

SMA HEALTHCARE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2023 AND 2022

SMA HEALTHCARE, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of,
SMA Healthcare, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SMA Healthcare, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SMA Healthcare, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SMA Healthcare, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note (1)(v) to the financial statements, effective July 1, 2022, the Organization adopted new accounting guidance for leases. There was no effect on beginning net assets. Our opinion is not modified with respect to this matter.

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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 GAAS and *Government 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 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 GAAS and *Government 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

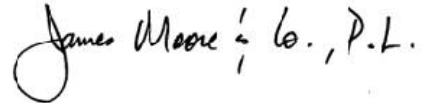
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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, State Financial Assistance and State Matching of Federal Awards is presented for purposes of additional analysis as required by 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 Section 215.97, Florida Statutes, 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 Schedule of Expenditures of Federal Awards, State Financial Assistance and State Matching of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023, 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 SMA Healthcare, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large initial "J" and "M".

Daytona Beach, Florida
December 5, 2023

SMA HEALTHCARE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 12,351,576	\$ 9,207,666
Federal and state grants receivable	6,328,200	8,831,964
Local grants and contracts receivable	3,938,183	2,400,139
Client accounts receivable, net	3,243,779	2,219,162
Inventory	480,819	604,420
Prepaid expenses	423,212	416,156
Total current assets	26,765,769	23,679,507
Property and equipment, net	31,345,973	31,841,044
Financing lease right of use assets, net	309,985	548,659
Operating lease right of use assets, net	2,888,238	3,284,063
Other assets		
Investments	6,607,765	5,578,603
Beneficial interest in assets held by Foundation	7,280,023	6,152,650
Deferred compensation plan	66,386	65,305
Equity investment	57,376	55,375
Total other assets	14,011,550	11,851,933
Total Assets	\$ 75,321,515	\$ 71,205,206
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 8,487,600	\$ 7,976,306
Refundable advances	1,799,293	1,590,730
Current portion of long-term debt	419,505	419,066
Current portion of financing lease liability	208,205	360,175
Current portion of operating lease liability	415,660	393,400
Total current liabilities	11,330,263	10,739,677
Long-term liabilities		
Deferred compensation plan	66,386	65,305
Long-term debt, less current portion	2,340,235	2,756,967
Long-term portion of financing lease liability	131,112	295,605
Long-term portion of operating lease liability	2,493,791	2,913,581
Total long-term liabilities	5,031,524	6,031,458
Total liabilities	16,361,787	16,771,135
Net Assets		
Without donor restrictions:		
Undesignated	23,144,017	19,746,449
Invested in property, equipment, and leases, net of related debt	28,535,688	28,534,972
Total net assets without donor restrictions	51,679,705	48,281,421
With donor restrictions:		
Purpose restricted	6,934,220	5,830,877
In perpetuity	345,803	321,773
Total net assets with donor restrictions	7,280,023	6,152,650
Total net assets	58,959,728	54,434,071
Total Liabilities and Net Assets	\$ 75,321,515	\$ 71,205,206

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

SMA HEALTHCARE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Changes in net assets without donor restrictions		
Revenue, gains and other support		
Federal and state grants	\$ 44,838,758	\$ 42,579,547
Local grants and contracts	15,693,123	14,552,194
Medicaid and Medicare	9,427,674	7,042,674
Pharmacy	3,065,858	2,994,418
Client fees and insurance reimbursements	5,573,346	4,745,120
Contributions and donations	740,213	981,627
Other income	761,440	726,918
Investment income (loss)	1,680,294	(715,416)
Total revenue, gains and other support	81,780,706	72,907,082
Expenses		
Program and support services	65,503,478	60,052,444
Administrative services	8,628,591	7,892,272
Other supporting services	4,152,042	3,811,195
Total expenses	78,284,111	71,755,911
Change in net assets from operations	3,496,595	1,151,171
Other income (expenses)		
Contributions of net assets from acquisition of the Centers	-	21,379,997
Contributions and donations - in-kind pharmaceuticals	651,978	1,030,986
In-kind pharmaceuticals expense	(750,289)	(948,129)
Total other income (expenses)	(98,311)	21,462,854
Increase (decrease) in net assets without donor restrictions	3,398,284	22,614,025
Changes in net assets with donor restrictions		
Change in beneficial interest in assets held by Foundation - purpose restricted	1,103,343	(680,077)
Change in beneficial interest in assets held by Foundation - in perpetuity	24,030	(86,944)
Increase (decrease) in net assets with donor restrictions	1,127,373	(767,021)
Change in Net Assets	4,525,657	21,847,004
Net Assets, beginning of year	54,434,071	32,587,067
Net Assets, end of year	\$ 58,959,728	\$ 54,434,071

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

SMA HEALTHCARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services									
	Assessment	Crisis Support	Crisis Stabilization	Intervention	Outpatient	FACT Team	Case Management/ CCS Teams	Residential	Residential Detox	Prevention
Personnel Services										
Salaries	\$ 428,052	\$ 3,225,133	\$ 7,163,406	\$ 448,988	\$ 3,183,399	\$ 2,153,120	\$ 2,670,988	\$ 7,334,345	\$ 2,104,144	\$ 659,634
Fringe benefits	103,350	628,532	1,022,040	118,772	708,157	383,666	588,948	1,514,598	400,465	153,395
Total Personnel Services	<u>531,402</u>	<u>3,853,665</u>	<u>8,185,446</u>	<u>567,760</u>	<u>3,891,556</u>	<u>2,536,786</u>	<u>3,259,936</u>	<u>8,848,943</u>	<u>2,504,609</u>	<u>813,029</u>
Operating Expenses										
Building occupancy	114,932	272,624	470,486	43,654	233,491	166,102	192,575	1,669,517	144,923	61,059
Depreciation	3,674	45,306	474,251	886	90,734	42,012	49,069	561,127	43,436	-
Professional fees	3,264	79,379	563,940	247	111,777	11,675	4,032	49,965	72,160	3,487
Travel	115	17,179	3,839	16,652	48,373	23,219	74,597	24,738	5,602	11,351
Equipment costs	22,735	73,975	82,579	15,417	75,732	81,405	108,502	518,712	42,140	43,200
Food services	506	17,093	369,070	265	2,545	966	2,858	1,083,659	134,462	257
Medical and pharmacy	8	27,929	188,162	4,798	132,074	13,242	6,020	105,494	36,824	33,922
Subcontracted services	-	-	49,126	20,000	10,000	-	141,581	269,831	24,729	-
Insurance	17,586	140,600	181,934	24,304	118,418	83,479	141,098	404,697	60,409	32,800
Interest	55	2,174	3,525	34	859	1,305	214	485	94	108
Operating supplies	16,511	81,738	190,316	11,979	130,598	45,227	95,284	234,502	36,246	56,594
Client programs & services	1,848	13,859	32,679	7,087	74,637	389,542	215,018	61,509	15,246	111,146
Donated items	-	-	-	-	95,839	-	-	95,839	-	-
Total Operating Expenses	<u>181,234</u>	<u>771,856</u>	<u>2,609,907</u>	<u>145,323</u>	<u>1,125,077</u>	<u>858,174</u>	<u>1,030,848</u>	<u>5,080,075</u>	<u>616,271</u>	<u>353,924</u>
Total expenses before program administration allocation	<u>712,636</u>	<u>4,625,521</u>	<u>10,795,353</u>	<u>713,083</u>	<u>5,016,633</u>	<u>3,394,960</u>	<u>4,290,784</u>	<u>13,929,018</u>	<u>3,120,880</u>	<u>1,166,953</u>
Indirect Expenses										
Program administration allocation	116,709	762,786	1,242,984	118,985	711,024	545,954	545,533	2,220,359	537,518	155,757
Other supporting services allocation	63,094	405,945	665,625	63,892	348,028	263,686	271,086	1,043,488	282,360	75,491
Other Expenses										
In-kind pharmaceuticals expense	-	-	-	-	-	-	-	-	-	-
	<u>\$ 892,439</u>	<u>\$ 5,794,252</u>	<u>\$ 12,703,962</u>	<u>\$ 895,960</u>	<u>\$ 6,075,685</u>	<u>\$ 4,204,600</u>	<u>\$ 5,107,403</u>	<u>\$ 17,192,865</u>	<u>\$ 3,940,758</u>	<u>\$ 1,398,201</u>

The accompanying notes to the financial statements
are an integral part of this statement.

