

2024

Meridian Behavioral Healthcare, Inc.

Combining Financial Statements
and Independent Auditor's Report

June 30, 2024

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

MERIDIAN BEHAVIORAL HEALTHCARE, INC.

COMBINING FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combining financial statements of Meridian Behavioral Healthcare, Inc. (the Corporation), a non-profit corporation, and affiliates, which comprise the combining statement of financial position as of June 30, 2024, and the related combining statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combining financial statements.

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of the Corporation and affiliates as of June 30, 2024, and the changes in net assets and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and affiliates, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 the combining financial statements that are free from material misstatement, whether due to fraud or error.

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

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Board of Directors
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combining financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 combining financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combining 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 combining 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 Corporation'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 combining financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation and affiliates' 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.

Report on Summarized Comparative Information

We have previously audited the Corporation's 2023 combining financial statements, and we expressed an unmodified audit opinion on those audited combining financial statements in our report dated December 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited combining financial statements from which it was derived.

Board of Directors
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

INDEPENDENT AUDITOR'S REPORT

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combining financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the combining 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 combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining 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 and state financial assistance is fairly stated, in all material respects, in relation to the combining 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 January 29, 2025, on our consideration of the Corporation'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 Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Purvis Gray

January 29, 2025
Gainesville, Florida

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024,
WITH COMBINED TOTALS FOR JUNE 30, 2023

	ASSETS			
	Meridian Behavioral Healthcare, Inc.	New Horizons Properties	Totals	
			2024 Combined	2023 Combined
Current Assets				
Cash and Cash Equivalents (Note 1 and 3)	\$ 10,206,726	\$ 164,912	\$ 10,371,638	\$ 6,563,051
Investments (Note 3)	4,061,938	-	4,061,938	3,739,780
Accounts Receivable: (Note 5)				
Client Fees (Net of Allowance for Uncollectible Accounts of \$4,481,443 in 2024 and \$1,736,784 in 2023)	8,111,771	21,569	8,133,340	2,479,740
Contracts and Grants Receivable	6,293,836	-	6,293,836	12,518,524
Due from HUD	-	60,151	60,151	54,183
Prepaid Expenses	726,066	-	726,066	2,807,825
Inventories	159,405	-	159,405	308,298
Total Current Assets	<u>29,559,742</u>	<u>246,632</u>	<u>29,806,374</u>	<u>28,471,401</u>
Restricted Assets				
Funded Reserves (Note 3 and 4)	-	543,707	543,707	493,112
Security Deposits (Note 3 and 4)	12,424	22,511	34,935	31,384
Funds Held in Escrow	-	55,993	55,993	55,984
Client Held Funds (Note 3 and 4)	58,602	-	58,602	120,997
Endowed Investments (Note 3 and 4)	372,047	-	372,047	372,047
Total Restricted Assets	<u>443,073</u>	<u>622,211</u>	<u>1,065,284</u>	<u>1,073,524</u>
Property, Plant and Equipment - Cost Less Depreciation (Note 8)	<u>11,515,421</u>	<u>1,354,509</u>	<u>12,869,930</u>	<u>12,912,183</u>
Other Assets				
Equity Investments (Note 13)	151,575	-	151,575	151,575
Due from Affiliates (Note 2)	1,961,198	-	1,961,198	1,527,753
Operating Lease Right-of-Use Assets (Note 10)	50,403	-	50,403	168,522
Financing Lease Right-of-Use Assets (Note 10)	113,506	-	113,506	367,719
Total Other Assets	<u>2,276,682</u>	<u>-</u>	<u>2,276,682</u>	<u>2,215,569</u>
Total Assets	<u>\$ 43,794,918</u>	<u>\$ 2,223,352</u>	<u>\$ 46,018,270</u>	<u>\$ 44,672,677</u>

See accompanying notes.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024,
WITH COMBINED TOTALS FOR JUNE 30, 2023

