGINNING OF YEAR	1,006,028	-	1,006,028
NET ASSETS AT THE END OF YEAR	\$ 996,532	\$ -	\$ 996,532

SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

WITHOUT DONOR RESTRICTIONS

	Residential	Crisis Stabilization	Case Management	Outreach	Outpatient	SA Detoxification	Crisis Support	Medical Services	Prevention	Short Term Residential	Intervention
Personnel Costs											
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes & Employee Benefits	-	-	-	-	-	-	-	-	-	-	-
Total Personnel Costs	-	-	-	-	-	-	-	-	-	-	-
Other Expenses											
Occupancy	-	-	-	-	-	-	-	-	-	-	-
Professional Fee	-	-	-	-	-	-	-	-	-	-	-
Management Information System	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-
Office Supplies and Expenses	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-
Subcontracted Grants	\$ 22,450,163	\$ 8,067,799	\$ 5,373,439	\$ 2,450,749	\$ 2,807,877	\$ 3,810,781	\$ 5,327,940	\$ 2,536,722	\$ 4,867,405	\$ 2,759,703	\$ 1,515,474
Total Other Expenses	22,450,163	8,067,799	5,373,439	2,450,749	2,807,877	3,810,781	5,327,940	2,536,722	4,867,405	2,759,703	1,515,474
Grand Total Expenses	\$ 22,450,163	\$ 8,067,799	\$ 5,373,439	\$ 2,450,749	\$ 2,807,877	\$ 3,810,781	\$ 5,327,940	\$ 2,536,722	\$ 4,867,405	\$ 2,759,703	\$ 1,515,474

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, 2022

WITHOUT DONOR RESTRICTIONS

	Incidental Expenses	Assessments	In-Home On-site Services	CCST	First Episode Team	FACT Team	Federal Project Grant	Network Evaluation and Development	Forensic Multi-Disciplinary Team	BNET	FIT Team
Personnel Costs											
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes & Employee Benefits	-	-	-	-	-	-	-	-	-	-	-
Total Personnel Costs	-	-	-	-	-	-	-	-	-	-	-
Other Expenses											
Occupancy	-	-	-	-	-	-	-	-	-	-	-
Professional Fee	-	-	-	-	-	-	-	-	-	-	-
Management Information System	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-
Office Supplies and Expenses	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-
Subcontracted Grants	\$ 2,018,477	\$ 880,797	\$ 3,275,264	\$ 1,823,207	\$ 826,000	\$ 1,876,448	\$ 2,919,987	\$ 378,868	\$ 652,977	\$ 107,707	\$ 1,253,748.00
Total Other Expenses	2,018,477	880,797	3,275,264	1,823,207	826,000	1,876,448	2,919,987	378,868	652,977	107,707	1,253,748
Grand Total Expenses	\$ 2,018,477	\$ 880,797	\$ 3,275,264	\$ 1,823,207	\$ 826,000	\$ 1,876,448	\$ 2,919,987	\$ 378,868	\$ 652,977	\$ 107,707	\$ 1,253,748

SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES (Cont.)
FOR THE YEAR ENDED JUNE 30, 2022

	WITHOUT DONOR RESTRICTIONS										WITH DONOR RESTRICTIONS	TOTAL EXPENSES
	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	S	
Personnel Costs												
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,095,385	\$ 4,095,385
Payroll Taxes & Employee Benefits	-	-	-	-	-	-	-	-	-	-	873,029	873,029
Total Personnel Costs	-	-	-	-	-	-	-	-	-	-	4,968,414	4,968,414
Other Expenses												
Occupancy	-	-	-	-	-	-	-	-	-	-	347,380	347,380
Professional Fee	-	-	-	-	-	-	-	-	-	-	584,138	584,138
Management Information System	-	-	-	-	-	-	-	-	-	-	143,588	143,588
Travel	-	-	-	-	-	-	-	-	-	-	65,965	65,965
Insurance	-	-	-	-	-	-	-	-	-	-	36,148	36,148
Office Supplies and Expenses	-	-	-	-	-	-	-	-	-	-	338,923	338,923
Miscellaneous	-	-	-	-	-	-	-	11,805	11,805	-	-	11,805
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	10,969,183	10,969,183
Subcontracted Grants	546,070	696,880	2,723,483	584,391	788,021	2,108,114	9,240,847	94,669,338	-	-	-	94,669,338
Total Other Expenses	546,070	696,880	2,723,483	584,391	788,021	2,108,114	9,252,652	94,681,143	1,516,142	10,969,183	107,166,468	
Grand Total Expenses	\$ 546,070	\$ 696,880	\$ 2,723,483	\$ 584,391	\$ 788,021	\$ 2,108,114	\$ 9,252,652	\$ 94,681,143	\$ 6,484,556	\$ 10,969,183	\$ 112,134,882	

SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	(9,496)
Adjustments to reconcile change in net assets		
Add : Depreciation & Amortization		7,001
(Increase) / Decrease in Grants Receivable		4,892,293
(Increase) / Decrease in Restricted Cash		7,128,721
(Increase) / Decrease in Prepaid Expenses		(16,123)
(Increase) / Decrease in Accounts Receivable - Other		1,585,316
Increase / (Decrease) in Accounts Payable and Accrued Expenses		8,554,630
Increase / (Decrease) in Subcontracted Grants Payable		3,122,123
Increase / (Decrease) in Deferred Revenue		(8,285,690)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		16,978,775

CASH FLOWS FROM INVESTING ACTIVITIES

Computer Hardware and Software		(15,029)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(15,029)

CASH FLOWS FROM FINANCING ACTIVITIES

Notes Payable		(688,582)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(688,582)

NET INCREASE/(DECREASE) IN CASH

		16,275,164
Cash at the beginning of the Year		7,835,524
Cash at the end of the Year	\$	24,110,688

SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

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, 2022

**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, 2022, 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, 2022, June 30, 2021 and June 30, 2020.

SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

**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, 2022, cash balance was \$25,098,249. 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, 2022, The Organization has following Assets:

Computer Hardware & Software	367,601
Furniture, Fixtures & Equipment	132,708
Leasehold Improvement	<u>19,062</u>
Total	519,371
Less: Accumulated Depreciation	<u>(493,259)</u>
Total Fixed Assets	<u>\$ 26,113</u>

Depreciation and Amortization Expense for the year ended June 30, 2022 was \$7,001.

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, 2022

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 services 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 service unit prices (transaction price) is evidenced in the grant award amount and based upon a budget for expenditures. The Organization disburses all 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.

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. At times, the organization may receive advances or deposits from grantors before revenue is recognized, resulting in contract liabilities. These deposits are liquidated once revenue is recognized. The Beginning and Ending balances of contract receivables are the following:

	<u>2022</u>	<u>2021</u>
Receivables	9,509,023	15,986,632
Unbilled Receivables		
Advances and Deposits	7,603,832	15,889,522

NOTE 2: SUBCONTRACTED GRANT PAYABLE

Subcontracted Grant Payable is funds due to subcontractors as of June 30, 2022, which totaled \$13,120,620.

NOTE 3: DEFERRED REVENUE

At June 30, 2022, the Organization received money for services not earned during the 2022 fiscal year. The entire amount of unearned funds was carried forward to the 2022 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.

SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

NOTE 4: COMMITMENTS AND CONTINGENCIES

The Organization leases office space from a corporation. The duration of the lease is a twelve-year lease that commenced January 1, 2021 and ends December 31, 2032. The first eleven months of the lease period were offered at no cost to the Organization and starting with the eleven months, the monthly lease payment for year 1 is \$ 21,565. However, the monthly lease expense for year one is \$ 21,565 due to the lease rebate for the first eleven months. The base rent will increase 3% per year. The approximate minimum future annual rental commitments under operating leases as of June 30, 2022 are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 258,781
2024	266,584
2025	274,600
Thereafter	<u>\$ 2,481,712</u>

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 consist 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, 2022.

SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

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, 2022, 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 a financial institution. 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. 44 employees are currently enrolled in the plan. During the fiscal year ended June 30, 2022 the Employee contribution was \$151,676. The Employer contribution during the fiscal year was \$222,042.

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 1, 2022 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, 2022

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 \$48,361,184. The funding of the project consists of: (1) Funding from the Building Better Communities General Obligation Bond Program in the amount of approximately, \$40,361,184 and (2) Funding from the Public Health Trust of Miami-Dade County in the amount of \$8,000,000. The total cost incurred during the year ended June 30, 2022 was 10,969,183.

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. Until substantial completion of the renovation project, or expiration of the lease agreement between the State of Florida and Miami-Dade County for the project, or the expiration of the Organization's sublease agreement with Miami-Dade County for the property, the Organization shall use the facility and/or equipment acquired and/or improved under the Project for activities benefiting the public and no other purposes. The Organization agrees to maintain the Project and transfer operations back to Miami-Dade County at substantial completion of the renovation.

NOTE 15: RESTRICTED CASH

The Organization received \$987,561 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 administrative costs which are necessary to sustain operations and is expected to be paid in the subsequent year.

SOUTH FLORIDA BEHAVIORAL HEALTH NETWORK INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

Note 16: LIQUIDITY (Cont.)

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.

NOTE 17: PPP Loan

During the year, the Agency received loan proceeds in the amount of approximately \$688,582 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. The Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. As of the report date, the forgiven amount of the loan is reported under other grants and contributions.