SMA HEALTHCARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program Services (Continued)</u>					<u>Supporting Services</u>			
	<u>Medical Outpatient</u>	<u>Supported Employment</u>	<u>Sheltered Workshop</u>	<u>Pharmacy</u>	<u>Drop In Center</u>	<u>Total Program</u>	<u>Program Administration</u>	<u>Other Supporting Services</u>	<u>Total</u>
Personnel Services									
Salaries	\$ 5,586,062	\$ -	\$ 3,284,673	\$ 389,428	\$ 97,662	\$ 38,729,034	\$ 4,898,961	\$ 1,997,683	\$ 45,625,678
Fringe benefits	1,144,363	-	546,037	71,888	24,071	7,408,282	1,083,292	460,770	8,952,344
Total Personnel Services	<u>6,730,425</u>	<u>-</u>	<u>3,830,710</u>	<u>461,316</u>	<u>121,733</u>	<u>46,137,316</u>	<u>5,982,253</u>	<u>2,458,453</u>	<u>54,578,022</u>
Operating Expenses									
Building occupancy	313,496	-	544,593	19,316	7,234	4,254,002	328,190	359,457	4,941,649
Depreciation	233,843	-	61,068	11,200	17,337	1,633,943	231,629	514,159	2,379,731
Professional fees	40,628	-	141	34,636	-	975,331	578,851	30,975	1,585,157
Travel	25,685	-	2,164	4,258	2,051	259,823	111,687	8,035	379,545
Equipment costs	106,636	-	225,576	27,962	6,321	1,430,892	194,152	247,186	1,872,230
Food services	5,189	-	1,385	406	738	1,619,399	7,856	1,877	1,629,132
Medical and pharmacy	435,359	-	3,982	3,570,882	190	4,558,886	283	35	4,559,204
Subcontracted services	-	-	-	-	-	515,267	-	-	515,267
Insurance	151,175	-	180,013	7,893	4,631	1,549,037	181,350	154,092	1,884,479
Interest	268	-	1,781	-	-	10,902	91,967	17,812	120,681
Operating supplies	145,802	-	150,529	19,647	15,308	1,230,281	890,810	359,961	2,481,052
Client programs & services	199,024	-	522,615	-	2,800	1,647,010	1,071	-	1,648,081
Donated items	240,000	-	-	-	-	431,678	28,492	-	460,170
Total Operating Expenses	<u>1,897,105</u>	<u>-</u>	<u>1,693,847</u>	<u>3,696,200</u>	<u>56,610</u>	<u>20,116,451</u>	<u>2,646,338</u>	<u>1,693,589</u>	<u>24,456,378</u>
Total expenses before program administration allocation	<u>8,627,530</u>	<u>-</u>	<u>5,524,557</u>	<u>4,157,516</u>	<u>178,343</u>	<u>66,253,767</u>	<u>8,628,591</u>	<u>4,152,042</u>	<u>79,034,400</u>
Indirect Expenses									
Program administration allocation	1,078,917	339	515,130	51,089	25,507	8,628,591	(8,628,591)	-	-
Other supporting services allocation	580,549	245	48,103	26,566	13,884	4,152,042	-	(4,152,042)	-
Other Expenses									
In-kind pharmaceuticals expense	-	-	-	(750,289)	-	(750,289)	-	-	(750,289)
	<u>\$ 10,286,996</u>	<u>\$ 584</u>	<u>\$ 6,087,790</u>	<u>\$ 3,484,882</u>	<u>\$ 217,734</u>	<u>\$ 78,284,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,284,111</u>

The accompanying notes to the financial statements
are an integral part of this statement.

SMA HEALTHCARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services									
	Assessment	Crisis Support	Crisis Stabilization	Intervention	Outpatient	FACT Team	Case Management/ CCS Teams	Residential	Residential Detox	Prevention
Personnel Services										
Salaries	\$ 421,352	\$ 2,606,318	\$ 5,351,519	\$ 573,748	\$ 3,354,025	\$ 1,609,215	\$ 2,293,061	\$ 6,370,715	\$ 1,970,618	\$ 652,121
Fringe benefits	118,674	528,283	766,293	153,288	763,256	333,444	554,630	1,397,166	348,221	158,395
Total Personnel Services	<u>540,026</u>	<u>3,134,601</u>	<u>6,117,812</u>	<u>727,036</u>	<u>4,117,281</u>	<u>1,942,659</u>	<u>2,847,691</u>	<u>7,767,881</u>	<u>2,318,839</u>	<u>810,516</u>
Operating Expenses										
Building occupancy	141,244	274,746	400,824	56,668	255,186	98,741	182,553	1,541,843	179,244	54,576
Depreciation	6,916	38,075	488,539	2,127	70,820	59,818	43,959	593,085	35,159	-
Professional fees	1,864	19,719	1,165,361	311	23,463	1,320	2,544	25,786	103,754	465
Travel	1,472	7,683	1,304	29,193	50,872	33,616	82,607	18,517	87	13,123
Equipment costs	11,170	93,593	71,923	9,279	73,714	118,819	93,583	348,042	73,687	15,840
Food services	774	15,913	314,506	366	2,519	770	2,193	1,016,208	105,764	194
Medical and pharmacy	97	29,686	223,964	4,792	339,929	21,137	10,809	154,562	49,042	40,412
Subcontracted services	-	-	73,723	15,000	-	-	253,154	298,226	39,100	18,874
Insurance	25,772	123,155	137,903	25,597	139,829	84,774	120,420	340,515	63,500	32,283
Interest	9	9,236	34,168	866	4,709	4,529	5,851	4,970	5,849	881
Operating supplies	31,787	89,602	151,052	15,000	158,431	38,073	86,581	217,278	49,722	41,218
Client programs & services	3,165	22,566	29,857	38,405	94,925	272,846	465,850	61,542	19,978	111,721
Donated items	-	-	-	-	61,146	-	-	35,068	-	-
Total Operating Expenses	<u>224,270</u>	<u>723,974</u>	<u>3,093,124</u>	<u>197,604</u>	<u>1,275,543</u>	<u>734,443</u>	<u>1,350,104</u>	<u>4,655,642</u>	<u>724,886</u>	<u>329,587</u>
Total expenses before program administration allocation	<u>764,296</u>	<u>3,858,575</u>	<u>9,210,936</u>	<u>924,640</u>	<u>5,392,824</u>	<u>2,677,102</u>	<u>4,197,795</u>	<u>12,423,523</u>	<u>3,043,725</u>	<u>1,140,103</u>
Indirect Expenses										
Program administration allocation	134,474	662,149	1,111,353	138,781	771,054	364,732	593,482	2,031,037	366,986	157,975
Other supporting services allocation	72,550	348,075	589,946	73,315	400,312	192,083	297,567	937,627	193,789	84,258
Other Expenses										
In-kind pharmaceuticals expense	-	-	-	-	-	-	-	-	-	-
	<u>\$ 971,320</u>	<u>\$ 4,868,799</u>	<u>\$ 10,912,235</u>	<u>\$ 1,136,736</u>	<u>\$ 6,564,190</u>	<u>\$ 3,233,917</u>	<u>\$ 5,088,844</u>	<u>\$ 15,392,187</u>	<u>\$ 3,604,500</u>	<u>\$ 1,382,336</u>

The accompanying notes to the financial statements
are an integral part of this statement.