LIABILITIES AND NET ASSETS

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties	Totals	
			2024 Combined	2023 Combined
Current Liabilities				
Accounts Payable	\$ 1,602,257	\$ 65,648	\$ 1,667,905	\$ 3,642,032
Accrued Salaries and Payroll Taxes	1,920,930	-	1,920,930	1,732,616
Accrued Vacation and Sick Leave	694,245	-	694,245	619,838
Current Portion of Operating Lease Liability	46,837	-	46,837	118,682
Current Portion of Financing Lease Liability	58,930	-	58,930	103,644
Current Portion of Long-Term Liabilities (Note 9)	750,636	53,492	804,128	776,529
Interest Payable	11,241	3,132	14,373	13,739
Other	1,321,221	22,511	1,343,732	407,186
Total Current Liabilities	6,406,297	144,783	6,551,080	7,414,266
Long-Term Liabilities				
Notes, Mortgages, and Bonds Payable (Note 9)	3,566,817	1,849,999	5,416,816	6,211,618
Due to Affiliate (Note 2)	-	1,961,198	1,961,198	1,527,753
Long-Term Operating Lease Liability	3,566	-	3,566	49,840
Long-Term Financing Lease Liability	19,597	-	19,597	78,527
Total Long-Term Liabilities	3,589,980	3,811,197	7,401,177	7,867,738
Total Liabilities	9,996,277	3,955,980	13,952,257	15,282,004
Net Assets				
Without Donor Restrictions	33,332,380	(1,732,628)	31,599,752	28,933,737
With Donor Restrictions	466,261	-	466,261	456,936
Total Net Assets	33,798,641	(1,732,628)	32,066,013	29,390,673
Total Liabilities and Net Assets	\$ 43,794,918	\$ 2,223,352	\$ 46,018,270	\$ 44,672,677

See accompanying notes.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024,
WITH COMBINED TOTALS FOR JUNE 30, 2023

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties	Totals	
			2024 Combined	2023 Combined
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Operating Revenues				
State and Federal Governmental Revenues				
Lutheran Services				
Mental Health:				
Adult	\$ 10,397,694	\$ -	\$ 10,397,694	\$ 10,659,101
Children	6,125,335	-	6,125,335	7,758,258
Substance Abuse:				
Adult	11,194,679	-	11,194,679	11,328,009
Children	1,576,507	-	1,576,507	2,203,745
Total Lutheran Services Revenue	29,294,215	-	29,294,215	31,949,113
Medicare	130,849	-	130,849	260,371
Medicaid Fees	475,953	-	475,953	51,425
Managed Medicaid	12,596,559	-	12,596,559	13,961,093
Federal Government Contracts	5,102,941	-	5,102,941	4,954,232
Section 8 Housing Grant	-	256,253	256,253	271,006
Other State and Local Government Contracts	2,876,314	-	2,876,314	3,022,058
Total State and Federal Governmental Revenues	50,476,831	256,253	50,733,084	54,469,298
State Match Contracts				
Alachua County	1,065,938	-	1,065,938	1,184,093
Baker County	66,024	-	66,024	67,081
Bradford County	83,018	-	83,018	83,018
Columbia County	260,032	-	260,032	254,684
Dixie County	56,026	-	56,026	54,782
Gilchrist County	62,201	-	62,201	60,919
Hamilton County	28,975	-	28,975	28,379
Lafayette County	23,143	-	23,143	18,209
Levy County	91,114	-	91,114	88,204
Putnam County	55,000	-	55,000	54,373
Suwannee County	63,781	-	63,781	62,469
Union County	15,000	-	15,000	15,000
Total State Match Contracts	1,870,252	-	1,870,252	1,971,211
Other Clinical Revenues				
Client Fees	645,687	-	645,687	620,914
Insurance Fees	3,928,425	-	3,928,425	1,680,662
Miscellaneous Clinical Revenue	1,317,994	-	1,317,994	736,725
Total Other Clinical Revenues	5,892,106	-	5,892,106	3,038,301
Non-Clinical Revenues				
Rent and Management Fees	430,873	183,609	614,482	605,342
Contributions	41,925	-	41,925	129,105
In-Kind Services and Materials	845,374	-	845,374	975,690
Miscellaneous Non-Clinical Revenues	427,438	110	427,548	546,989
Contributions Released from Restriction	-	-	-	17,990
Total Non-Clinical Revenues	1,745,610	183,719	1,929,329	2,275,116
Total Operating Revenues	59,984,799	439,972	60,424,771	61,753,926