SMA HEALTHCARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services (Continued)					Supporting Services			
	Medical Outpatient	Supported Employment	Sheltered Workshop	Pharmacy	Drop In Center	Total Program	Program Administration	Other Supporting Services	Total
Personnel Services									
Salaries	\$ 5,034,775	\$ -	\$ 3,015,700	\$ 354,159	\$ 148,474	\$ 33,755,800	\$ 4,617,968	\$ 1,921,260	\$ 40,295,028
Fringe benefits	1,019,166	-	543,034	73,798	28,019	6,785,667	1,125,930	447,577	8,359,174
Total Personnel Services	<u>6,053,941</u>	<u>-</u>	<u>3,558,734</u>	<u>427,957</u>	<u>176,493</u>	<u>40,541,467</u>	<u>5,743,898</u>	<u>2,368,837</u>	<u>48,654,202</u>
Operating Expenses									
Building occupancy	230,055	7	633,070	17,137	25,198	4,091,092	256,007	363,342	4,710,441
Depreciation	234,530	-	77,405	8,444	17,337	1,676,214	233,638	497,607	2,407,459
Professional fees	119,715	-	311	-	-	1,464,613	611,052	27,860	2,103,525
Travel	28,751	-	4,628	1,576	4,280	277,709	70,842	16,383	364,934
Equipment costs	81,236	723	179,408	23,336	5,473	1,199,826	111,667	189,535	1,501,028
Food services	4,828	-	429	380	336	1,465,180	7,260	1,301	1,473,741
Medical and pharmacy	511,199	-	23	3,431,900	-	4,817,552	3,562	146	4,821,260
Subcontracted services	-	-	-	-	-	698,077	-	167	698,244
Insurance	132,941	1,647	165,162	8,576	6,058	1,408,132	137,198	142,077	1,687,407
Interest	5,099	-	2,886	253	-	79,306	90,337	14,191	183,834
Operating supplies	120,090	84	106,129	16,711	16,988	1,138,746	626,496	189,593	1,954,835
Client programs & services	170,809	-	384,114	-	3,106	1,678,884	315	156	1,679,355
Donated items	367,241	-	-	-	320	463,775	-	-	463,775
Total Operating Expenses	<u>2,006,494</u>	<u>2,461</u>	<u>1,553,565</u>	<u>3,508,313</u>	<u>79,096</u>	<u>20,459,106</u>	<u>2,148,374</u>	<u>1,442,358</u>	<u>24,049,838</u>
Total expenses before program administration allocation	<u>8,060,435</u>	<u>2,461</u>	<u>5,112,299</u>	<u>3,936,270</u>	<u>255,589</u>	<u>61,000,573</u>	<u>7,892,272</u>	<u>3,811,195</u>	<u>72,704,040</u>
Indirect Expenses									
Program administration allocation	1,019,469	656	448,059	61,418	30,647	7,892,272	(7,892,272)	-	-
Other supporting services allocation	535,740	337	38,546	31,084	15,966	3,811,195	-	(3,811,195)	-
Other Expenses									
In-kind pharmaceuticals expense	-	-	-	(948,129)	-	(948,129)	-	-	(948,129)
	<u>\$ 9,615,644</u>	<u>\$ 3,454</u>	<u>\$ 5,598,904</u>	<u>\$ 3,080,643</u>	<u>\$ 302,202</u>	<u>\$ 71,755,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,755,911</u>

The accompanying notes to the financial statements
are an integral part of this statement.

SMA HEALTHCARE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 4,525,657	\$ 21,847,004
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,379,731	1,828,190
Amortization of ROU asset	651,905	579,269
Unrealized (gain) loss on investments	(290,791)	1,033,686
Realized (gain) loss on investments	102,074	(88,463)
(Gain) loss on disposal of property and equipment	(1,193,558)	(33,797)
Change in beneficial interest in assets held by Foundation	(1,127,373)	767,024
Gain on net assets contributed from acquisition of the Centers	-	(21,379,997)
(Increase) decrease in operating assets		
Grants and contracts receivables	965,720	(4,794,331)
Client fees receivable	(1,024,617)	(857,078)
Inventory	123,601	382,973
Prepays and other assets	(10,138)	(10,437)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	511,294	546,511
Deferred revenue	-	(32,500)
Operating lease liabilities	(397,530)	(290,938)
Refundable advance	208,563	266,168
Deferred compensation	1,081	(39,458)
Pharmaceuticals held on behalf of others	-	(467,588)
Total adjustments	<u>899,962</u>	<u>(22,590,766)</u>
Net cash provided by (used in) operating activities	<u>5,425,619</u>	<u>(743,762)</u>
Cash flows from investing activities		
Purchases of property and equipment	(1,982,938)	(2,313,686)
Proceeds from sale of property and equipment	1,291,836	1,237,798
Proceeds from acquisition of The Centers	-	2,919,852
Purchases of investments	(1,719,210)	(1,145,479)
Proceeds from sale of investments	878,765	1,223,434
Net cash provided by (used in) investing activities	<u>(1,531,547)</u>	<u>1,921,919</u>
Cash flows from financing activities		
Proceeds from issuance of debt	-	3,100,000
Principal payments on finance lease liabilities	(333,869)	(203,237)
Principal payments on debt	(416,293)	(3,278,548)
Net cash provided by (used in) financing activities	<u>(750,162)</u>	<u>(381,785)</u>
Net change in cash and cash equivalents	<u>3,143,910</u>	<u>796,372</u>
Cash and cash equivalents and restricted cash, beginning of year	<u>9,207,666</u>	<u>8,411,294</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 12,351,576</u>	<u>\$ 9,207,666</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 97,321	\$ 183,834
Noncash investing and financing activities:		
Right-of-use assets obtained in exchange for finance lease obligations	\$ 17,406	\$ -
Acquisition of property and equipment through acquisition of the Centers	-	19,435,935
Acquisition of long-term debt through acquisition of the Centers	-	1,903,893

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

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of SMA Healthcare, Inc. (the Organization), which affect significant elements of the accompanying financial statements.

(a) **Nature of activities**—The Organization provides services including, but not limited to, mental health services, substance abuse prevention, chemical dependency treatment, delinquency rehabilitation programs, and primary care. The Organization operates programs located in Volusia, Flagler, Putnam, Marion, and St. Johns Counties.

(b) **Basis of accounting**—The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, State, and local government and public grants are recorded as support when performance occurs under the terms of the grant agreement.

The costs of providing the various programs and other activities have been detailed in the statements of functional expenses and summarized on a functional basis in the statements of activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Program administration and other supporting services expenses are allocated to the various programs based on each program's direct revenues.

(c) **Basis of presentation**—Net assets, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions—Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions—Net assets subject to donor- (or certain grantor-) imposed restrictions. 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

(d) **Measure of operations**—The Organization's change in net assets from operations include all operating revenues and expenses which are an integral part of its programs and supporting activities, and net assets released from donor restrictions to support operating expenditures to support current operating activities. The measure of operations excludes contributions, donations, and expenses for in-kind pharmaceuticals as well as contributions for capital projects.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Cash and cash equivalents**—For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(f) **Federal and state grants receivable**—Grants receivable consist of amounts due to the Organization from governmental units under the terms of various grant contracts. Due to the nature of these agencies, no allowance for uncollectible amounts has been established.

(g) **Local grants and contracts receivable**—Contracts receivable consist primarily of amounts due to the Organization from governmental units and taxing authorities under the terms of various contracts and are stated at the amount management expects to collect from outstanding balances. Due to the nature of these agencies, no allowance for uncollectible amounts has been established.

(h) **Client accounts receivable**—Client accounts receivable consist primarily of receivables from third parties and clients and are stated at net realizable value. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization does not charge late fees or interest on past due receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to client accounts receivable. Allowance for uncollectible receivables totaled \$1,017,515 and \$1,721,212 and at June 30, 2023 and 2022, respectively, and there was no allowance as of June 30, 2021. Receivables from contracts with customers are reported as client accounts receivable, net in the accompanying statements of financial position. At June 30, 2023, 2022, and 2021, client accounts receivable totaled \$3,243,779, \$2,219,162, and \$960,482, respectively.

(i) **Inventory**—Inventory is largely comprised of medicines purchased for resale on behalf of clients and donated inventory for clients approved for the Patient Assistance Program administered by pharmaceutical companies. Inventory is valued at current purchase prices, which approximates cost on the specific identification method.

(j) **Investments**—Investments are stated at fair value, with the exception of certificates of deposit which are recorded at cost plus accrued interest, which approximates fair value. Investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investment income is accounted for as unrestricted revenue unless it is restricted for a specified purpose by the donor.

(k) **Property and equipment**—The Organization capitalizes all expenditures and donations in excess of \$2,500 for property and equipment. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year. The Federal Government has a reversionary interest in any assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year. The County of Volusia contributed land and building with a reversionary interest if the property is not used as a residential treatment facility. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 – 40 years
Furniture and equipment	3 – 25 years
Vehicles	3 – 5 years

(l) **Deferred revenue**—Deferred revenue, if any, primarily consists of advances received for contracted programs and fundraising events that apply to future periods. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position. At June 30, 2023 and 2022, no deferred revenue was recorded. At June 30, 2021, deferred revenue totaled \$32,500.

(m) **Revenue and revenue recognition**—We recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization bills federal, state, and local governmental entities and clients for services provided. Revenue is recognized when fees are declared and billed. All charges for services revenue (Medicaid, Medicare, pharmacy, client fees and insurance reimbursements) is recognized as performance obligations are satisfied, which is at a point in time when the services are provided.

A portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as without donor restricted grant revenue when the Organization has met performance requirements and incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures or meeting other conditional performance requirement barriers are reported as refundable advances in the statement of financial position. The Organization received amounts in advance under state and local contracts and grants of \$1,799,293 that have not been recognized at June 30, 2023, because qualifying expenditures have not yet been incurred. There were \$1,590,730 of such advances as of June 30, 2022.

(n) **Donated materials and services**—The Organization recognizes donated materials and services that create or enhance non-financial assets or that require skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Donated materials and services that meet the above criteria are recognized as revenues and are reported in the accompanying financial statements at their estimated fair value at the time of receipt.

(o) **Client fee revenue**—The Organization bills for services at various amounts based on payment arrangements. A summary of payment arrangements is as follows:

Charity Care—the Organization provides care to its clients who meet certain criteria under its discount policy based on a sliding scale as required by its contracts with the Florida Department of Children & Families. Accordingly, the portion of the fee for service, which qualifies as a discount, is not reported as client fee revenue.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

Non-Medicaid—includes amounts due from patients and insurance companies for services rendered. Revenue is recorded at the amount due from the client, and is net of any discount given.

Medicaid—the portion of charge reimbursed by Medicaid. The difference between the Organization's standard charge and the amount allowed by Medicaid is not recorded as revenue. The Organization bills Medicaid at Medicaid established rates for eligible services performed. Services rendered are reimbursed by Medicaid subject to specific documentation requirements. Compliance audits are conducted periodically by the Medicaid fiscal intermediaries, as well as the Organization's corporate compliance program, which can result in the recoupment of fees paid to the Organization.

(p) **Advertising costs**—All costs associated with advertising and promoting the Organization are expensed in the year incurred. For the years ended June 30, 2023 and 2022, advertising costs were approximately \$94,000 and \$59,000, respectively.

(q) **Income taxes**—The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. Since the Organization had no taxable unrelated business income during the years ended June 30, 2023 and 2022, no provision for income taxes is provided in the financial statements.

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements. The Organization's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

(r) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) **Subsequent events**—The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 5, 2023, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(t) **Reclassification**—Certain prior year amounts have been reclassified to conform to the current year presentation.

(u) **Leases**—The Organization leases equipment, property, administrative space, counseling, and treatment centers. The Organization determines if an arrangement is a lease at inception. Operating leases are reflected as an operating lease right-of-use (ROU) asset and operating lease liabilities on the Organization's statements of financial position. Finance leases are included in finance lease right-of-use (ROU) assets, other current liabilities, and other long-term liabilities on the Organization's statements of financial position.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, the Organization uses the risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment. In allocating consideration in the contract to the separate lease components and the non-lease components, the Organization uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

(v) **Recently issued accounting pronouncements**—The Financial Accounting Standards Board (FASB) and other entities issued new or modifications to, or interpretations of existing accounting guidance during the year. The Organization has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements, does not believe that any other new or modified principles will have a material impact on the Organization's reported financial position or operations in the near term.

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2021, (the beginning of the earliest comparative period presented) using a modified retrospective approach, with certain practical expedients available.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(2) Liquidity and Availability:

The Organization strives to maintain liquid financial assets sufficient to cover general expenditures. Financial assets in excess of daily cash requirements are invested. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 12,351,576	\$ 9,207,666
Federal and state grants receivable	6,328,200	8,831,964
Local grants and contracts receivable	3,938,183	2,400,139
Client accounts receivable	3,243,779	2,219,162
	\$ 25,861,738	\$ 22,658,931

To help manage unanticipated liquidity needs, we have established a line of credit in the amount of \$1,000,000, as discussed at Note (7). Our investments totaled \$6,607,765 and \$5,578,603 at June 30, 2023 and 2022, respectively. Although we do not intend to spend from these investments, these amounts could be made available if necessary.

(3) Investments:

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's financial instruments consist principally of cash and cash equivalents, certificates of deposit, grants and other receivables, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants.

Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(3) **Investments:** (Continued)

Investments held by the Organization at June 30, 2023 and 2022, consisted of mutual funds and certificates of deposit with maturities within five years of the statement of financial position date and are unrestricted. The fair value of the majority of the Organization's cash equivalents was determined based on Level 1 inputs. Investments in marketable securities with readily determinable fair values are reported at fair value in the accompanying statements of financial position. Mutual funds are valued using Level 1 inputs, which are based on unadjusted quoted market prices within active markets. Certificates of deposit are recorded at cost plus accrued interest, which approximates fair value. There have been no changes in Level 1, Level 2, and Level 3, and no changes in valuation techniques for these assets or liabilities for the years ended June 30, 2023 and 2022.

At June 30, investments consisted of the following:

Description	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2023:				
Registered investment companies:				
Money Market	\$ 232,363	\$ -	\$ -	\$ 232,363
Mutual Funds – Fixed Income	3,400,110	-	-	3,400,110
Mutual Funds – Equity	3,207,655	-	-	3,207,655
Total assets in fair value hierarchy	<u>\$ 6,840,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,840,128</u>
June 30, 2022:				
Registered investment companies:				
Money Market	\$ 216,741	-	-	\$ 216,741
Mutual Funds – Fixed Income	3,235,052	-	-	3,235,052
Mutual Funds – Equity	2,343,551	-	-	2,343,551
Total assets in fair value hierarchy	<u>\$ 5,795,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,795,344</u>

The following schedule summarizes the investment income for the years ended June 30:

	2023	2022
Interest income	\$ 86,593	\$ 5,909
Dividends on long-term investments	211,426	190,101
Unrealized gain (loss)	290,791	(1,033,686)
Realized gains (loss)	1,091,484	122,260
Total investment income	<u>\$ 1,680,294</u>	<u>\$ (715,416)</u>

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(4) Property and Equipment:

Property and equipment consists of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 3,634,253	\$ 3,535,651
Buildings and improvements	41,062,744	40,693,744
Furniture and equipment	4,938,414	5,445,299
Vehicles	<u>2,415,467</u>	<u>1,802,532</u>
	52,050,878	51,477,226
Less: Accumulated depreciation	<u>20,704,905</u>	<u>19,636,182</u>
	<u>\$ 31,345,973</u>	<u>\$ 31,841,044</u>

For the years ended June 30, 2023 and 2022, depreciation expense was \$2,379,731 and \$2,407,459.