See accompanying notes.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024,
WITH COMBINED TOTALS FOR JUNE 30, 2023

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties	Totals	
			2024 Combined	2023 Combined
Operating Expenses				
Salaries and Related Expenses				
Salaries	\$ 35,311,838	\$ -	\$ 35,311,838	\$ 30,539,405
Benefits and Taxes	7,002,572	-	7,002,572	5,693,945
Total Salaries and Related Expenses	42,314,410	-	42,314,410	36,233,350
Building Occupancy				
Building Rental	103,079	-	103,079	139,806
Repairs and Maintenance	319,825	137,182	457,007	561,197
Utilities	661,546	50,237	711,783	799,536
Depreciation	774,833	94,685	869,518	815,405
Total Building Occupancy	1,859,283	282,104	2,141,387	2,315,944
Professional Services				
Professional Fees	827,063	-	827,063	3,320,000
Travel, Training, and Professional Development				
Travel	421,468	-	421,468	342,200
Training and Professional Development	(382,344)	-	(382,344)	1,855,909
Total Travel, Training, and Professional Development	39,124	-	39,124	2,198,109
Equipment Costs				
Equipment Purchases	658,714	-	658,714	532,891
Repairs and Maintenance	219,870	-	219,870	162,788
Amortization	254,213	-	254,213	227,923
Depreciation	692,508	-	692,508	470,870
Total Equipment Costs	1,825,305	-	1,825,305	1,394,472
Food and Food Services				
Client Meals	1,048,911	-	1,048,911	993,193
Program Meeting Food	4,401	-	4,401	3,918
Food Supplies	1,031	-	1,031	1,956
Total Food and Food Services	1,054,343	-	1,054,343	999,067
Medical and Pharmacy				
Medical Supplies	757,023	-	757,023	449,034
Indigent Drugs	473,476	-	473,476	287,168
Medicine and Drugs - Regular	837,777	-	837,777	621,073
Total Medical and Pharmacy	2,068,276	-	2,068,276	1,357,275
Subcontracted Services				
Other Subcontracted Services	1,732,857	-	1,732,857	1,758,968
Insurance				
Professional Liability	1,148,167	-	1,148,167	1,158,670
Property	421,084	122,032	543,116	407,313
Other Insurance	351,358	-	351,358	276,028
Total Insurance	1,920,609	122,032	2,042,641	1,842,011

See accompanying notes.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024,
WITH COMBINED TOTALS FOR JUNE 30, 2023

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties	Totals	
			2024 Combined	2023 Combined
Other Operating Expenses				
In-Kind Services and Materials	\$ 845,374	\$ -	\$ 845,374	\$ 975,690
Client Activity	509,084	-	509,084	495,888
Telephone	585,556	-	585,556	421,543
Office Expense	372,715	-	372,715	170,485
Recruiting	391,254	-	391,254	321,873
Janitorial Services	430,936	-	430,936	397,554
Employee Wellness Program	63,345	-	63,345	53,358
Marketing	297,335	-	297,335	532,128
Other Operating Expenses	439,012	285,411	724,423	555,643
Total Other Operating Expenses	3,934,611	285,411	4,220,022	3,924,162
Total Operating Expenses Without Donor Restrictions	(57,575,881)	(689,547)	(58,265,428)	(55,343,358)
Income from Operations	2,408,918	(249,575)	2,159,343	6,410,568
Non-Operating (Expenses) Revenues Without Donor Restrictions				
Net Investment Income	820,661	1,282	821,943	454,023
Interest and Amortization	(259,925)	(55,346)	(315,271)	(349,549)
Total Non-Operating (Expenses) Revenues Without Donor Restrictions	560,736	(54,064)	506,672	104,474
Increase (Decrease) in Net Assets Without Donor Restrictions	2,969,654	(303,639)	2,666,015	6,515,042
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year	30,362,726	(1,428,989)	28,933,737	22,418,695
Net Assets (Deficit) Without Donor Restrictions, End of Year	\$ 33,332,380	\$ (1,732,628)	\$ 31,599,752	\$ 28,933,737
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	\$ 9,325	\$ -	\$ 9,325	\$ 17,990
Contributions Released from Restriction	-	-	-	(17,990)
Increase (Decrease) in Net Assets With Donor Restrictions	9,325	-	9,325	-
Net Assets (Deficit) With Donor Restrictions, Beginning of Year	456,936	-	456,936	456,936
Net Assets (Deficit) With Donor Restrictions, End of Year	\$ 466,261	\$ -	\$ 466,261	\$ 456,936