(5) Long-term Debt:

Long-term debt consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Note payable to a financial institution, payable in monthly installments of \$12,671 including interest at 3.50%, final payment due May 2024, collateralized by land and buildings.	\$ 136,864	\$ 281,269
Note payable to a financial institution, payable in monthly installments of \$29,852 including interest of 2.90%, final payment due November 2031, collateralized by land and buildings	<u>2,691,787</u>	<u>2,966,875</u>
	2,828,651	3,248,144
Less: Current portion	419,505	419,066
Less: Unamortized debt issuance costs	<u>68,911</u>	<u>72,111</u>
	<u>\$ 2,340,235</u>	<u>\$ 2,756,967</u>

Aggregate principal payments on long-term debt in the succeeding years are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 419,505
2025	291,268
2026	299,949
2027	308,888
2028	317,988
Thereafter	<u>1,191,053</u>
	<u>\$ 2,828,651</u>

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(6) Obligations Under Leases:

The Organization has operating and finance leases for equipment, property, administrative space, counseling, and treatment centers, which have remaining lease terms expiring in fiscal years 2024 through 2032. As of June 30, 2023 and 2022, assets recorded under financing leases were \$1,171,158 and \$1,153,752, respectively, and accumulated depreciation associated with financing leases was \$861,173 and \$605,093, respectively. As of June 30, 2023 and 2022, assets recorded under operating leases were \$3,961,910 and \$3,961,910, respectively, and accumulated depreciation associated with operating leases was \$1,073,672 and \$677,847, respectively.

The components of lease expense for the years ended June 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 549,196	\$ 462,021
Amortization of right-of-use assets	289,145	254,485
Interest on lease liabilities	21,417	31,056
Short-term lease expense	21,574	44,383
	<u>\$ 881,332</u>	<u>\$ 791,945</u>

Other information related to leases for the year ended June 30, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 38,173	\$ 25,471
Operating cash flows from operating leases	546,771	448,293
Financing cash flows from finance leases	349,441	227,802
ROU assets obtained in exchange for new finance lease liabilities	17,406	52,283
ROU assets obtained in exchange for new operating lease liabilities	-	816,605
Weighted-average remaining lease term—finance leases	1.85 years	2.25 years
Weighted-average remaining lease term—operating leases	12.53 years	12.68 years
Weighted-average discount rate—finance leases	4.24%	4.60%
Weighted-average discount rate—operating leases	5.00%	5.00%

Future minimum lease payments under non-cancellable leases as of June 30, 2023, were as follows:

<u>Year Ending June 30,</u>	<u>Finance</u>	<u>Operating</u>
2024	\$ 184,056	\$ 549,409
2025	105,046	552,100
2026	60,875	540,861
2027	-	389,610
2028	-	389,610
Thereafter	-	1,600,623
Total future minimum lease payments	<u>349,977</u>	<u>4,022,213</u>
Less: Imputed interest	<u>10,660</u>	<u>1,112,762</u>
	<u>\$ 339,317</u>	<u>\$ 2,909,451</u>

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(7) **Line of Credit:**

The Organization has obtained a \$1,000,000 line of credit beginning in August 2012. The line of credit was renewed during the year and expires on February 15, 2024. The line had no outstanding balance as of June 30, 2023 and 2022. Advances under the line of credit accrue interest at the Prime Rate (8.25% at June 30, 2023) plus 0.25%. Any advances under the line of credit were collateralized by substantially all cash and investment assets of the Organization.

(8) **Net Assets With Donor Restrictions:**

As discussed in Note (12), the Organization had net assets with donor restrictions from a beneficial interest in assets held by the SMA Healthcare Foundation, Inc. The Organization had the following net assets with donor restrictions at June 30:

	2023	2022
Purpose restricted – Foundation	\$ 6,934,220	\$ 5,830,877
In perpetuity – Foundation	345,803	321,773
Total	\$ 7,280,023	\$ 6,152,650

(9) **Non-Recognized Contributions:**

During the years ended June 30, 2023 and 2022, respectively, a substantial number of volunteers provided approximately 13,000 and 13,000 hours of service performing maintenance, administrative, and program assistance services. These services are valued at approximately \$411,000 and \$394,000, respectively; however, they were not recognized as a contribution in the accompanying statements of activities as they do not meet recognition criteria prescribed by generally accepted accounting principles.

(10) **Employee Retirement Plans:**

The Organization has a contributory defined contribution retirement plan qualifying under the provisions of Internal Revenue Service Code Section 403(b) covering substantially all employees. Contribution expense is determined in accordance with the plan formula. For the years ended June 30, 2023 and 2022, the employer matched employee contributions at 100% up to 3% of salary, then 50% up to 6% of salary. Eligibility requirements for the plan include provisions which require employees to have one year of service and work 1,000 hours per year. For the years ended June 30, 2023 and 2022, pension expense was \$957,193 and \$842,619, respectively.

The Organization also has a deferred compensation plan qualifying under the provisions of Internal Revenue Code Section 457(b), covering a select group of management or highly compensated employees, which is not matched with employer contributions. As of June 30, 2023 and 2022, plan assets totaled \$66,386 and \$65,305, respectively.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(11) Grants and Match Requirements:

The Organization has entered into agreements to provide services on a reimbursement of allowable cost basis with certain agencies. In addition, one agreement has a requirement that a specified amount of federal program activities be funded by matching funds from specified sources. The Organization is subject to audit by the granting agencies and, if these audits are unfavorable, the agencies can require a refund of a portion of the contracts. It is management's opinion that the terms of the agreements have been substantially met and costs submitted for reimbursements are allowable under the agreements.

The Organization receives a substantial portion of its support directly and passed-through from the United States Government and the State of Florida. Under certain terms of these contracts, expenditures for funded program services could exceed the amount of the grant.

Management believes that the matching requirements were met, as expenditures for programs funded by the grant exceeded the amount required to receive the maximum amount of reimbursement.

(12) Related Party Transactions:

On September 29, 1997, the Stewart-Marchman Foundation, Inc. was formed and name was changed effective September 11, 2018, to SMA Healthcare Foundation, Inc. (the Foundation). The purpose of this Foundation is to seek and receive planned and/or outright gifts whose earnings can be used to promote and support only SMA Healthcare, Inc.'s activities. The beneficial interest in the assets held by the Foundation is adjusted annually to reflect changes in the net assets of the Foundation and as of June 30, 2023 and 2022, totaled \$7,280,023 and \$6,152,650, respectively. There was no amount receivable from the Foundation as of June 30, 2023 and 2022.

The Organization also leases a building owned by the Foundation for the Vince Carter Sanctuary treatment center. For the years ended June 30, 2023 and 2022, the total amount of rent expense related to the Foundation was \$260,000. There were no amounts payable to the Foundation as of June 30, 2023 and 2022. The lease expires December 2028 and provides for annual base rent of \$260,000, payable monthly at \$21,666. The base rent is based upon the debt payment the Foundation is required to make per the Vince Carter Sanctuary's bond documents. If the Foundation's debt service payments are paid in whole or in part by third party grants or donations for that purpose, the base rent shall be adjusted accordingly to reflect such grants or donations. If the Foundation's debt service payments under the bond documents are increased, the base rent shall immediately be increased by the amount of the increase in debt service payments. Regardless of any provision in this lease, the base rent for this lease shall never be below \$60,000 annually, payable monthly at \$5,000.

The Foundation awarded one-time uses of Foundation monies to benefit the Organization during the years ended June 30, 2023 and 2022, these monies totaled \$385,320 and \$400,726, respectively. As of June 30, 2023 and 2022, there were no amounts included in net assets with donor restrictions for amounts awarded from the Foundation.

During the year ended June 30, 2023, seven vehicles were purchased from a company related to two board members totaling \$282,837. During the year ended June 30, 2022, one vehicle was purchased from a company related to two board members totaling \$22,808.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(13) Concentrations:

Significant concentrations of the Organization are as follows:

(a) **Concentration of revenue**—During the years ended June 30, 2023 and 2022, revenues were derived from the following agencies as a percentage of total revenues, respectively:

	2023	2022
Federal and state agencies	66%	68%
Local grants and contracts	20%	20%
Client fees and insurance reimbursements	11%	11%

(b) **Concentration of business risk**—The Organization is highly dependent on contracts, which reimburse the Organization for its services. These contracts are executed with various state, local, and other entities. Each of these contracts is subject to change. Significant changes to any of these contracts could have a material impact on the Organization's financial statements and its ability to comply with laws, rules, regulations, and contract provisions.