See accompanying notes.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
WITH COMBINED TOTALS FOR JUNE 30, 2023

Expense Categories	2024											2023		
	Program Services						Supporting Services					New Horizons Properties	Total Combined	Total Combined
	Adult Mental Health	Adult Substance Abuse	Children's Mental Health	Children's Substance Abuse	Other Programs	Total Program Services	Management and General	Fundraising	Allocation of Other Support	Total Supporting Services				
Functional Expenses														
Salaries	\$ 12,969,472	\$ 6,291,945	\$ 5,101,909	\$ 623,594	\$ 4,566,993	\$ 29,553,913	\$ 1,989,720	\$ 51,207	\$ 3,716,998	\$ 5,757,925	\$ -	\$ 35,311,838	\$ 30,539,405	
Fringe Benefits	2,590,107	1,259,626	1,019,804	125,732	818,161	5,813,430	401,926	10,525	776,691	1,189,142	-	7,002,572	5,693,945	
Building Occupancy	2,132,455	1,097,045	272,111	140,786	389,779	4,032,176	-	-	(2,172,893)	(2,172,893)	282,104	2,141,387	2,315,944	
Professional Services	2,550,626	1,552,777	831,345	136,435	511,371	5,582,554	578,705	4,875	(5,339,071)	(4,755,491)	-	827,063	3,320,000	
Travel and Training	319,389	115,841	172,479	17,680	121,767	747,156	(656,024)	6,623	(58,631)	(708,032)	-	39,124	2,198,109	
Equipment	944,528	184,869	531,708	25,758	91,763	1,778,626	6,880	141	39,658	46,679	-	1,825,305	1,394,472	
Food Services	617,684	533,132	102,042	84,737	113,763	1,451,358	1,876	1,016	(399,907)	(397,015)	-	1,054,343	999,067	
Medical and Pharmacy	287,688	1,638,237	26,035	36,101	55,928	2,043,989	10,977	-	13,310	24,287	-	2,068,276	1,357,275	
Subcontracted Services	18,858	1,463	798	21,276	73,171	115,566	123,047	-	1,494,244	1,617,291	-	1,732,857	1,758,968	
Insurance	523,214	262,884	211,031	29,899	126,837	1,153,865	55,621	-	711,123	766,744	122,032	2,042,641	1,842,011	
Interest	8	-	1	-	-	9	240,789	-	19,127	259,916	55,346	315,271	349,549	
Operating Supplies and Expenses	442,163	137,269	241,240	50,214	397,106	1,267,992	436,903	184,991	1,199,351	1,821,245	285,411	3,374,648	2,948,472	
Donated Items	482,897	359,779	2,698	-	-	845,374	-	-	-	-	-	845,374	975,690	
Total Functional Expenses	\$ 23,879,089	\$ 13,434,867	\$ 8,513,201	\$ 1,292,212	\$ 7,266,639	\$ 54,386,008	\$ 3,190,420	\$ 259,378	\$ -	\$ 3,449,798	\$ 744,893	\$ 58,580,699	\$ 55,692,907	

See accompanying notes.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024,
WITH COMBINED TOTALS FOR JUNE 30, 2023