(c) **Concentrations of credit risk**—The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates of net accounts receivable and because substantial portions of the outstanding amounts are due from governmental agencies. Investments are made by investment managers whose performance is monitored by the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes the investment policies and guidelines are prudent for the long-term welfare of the Organization.

(14) Equity Investments:

The Organization, along with similar not-for-profits across the State, invested \$50,000 on January 28, 2020, for 25 shares of stock in Behavioral Health Partners of Florida, LLC. The company was formed as a Florida limited liability company to invest in and be a 50% member in Integrated Care Network of Florida, LLC, a Delaware limited liability company. Integrated Care Network of Florida, LLC will operate a behavioral health independent practice association that will contract with managed care insurance plans to provide behavioral health services through contracted providers. As of June 30, 2023, there has been no other additional activity in Behavioral Health Partners of Florida, LLC. The investment of \$42,376, which approximates fair value, is shown as an equity investment on the accompanying statements of financial position.

The Organization acquired 15 shares of stock in Florida Premier Health Plan, Inc. (FPHP) during its acquisition of The Centers on July 1, 2021. The Centers, along with similar not-for-profits across the State, invested \$10,000 during the year ended June 30, 2008, for 10 shares of stock in FPHP. FPHP was formed as a for-profit corporation by the Florida Council for Community Mental Health, Inc. (a not-for-profit organization) to organize a provider service network. During the year ended June 30, 2010, an additional 5 shares were purchased at a cost of \$5,000. As of June 30, 2023 and 2022, there has been no other additional activity in FPHP and the investment of \$15,000, which approximates fair value, is shown as an equity investment on the accompanying statements of financial position.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(14) **Equity Investments:** (Continued)

Investments in equity securities of nonpublic entities without readily determinable fair values are carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer and totaled \$57,376 and \$55,375 as of June 30, 2023 and 2022, respectively. The Organization reviews its equity securities without readily determinable fair values on a regular basis to determine if the investment is impaired. For purposes of this assessment, the Organization considers the investee's cash position, earnings and revenue outlook, liquidity and management ownership, among other factors, in its review. If management's assessment indicates that an impairment exists, the Organization estimates the fair value of the equity investment and recognizes in current earnings an impairment loss that is equal to the difference between the fair value of the equity investment and its carrying amount. There was no deemed impairment for the years ended June 30, 2023 and 2022.

(15) **Commitments, Contingencies, and Uncertainties:**

The Organization leases property from the State of Florida Department of Education, located at Willis Avenue, Daytona Beach, Florida. Prior to October 2020, the Organization leased this property for an annual rent of \$1 per parcel in previous years. In October 2020, a new sublease agreement was signed for this property under which the Organization will pay \$25,000 per year in monthly installments of \$2,083. The related right-of-use operating lease asset and operating lease liability are included in the statements of financial position. This lease will expire in October 2070, at which point the buildings and improvements made on the property will revert back to the lessor.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any to be immaterial.

The Organization is involved in various claims against the Organization arising in the normal course of business. Management believes that their insurance coverage will be sufficient to pay any liabilities that may be incurred.

SMA HEALTHCARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(16) Acquisition of The Centers:

On July 1, 2021, the Organization acquired the net assets of The Centers, Inc. in Marion County, another not-for-profit provider of mental health services, substance abuse prevention, chemical dependency treatment, delinquency rehabilitation programs, and primary care. There was no consideration paid for the acquisition. The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	\$ 2,919,852
Investments	1,167,309
Receivables	2,310,374
Inventory	72,837
Prepaid expenses and other assets	114,231
Property and equipment, net	19,435,935
Accounts payable and accrued expenses	(1,758,043)
Refundable advances	(400,000)
Long-term debt	(1,903,893)
Obligations under capital lease	(568,958)
Other liabilities	(9,647)
Total identifiable net assets	\$ 21,379,997

The Organization recognized a gain of \$21,379,997 as a result of the acquisition. The gain is included in other income in the Organization's statement of activities for the year ended June 30, 2022.

SMA HEALTHCARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

FEDERAL/ STATE AGENCY PASS THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT	AL/ CSFA NUMBER	FUNDING PERIOD	PASS THROUGH IDENTIFYING NUMBER/ GRANT CONTRACT IDENTIFICATION NUMBER	EXPENDITURES
<u>FEDERAL AGENCY</u>				
Department of Health and Human Services				
Direct:				
Substance Abuse and Mental Health Services	93.243	11/30/18-11/29/23	1H79SM080675	\$ 575,213
Substance Abuse and Mental Health Services	93.243	9/30/18-9/29/23	1H79SM080334-01	409,504
Total Substance Abuse and Mental Health Services				984,717
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	5/1/20-4/30/22	1H79SM083352	461,237
Rural Health Care Services Outreach	93.912	9/1/19-8/31/22	GA1RH33540	65,749
Rural Health Care Services Outreach	93.912	9/1/22-8/31/25	2 GA1RH33540-02-00	270,443
Total Rural Health Care Services Outreach				336,192
Preventive Health and Health Services Block Grant	93.991	3/1/21-1/31/24	21PHH15	23,764
Injury Prevention and Control Research and State and Community Based Programs	93.136	7/1/22-6/30/23	21PHH15	11,861
Injury Prevention and Control Research and State and Community Based Programs	93.136	7/1/22-6/30/23	VL828	27,000
Total Injury Prevention and Control Research and State and Community Based Programs				38,861
Strengthening Public Health System and Services through National Partnerships	93.421	6/1/22-7/31/22	VL896	46,649
Strengthening Public Health System and Services through National Partnerships	93.421	11/1/22-07/31/23	#2023-011312	60,000
Total Strengthening Public Health System and Services through National Partnerships				106,649
Passed through Florida Alcohol and Drug Abuse Association:				
Medical Assistance Program - Medicaid Cluster	93.778	7/1/22-6/30/23	DCF	42,202
Passed through Lutheran Services Florida:				
Temporary Assistance to Needy Families	93.558	7/1/22-6/30/23	ME004 / MH0TB	102,912
Temporary Assistance to Needy Families	93.558	7/1/22-6/30/23	ME004 / MS0TB	145,742
Temporary Assistance to Needy Families	93.558	7/1/22-6/30/23	ME036 / MH0TB	108,811
Temporary Assistance to Needy Families	93.558	7/1/22-6/30/23	ME036 / MS0TB	213,859
Total Temporary Assistance to Needy Families				571,324
Passed through Lutheran Services Florida:				
Children's Health Insurance Program	93.767	7/1/22-6/30/23	ME004 / MH0BN	296,797
Passed through Lutheran Services Florida:				
Opioid STR	93.788	7/1/22-6/30/23	ME004 / MSSM4	631,194
Opioid STR	93.788	7/1/22-6/30/23	ME036 / MSSM4	2,150,889
Total Opioid STR				2,782,083
Passed through Lutheran Services Florida:				
Mental Health Disaster Assistance	93.982	2/1/23-10/31/23	LS036/ ME036	415,000
Passed through Lutheran Services Florida:				
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME004 / MH000	628,655
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME004 / MH000	1,320,549
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME004 / MHARP	94,420
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME004 / MHCAT	37,646
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME004 / MHCAT	22,754
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME004 / MHMCT	47,256
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME004 / MHTRV	5,417
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MH011	1,623,021
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MH026	127,044
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MH0CN	16,456
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MH0FT	123,138
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MH262	481,250
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MH26S	75,000
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MHARP	223,400
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MHCJ3	123,572
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MHCJ4	80,000
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MHC0M	53,897
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MHMCT	61,049
Block Grants for Community Mental Health Services	93.958	7/1/22-6/30/23	ME036 / MHTRV	15,530
Total Block Grants for Community Mental Health Services				5,160,054

The accompanying notes to the schedule of expenditures of federal awards, state financial assistance, and state matching of federal awards are an integral part of this schedule.