	Meridian	New	Totals	
	Behavioral Healthcare, Inc.	Horizons Properties	2024 Combined	2023 Combined
Cash Flows from Operating Activities				
Cash Received from State, Federal, County, Local Contracts, Clients, and Third-Party Billings	\$ 58,813,253	\$ -	\$ 58,813,253	\$ 59,060,182
Rent and Rent Subsidy Received	-	394,664	394,664	377,236
Other Income Received	900,236	110	900,346	1,148,257
Cash Paid to Employees	(39,526,467)	-	(39,526,467)	(33,050,770)
Cash Paid to Suppliers	(11,514,253)	(595,203)	(12,109,456)	(20,146,098)
Payroll Taxes Paid	(2,525,222)	-	(2,525,222)	(2,152,588)
Net Cash Provided by (Used in) Operating Activities	6,147,547	(200,429)	5,947,118	5,236,219
Cash Flows from Financing Activities				
Advances from/(to) Affiliate	(433,445)	433,445	-	-
Acquisition and Construction of Capital Assets	(1,434,734)	(85,039)	(1,519,773)	(1,426,190)
Restricted Contributions	9,325	-	9,325	-
Repayment of Long-Term Debt	(770,838)	(51,695)	(822,533)	(1,396,938)
Long-Term Debt Proceeds Received	-	-	-	107,854
Interest Paid on Long-Term Debt	(259,923)	(58,983)	(318,906)	(350,940)
Net Cash Provided by (Used in) Financing Activities	(2,889,615)	237,728	(2,651,887)	(3,066,214)
Cash Flows from Investing Activities				
(Purchase) Sale of Investments	(308,587)	-	(308,587)	(239,739)
Earnings on Investments	820,661	1,282	821,943	454,023
Net Cash Provided by (Used in) Investing Activities	512,074	1,282	513,356	214,284
Net Increase (Decrease) in Cash and Cash Equivalents	3,770,006	38,581	3,808,587	2,384,289
Cash and Cash Equivalents, Beginning of Year	6,436,720	126,331	6,563,051	4,178,762
Cash and Cash Equivalents, End of Year	\$ 10,206,726	\$ 164,912	\$ 10,371,638	\$ 6,563,051

See accompanying notes.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024,
WITH COMBINED TOTALS FOR JUNE 30, 2023

	Meridian	New	Totals	
	Behavioral Healthcare, Inc.	Horizons Properties	2024 Combined	2023 Combined
<u>Presented in the Accompanying Combining Balance Sheet As</u>				
Cash and Cash Equivalents				
Current Assets	\$ 10,206,726	\$ 164,912	\$ 10,371,638	\$ 6,563,051
Total Cash and Cash Equivalents	\$ 10,206,726	\$ 164,912	\$ 10,371,638	\$ 6,563,051
<u>Reconciliation to Net Cash Provided by (Used in) Operating Activities</u>				
Income/(Loss) from Operations	\$ 2,408,918	\$ (249,575)	\$ 2,159,343	\$ 6,410,568
Reconciling Adjustments:				
Depreciation	1,467,341	94,685	1,562,026	1,286,275
Amortization	254,213	-	254,213	227,923
Provision for Bad Debts	643,470	-	643,470	(48,854)
(Increase) Decrease in Accounts Receivable	(6,294,094)	(55,270)	(6,349,364)	702,425
(Increase) Decrease in Contracts and Grants Receivable	6,224,688	-	6,224,688	(3,151,325)
(Increase) Decrease in Prepaid Expenses	2,081,759	(9)	2,081,750	(1,624,097)
(Increase) Decrease in Inventory	148,893	-	148,893	87,669
Increase (Decrease) in Accounts Payable	(1,983,867)	9,740	(1,974,127)	783,576
Increase (Decrease) in Accrued Salaries and Payroll Taxes	188,314	-	188,314	318,374
Increase (Decrease) in Accrued Vacation and Sick Leave	74,407	-	74,407	92,380
Increase (Decrease) in Other Payables	933,505	-	933,505	151,305
Net Cash Provided by (Used in) Operating Activities	\$ 6,147,547	\$ (200,429)	\$ 5,947,118	\$ 5,236,219
<u>Non-Cash Activity</u>				
Non-Cash In-Kind Service and Materials Revenues	\$ 845,374	\$ -	\$ 845,374	\$ 975,690
Non-Cash In-Kind Service and Materials Expenses	\$ 845,374	\$ -	\$ 845,374	\$ 975,690

See accompanying notes.

NOTES TO COMBINING FINANCIAL STATEMENTS

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Reporting Entity and Basis of Accounting

The accompanying financial statements include the combining assets, liabilities, revenues, and expenses as determined by use of the accrual basis of accounting of Meridian Behavioral Healthcare, Inc. (the Corporation) and the New Horizons Properties described in Note 2.

The Corporation is a not-for-profit Florida corporation which provides comprehensive behavioral health and limited primary care to the general public of Alachua, Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Lafayette, Levy, Marion, Suwannee, and Union counties. The Corporation also provides inpatient services to Putnam County.

The Corporation's combining financial statements have been prepared on the accrual basis and in accordance with the guidance contained in *Accounting Standards Codification (ASC) Section 958, Not-for-Profit Entities*, issued by the Financial Accounting Standards Board (FASB). Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

- *Without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations.
- *With Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Corporation and/or the passage of time. When a restriction expires, assets with donor restrictions are reclassified to assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are stated at fair market value, and consist of interest-bearing checking and savings accounts, and petty cash.

Concentration of Credit Risk

The Corporation maintains deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits and receivables are generally unsecured. Deposits of both the Corporation and New Horizons Properties are held in excess of FDIC limits, the total uninsured exposure risk was \$10,775,092 as of June 30, 2024.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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. The primary management estimates included in the accompanying statements relate to the collectability of service fee receivables, including amounts due from Medicare, Medicaid, third-party insurers, and clients and amounts due to these parties as a result of subsequent audits, if any, as discussed in Note 14.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. These payments consist of prepaid insurance, software maintenance, and other miscellaneous expenses.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

Inventories

Inventory consists of indigent drugs and other materials and is valued at cost or estimated fair market value, if donated, using the first-in, first-out method.

Contributions

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence or nature of any donor restrictions in accordance with the guidance contained in ASC Section 958, *Not-for-Profit Entities*, issued by the FASB.

Contributions are recorded when received. All contributions are considered to be available for use without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions, which increases that net asset class. However, if a restriction is fulfilled in the same accounting period in which the contribution is received, the Corporation reports the support as without donor restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Capital Assets

Property, plant and equipment are recorded at cost with estimated lives of three to ten years for transportation and other equipment, and five to thirty years for various buildings and leasehold improvements. Donated assets are recorded at the fair market value as of the date of the gift. The straight-line method of depreciation is used. Maintenance and repairs are expensed as incurred. The Corporation's policy is to capitalize all property, plant and equipment purchases greater than \$1,000.

Accounts Receivable

Accounts receivable are shown at the anticipated realizable value, net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is based on historical data of collectability of revenue types. Accounts older than one year with no activity are written off. Accounts receivable consist primarily of contract and fee amounts due from state and county governments, clients, and third-party payers.

Income Taxes

The Corporation is currently exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision has been made for income tax liabilities or expenses. Contributions to the Corporation may qualify for the charitable contribution deduction for federal tax purposes.

Operating Revenues and Expenses

The Corporation's combining statement of activities distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing comprehensive behavioral health and limited primary care to the general public. Non-exchange revenues and investment related activity are reported as non-operating revenues. Operating expenses are all expenses incurred to provide the Corporation's primary activities, other than financing costs.

Revenue Recognition

Revenues from general sources are recognized at a single point in time when services are provided or when contract and grant funds are earned. Restricted revenues are recognized only to the extent that they are expended in accordance with donor or grantor restrictions. Any restricted revenues which have been received, but not expended, are shown as unearned revenue in the liability section of the accompanying combining statement of financial position. Tenant rents and U.S. Department of Housing and Urban Development (HUD) Section 8 - Housing Assistance payments are recognized as revenue when earned.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

In-Kind Revenues and Expenses

Revenues and expenses from in-kind contributions are recognized when received based upon the estimated fair market value of the contribution, provided there is a clearly measurable basis to value such contributions.

Matching Requirements

The Corporation receives grants through the State of Florida Department of Children and Families (DCF), which require local matching funds. All local matching requirements have been met.

Accounts Payable

Accounts payable consist of short-term liabilities due to the Corporation's vendors for the provision of goods and services for operations.

Compensated Absences

The Corporation pays certain amounts of unused personal time off and short-term disability to employees upon termination in accordance with its compensated absences policy. The accrual presented in the accompanying financial statements is computed using the gross salary at the end of the reporting period.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

Prior Period Information

The financial statements include certain prior year summarized comparative information in total but not by combining entity. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Subsequent Events

The Corporation has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 29, 2025, the date the financial statements were available to be issued.

Reclassification

Certain prior year amounts have been reclassified to conform to current year financial reporting, to facilitate comparison of financial data, and to conform to the 2024 presentation.