SMA HEALTHCARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE AND STATE MATCHING OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

FEDERAL/ STATE AGENCY PASS THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT	AL/ CSFA NUMBER	FUNDING PERIOD	PASS THROUGH IDENTIFYING NUMBER/ GRANT CONTRACT IDENTIFICATION NUMBER	EXPENDITURES
Passed through Florida Alcohol and Drug Abuse Association: Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	DCF	\$ 27,318
Passed through Lutheran Services Florida: Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME004 / MS000	1,598,402
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME004 / MS025	95,109
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME004 / MS25S	68
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME004 / MSARP	71,151
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME004 / MSCOM	550,664
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME004 / MSTVS	5,091
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME036 / MS000	4,117,885
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME036 / MS023	65
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME036 / MS025	200,704
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME036 / MS252	1,233
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME036 / MS25S	11,285
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME036 / MSARP	8,105
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME036 / MSCOM	112,375
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7/1/22-6/30/23	ME036 / MSTVS	127,396
Total Block Grants for Prevention and Treatment of Substance Abuse				<u>6,926,851</u>
Total Department of Health and Human Services				<u>18,145,731</u>
Department of Housing and Urban Development				
Direct: Supportive Housing Program	14.235	4/1/21-3/31/23	FL0064L4H04	46,430
Total Department of Housing and Urban Development				<u>46,430</u>
Department of Homeland Security				
Passed through the County of Volusia, Florida: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	10/1/22-09/30/23	20-1892-0-1-806/CS-CA-09.1	558,209
Passed through Lutheran Services Florida: Crisis Counseling	97.032	7/1/22-6/30/23	ME036 / MHHII	19,231
Total Department of Homeland Security				<u>577,440</u>
Department of Justice				
Passed through the County of Volusia, Florida: Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838	1/1/20-12/31/22	2019-RURAL-0054	115,653
Passed through Florida Department of Legal Affairs Office of Attorney General: Crime Victim Assistance	16.575	10/1/21-9/30/22	VOCA-2021	63,214
Crime Victim Assistance	16.575	10/1/22-9/30/23	VOCA-2022	154,704
Total Crime Victim Assistance				<u>217,918</u>
Passed through the County of Volusia, Florida: Edward Byrne Memorial Justice Assistance Grant Program	16.738	10/1/22-9/30/23	2023-CS-2004	81,583
Edward Byrne Memorial Justice Assistance Grant Program	16.738	4/1/22-9/30/22	2021-CS-2004	27,061
Total Edward Byrne Memorial Justice				<u>108,644</u>
Total Department of Justice				<u>442,215</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 19,211,816</u>
STATE AGENCY				
Total Department of Children and Families				
Direct: Criminal Justice Mental Health and Substance Abuse	60.115	1/1/21-12/31/23	LHZ99	\$ 399,000
Passed through Lutheran Services Florida: Centralized Receiving Systems	60.163	7/1/22-6/30/23	ME036 / MHSCR	2,427,116
Forensic Services And Competency Restoration Training	60.114	7/1/22-6/30/23	ME036 / MHEDT	76,969
SAMH ME State Funded Federal Excluded Services	60.190	7/1/22-6/30/23	ME036 / MSSFP	518,120
Total Department of Children and Families				<u>3,421,205</u>

The accompanying notes to the schedule of expenditures of federal awards, state financial assistance, and state matching of federal awards are an integral part of this schedule.

SMA HEALTHCARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE AND STATE MATCHING OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

FEDERAL/ STATE AGENCY PASS THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT	AL/ CSFA NUMBER	FUNDING PERIOD	PASS THROUGH IDENTIFYING NUMBER/ GRANT CONTRACT IDENTIFICATION NUMBER	EXPENDITURES
Florida Department of Health				
Passed through the Florida Council Against Sexual Violence: Rape Crisis Center	64.069	7/1/22-6/30/23	FCASV	\$ 43,244
Rape Crisis Program Trust Fund	64.061	7/1/22-6/30/23	16TFGR15	24,190
Total Department of Health				<u>67,434</u>
Florida Department of Legal Affairs and Attorney General				
Direct: Florida Council Against Sexual Violence	41.010	7/1/22-6/30/23	20OAG15	8,716
Total Department of Legal Affairs and Attorney General				<u>8,716</u>
Florida State Courts System				
Direct: VIVITROL Naltrexone FADAA	22.022	7/1/22-6/30/23	OSCA	185,160
BUPRENORPHINE FADAA	22.022	7/1/22-6/30/23	N/A	62,286
Total State Courts System				<u>247,446</u>
Florida Department of Juvenile Justice				
Passed through Florida Network of Youth & Family Services: Children and Families in Need of Services (CINS/FINS)	80.005	7/1/22-6/30/23	N/A	422,414
Children and Families in Need of Services (CINS/FINS)	80.005	7/1/22-6/30/23	N/A	742,482
Total Children and Families in Need of Services				<u>1,164,896</u>
Total Department of Juvenile Justice				<u>1,164,896</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE				<u>\$ 4,909,697</u>
State Matching of Federal Awards - MHCAT (93.104)	N/A	7/1/22-6/30/23	ME004	\$ 9,726
State Matching of Federal Awards - MHCAT (93.558)	N/A	7/1/22-6/30/23	ME004	189,776
State Matching of Federal Awards - MS091 (93.558)	N/A	7/1/22-6/30/23	ME036	915,836
State Matching of Federal Awards - MS0CN (93.558)	N/A	7/1/22-6/30/23	ME036	142,372
State Matching of Federal Awards - MH000 (93.958)	N/A	7/1/22-6/30/23	ME004	3,200,893
State Matching of Federal Awards - MH000 (93.958)	N/A	7/1/22-6/30/23	ME036	6,723,754
State Matching of Federal Awards - MH072 (93.958)	N/A	7/1/22-6/30/23	ME004	76,528
State Matching of Federal Awards - MHCAT (93.958)	N/A	7/1/22-6/30/23	ME004	530,358
State Matching of Federal Awards - MHMCT (93.958)	N/A	7/1/22-6/30/23	ME004	348,370
State Matching of Federal Awards - MHTRV (93.958)	N/A	7/1/22-6/30/23	ME004	6,568
State Matching of Federal Awards - MH072 (93.958)	N/A	7/1/22-6/30/23	ME036	64,868
State Matching of Federal Awards - MH076 (93.958)	N/A	7/1/22-6/30/23	ME036	39,934
State Matching of Federal Awards - MH0CN (93.958)	N/A	7/1/22-6/30/23	ME036	37,269
State Matching of Federal Awards - MH0FT (93.958)	N/A	7/1/22-6/30/23	ME036	805,384
State Matching of Federal Awards - MHDRE (93.958)	N/A	7/1/22-6/30/23	ME036	3,912
State Matching of Federal Awards - MHMCT (93.958)	N/A	7/1/22-6/30/23	ME036	450,056
State Matching of Federal Awards - MHTRV (93.958)	N/A	7/1/22-6/30/23	ME036	18,831
State Matching of Federal Awards - MS000 (93.959)	N/A	7/1/22-6/30/23	ME004	1,683,786
State Matching of Federal Awards - MSCBS (93.959)	N/A	7/1/22-6/30/23	ME004	261,787
State Matching of Federal Awards - MSTRV (93.959)	N/A	7/1/22-6/30/23	ME004	13,767
State Matching of Federal Awards - MS000 (93.959)	N/A	7/1/22-6/30/23	ME036	4,337,854
State Matching of Federal Awards - MS081 (93.959)	N/A	7/1/22-6/30/23	ME036	275,040
State Matching of Federal Awards - MSCBS (93.959)	N/A	7/1/22-6/30/23	ME036	525,993
State Matching of Federal Awards - MSTRV (93.959)	N/A	7/1/22-6/30/23	ME036	54,583
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE AND MATCHING OF FEDERAL AWARDS				<u>\$ 44,838,758</u>

The accompanying notes to the schedule of expenditures of federal awards, state financial assistance, and state matching of federal awards are an integral part of this schedule.