Note 2 - New Horizons Properties

The Corporation, acting as sponsor, established five not-for-profit, single-asset HUD corporations titled New Horizons Properties I, Inc. (NHP I), New Horizons Properties II, Inc. (NHP II), New Horizons Properties III, Inc. (NHP III), New Horizons Properties IV, Inc. (NHP IV), and New Horizons Properties V, Inc. (NHP V). The purpose of these organizations is to construct and operate living facilities for mentally ill individuals, from the proceeds of HUD Section 202 Mortgages and Section 8 Housing Assistance. The five single-asset corporations have no employees. Administrative support is provided by the Corporation's employees under a management agreement with each entity.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

The New Horizons Properties are entities for which the Corporation is considered to be financially accountable and, accordingly, the data from the New Horizons Properties are combined with the data from the Corporation. However, for further understandability, the entities' operations are presented in separate columns in the accompanying combining financial statements. Separate financial statements for the New Horizons Properties can be obtained from the Corporation's fiscal department.

The following is a condensed summary of the affiliated groups' financial position as of June 30, 2024, and the results of their operations for the year then ended:

Financial Position 2024						
	NHPI	NHPII	NHPIII	NHPIV	NHPV	Total
Current Assets	\$ 7,842	\$ 99,114	\$ 32,970	\$ 106,706	\$ -	\$ 246,632
Property, Plant and Equipment	484,110	1,752,987	482,708	1,191,302	-	3,911,107
(Accumulated Depreciation)	(391,006)	(824,933)	(412,445)	(928,214)	-	(2,556,598)
Restricted Assets	169,684	315,985	94,765	41,777	-	622,211
Total Assets	270,630	1,343,153	197,998	411,571	-	2,223,352
Current Liabilities	51,925	31,361	25,171	36,326	-	144,783
Long-Term Liabilities	423,586	1,389,212	491,303	1,495,505	11,591	3,811,197
Total Liabilities	475,511	1,420,573	516,474	1,531,831	11,591	3,955,980
Net Assets (Deficit) Without Donor Restrictions	(204,881)	(77,420)	(318,476)	(1,120,260)	(11,591)	(1,732,628)
Total Liabilities and Net Assets	\$ 270,630	\$ 1,343,153	\$ 197,998	\$ 411,571	\$ -	\$ 2,223,352
Results of Operations 2024						
	NHPI	NHPII	NHPIII	NHPIV	NHPV	Total
Grant Revenue	\$ 42,846	\$ 115,199	\$ 42,567	\$ 55,641	\$ -	\$ 256,253
Rental Income	23,677	81,279	47,813	30,840	-	183,609
Interest and Miscellaneous Income	699	194	357	142	-	1,392
(Expenses)	(89,682)	(312,998)	(135,754)	(206,214)	(245)	(744,893)
(Deficiency) of Revenues (Under) Expenses	\$ (22,460)	\$ (116,326)	\$ (45,017)	\$ (119,591)	\$ (245)	\$ (303,639)

Affiliate advances from the Corporation to the five New Horizons Properties represent uncollateralized, non-interest-bearing intercompany accounts totaling \$1,961,198. The New Horizons Properties are required to remain in their current ownership until such time as the original mortgages of each of the properties are satisfied. As each mortgage is satisfied, the related property will be appraised, and ownership will be transferred to the Corporation. The balance of the affiliate advances will be reduced by the appraised value of each transferred property. For the year ended June 30, 2024, no payments to the Corporation for affiliate advances were made by the New Horizons Properties.

Note 3 - Deposits and Investments

Deposits

At year-end, the carrying amount of the Corporation's deposits was \$10,277,752 and the bank balances were \$11,407,528.

The carrying amount of the New Horizons Properties' deposits was \$787,122 and the bank balances were \$769,544. Deposits of the New Horizons Properties are maintained in qualified public depositories.