SMA HEALTHCARE, INC.
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
STATE FINANCIAL ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance and State Matching of Federal Awards include federal award and state financial assistance activity of SMA Healthcare, Inc. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Section 215.97, Florida Statutes. Because the Schedule 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 assets, or cash flows of the Organization.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in a prior year.

Pass-through entity identifying numbers are presented where available.

No amounts were passed through to subrecipients during the fiscal year ended June 30, 2023.

(3) **De Minimis Indirect Cost Rate Election:**

SMA Healthcare, Inc. did not elect to use the 10% de minimis indirect cost rate as covered in §200.414, *Indirect (F&A) costs*, of the Uniform Guidance.

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

To the Board of Directors of,
SMA Healthcare, Inc.:

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

Opinion on Each Major Federal Program and Major State Project

We have audited SMA Healthcare, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and major state projects for the year ended June 30, 2023. The Organization's major federal programs and major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program and Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General, are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SMA Healthcare, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program and major state project. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs and state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program and major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002. Our opinion on each major federal program and state project is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in Management's Response to Findings on page 38. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

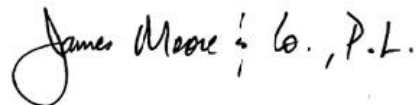
Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in Management's Response to Findings on page 38. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Daytona Beach, Florida
December 5, 2023

**SMA HEALTHCARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

I. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

Type of auditors' report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes _____ no

Identification of major Federal programs:

AL Number	Program Name
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.243	Substance Abuse & Mental Health Services

Dollar threshold used to distinguish between type A and type B Federal programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

State Financial Assistance:

Internal control over major State projects:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major State projects: *Unmodified*

Any audit findings disclosed that are required to be reported for state financial assistance projects? _____ yes X none reported

SMA HEALTHCARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

I. Summary of Auditors' Results: (Continued)

Dollar threshold used to distinguish between type A and type B State projects: \$750,000

Identification of major State projects:

CSFA Number	Program Name
60.163	Centralized Receiving Systems

II. Financial Statement Findings:

No financial statement findings were noted.

III. Federal Programs and State Projects Findings and Questioned Costs:

2023-001 – ALN 93.958 – Block Grant for Community Mental Health Services – Activities Allowed/Allowable Costs: Completion of Comprehensive Assessment (Repeat Comment)

Criteria: The Block Grant for Community Mental Health Services provides for a set of documentation requirements for clients in the covered programs, including the completion of a seven-part comprehensive assessment for clients in the FACT program. This form is required to be completed when clients are discharged after being provided mental health services. Activities allowed for the FACT program require a seven-part comprehensive assessment be completed fully within sixty days of client admission into the program.

Condition: The full seven-part comprehensive assessment required for FACT clients was not completed fully within 60 days of client admission into the program for 1 of the 60 clients tested. Additionally, 3 of the 60 clients tested did not have the discount fee that was used shown on their comprehensive assessment. Finally, 1 of the 60 clients tested had an incorrect discount fee applied.

Cause: The requirement to perform these control elements within 60 days was not followed by the case managers.

Effect: The seven-part comprehensive assessments that were not properly completed within the required timeframe could result in noncompliance with the grant agreement.

Recommendation: We recommend that the process be changed so that all seven-part comprehensive assessments required for FACT clients be completed fully for all patients within 60 days, and that additional controls be put in place to ensure the discount rate applied is documented and proper.

2023-002 – ALN 93.959 – Block Grant for Prevention and Treatment of Substance Abuse – Activities Allowed/Allowable Costs: Completion of Financial Assessment Form (Repeat Comment)

Criteria: The Block Grant for Prevention and Treatment of Substance Abuse provides for a set of documentation requirements for clients in the program, including the completion of a Financial Assessment Form to document financial eligibility over allowable costs. This form is required to be completed when clients are discharged after being provided mental health services.

Condition: A Financial Assessment Form was not properly completed for 1 of the 60 clients tested. Additionally, 1 of the 60 clients tested did not have the Financial Assessment Form properly signed. Finally, 1 of the 60 clients tested had an incorrect discount fee applied.

SMA HEALTHCARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

III. Federal Programs and State Projects Findings and Questioned Costs: (Continued)

Cause: The requirement to perform these control elements were overlooked by the case managers.

Effect: The missing and improperly completed Financial Assessment Forms could result in noncompliance with the grant agreement.

Recommendation: We recommend that the process be reviewed and staff be trained and have regular training updates to ensure that the required Financial Assessment Forms are completed fully and signed for all clients, and that additional controls be put in place to ensure the discount rate applied is documented and proper.

IV. Prior Audit Findings:

See Schedule of Prior Audit Findings on page 37.

V. Corrective Action Plan:

See Management's Response to Findings on page 38.

VI. Management Letter:

No management letter pursuant to Sections 215.97(9)(f) and 215.97(10)(d), Florida Statutes is required since there are no items related to state financial assistance required to be reported in the management letter, not already reported in this schedule.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of,
SMA Healthcare, Inc.:

We have audited 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, the financial statements of SMA Healthcare, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 5, 2023.

Report On Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether SMA Healthcare, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Daytona Beach, Florida
December 5, 2023



150 Magnolia Ave.
Daytona Beach, FL 32114
P 800-539-4228 | smahealthcare.org
access@smahealthcare.org

December 5, 2023

Schedule of Prior Audit Findings:

2022-001 – ALN 93.958 – Delinquent Comprehensive Assessment: Corrective action not taken. See repeat comment 2023-001.

2022-002 – ALN 93.959 – Delinquent Comprehensive Assessment: Corrective action not taken. See repeat comment 2023-002.

Thank you,

Andrea Schweizer
Chief Financial Officer





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 access@smahealthcare.org

December 5, 2023

Management Response to Auditor Findings:

Recommendation: 2023-001 Completion of Comprehensive Assessment

For ALN 93.958, the full seven-part comprehensive assessment required for FACT clients was not completed fully within 60 days of client admission into the program for 1 of the 60 clients tested. Additionally, 3 of the 60 clients tested did not have the discount fee that was shown on their comprehensive assessment. Finally, 1 of the 60 clients tested had an incorrect discount fee applied. This appears to be the result of staff oversight. As a corrective action, all FACT team staff responsible for completion of the assessment will be retrained on a recurring basis. We feel as though the current process to review compliance is comprehensive. SMA’s internal clinical compliance department conducts routine audits. When conducting audits of the FACT program, the compliance staff members review charts for compliance with the comprehensive assessments. The results of those internal audits are reviewed at the Process Improvement Committee where program managers are required to present a corrective action plan if charts do not meet a pre-set compliance threshold. The clinical compliance results are also presented to the Quality Program Review subcommittee of the board. Furthermore, the FACT program directors are responsible for monitoring documentation timeframes to ensure that when new clients are admitted to the program, documentation is completed timely.

Recommendation: 2023-002 Completion of Financial Assessment Documentation

For ALN 93.959, a Financial Assessment Form was not properly completed for 1 of the 60 clients tested. Additionally, 1 of the 60 clients tested did not have the Financial Assessment Form properly signed. Finally, 1 of the 60 clients tested had an incorrect discount fee applied. Our internal tracking of completion of the financial assessment form indicates that compliance with this requirement occurs about 98% of the time. Obtaining the client signature on the form has been challenging, particularly during recent years as use of telehealth services has expanded. As a corrective action, SMA will include completion of the assessment form compliance results to be reviewed at the monthly Process Improvement Committee. Program managers are required to present a corrective action plan when results are out of compliance with the standard. In addition, SMA will develop a procedure to allow staff to document receipt of verbal approval of the completed financial assessment form when the client is unable to be present at service location site.

Thank you,

Andrea Schweizer
 Chief Financial Officer