Deposits are shown on the statement of financial position as:

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties
Cash and Cash Equivalents	\$ 10,206,726	\$ 164,912
Funded Reserves	-	543,707
Funds Held in Escrow	-	55,993
Client Held Funds	58,602	-
Security Deposits	12,424	22,511
Total Deposits	\$ 10,277,752	\$ 787,123

Investments

Investments are recorded at fair market value. The carrying amounts at June 30, 2024, are as follows:

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties
Investments		
Fidelity Investment Portfolio:		
Board Reserve Account	\$ 1,750,674	\$ -
Self-Insurance Reserve Account	684,267	-
Capital/Operating Reserve Account	1,097,091	-
Community Foundation of North Central Florida Mutual Funds	901,953	-
Total Investments	\$ 4,433,985	\$ -
Shown on the Statement of Financial Position as		
Investments	\$ 4,061,938	\$ -
Endowed Investments	372,047	-
Total Investments	\$ 4,433,985	\$ -

The following schedule summarized the investment return in the statement of activities:

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties
Interest and Dividends	\$ 593,793	\$ 1,282
Realized Gains/(Loss)	5,155	-
Unrealized Gains/(Loss)	241,759	-
Administrative Fees	(20,046)	-
Total	\$ 820,661	\$ 1,282

Fair Value Hierarchy

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GAAP require or permit in the statement of financial position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2024:

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fidelity Investments				
Fixed Income	\$ 1,765,911	\$ 1,765,911	\$ -	\$ -
Equities	1,766,121	1,766,121	-	-
Community Foundation of North Central Florida (CFNCF)				
Fixed Income	901,953	901,953	-	-
Total Investments	<u>\$ 4,433,985</u>	<u>\$ 4,433,985</u>	<u>\$ -</u>	<u>\$ -</u>

Fixed Income securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. CFNCF acts as an investment custodian for the Meridian Behavioral Health Care Fund and Haynie Trust Fund. Distributions from CFNCF are limited by a spending policy adopted annually by CFNCF's Board of Directors. These investments are categorized as Level 1 and also valued based on prices quoted in active markets for those securities.

Credit Risk

The Corporation's investment policy requires an overall weighted average credit rating of "A" or better by Moody's Investor Services or Standard and Poor's in fixed income securities. Investments in commercial paper are limited to investments rated A1/P1 by Standard and Poor's or Moody's Investor Services, respectively. Investments in derivative, corporate, or mortgage-backed securities are prohibited.

Concentration of Credit Risk

The Corporation's investment policy limits equity investments of any one company to no more than 5% of the total portfolio, and commercial paper of any one issuer to 9%. The investment policy also requires a minimum of 20 positions in the portfolio, with no more than 25% in any one economic sector.

Note 4 - Restricted Assets

Restricted cash and investments at June 30, 2024, are as follows:

	Meridian Behavioral Healthcare, inc.	New Horizons Properties
Restricted Cash and Investments		
Security Deposits	\$ 12,424	\$ 22,511
Client Held Funds	58,602	-
Endowed Investments	372,047	-
Funds Held in Escrow	-	55,993
Funded Reserves	-	543,707
Total Restricted Cash and Investments	<u>\$ 443,073</u>	<u>\$ 622,211</u>

As an added service, the Corporation holds certain deposits on behalf of its clients. These funds are restricted to be used at the discretion of the client. Endowed investments are gifts made to or for the benefit of the Corporation which are to be held in perpetuity. Income earned from the endowment can be used to support the Corporation's operations. As required by GAAP, net assets associated with the endowment funds and donor designated contributions are classified and reported based on the existence of donor-imposed restrictions.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

Endowment investment activity is detailed in Note 7.

Funded reserves represent cash deposits restricted by HUD for the future replacement of property and equipment.

Note 5 - Contract Balances

Accounts receivable include earned revenues billed but not yet received, less an allowance for doubtful accounts. Contracts and grants receivable include awards earned but not yet received. Accounts receivable were \$8,111,771 and \$2,479,740 as of June 30, 2024 and 2023, respectively. Contracts and grants receivable were \$6,293,836 and \$12,518,524 as of June 30, 2024 and 2023, respectively. Activity relating to the Corporation's allowance for uncollectible accounts for the year ended June 30, 2024, is summarized as follows:

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties
Beginning Balance	\$ 1,680,925	\$ 55,859
Provision for Bad Debts	6,074,112	38,321
Write-Offs	(3,296,202)	(71,572)
Ending Balance	<u>\$ 4,458,835</u>	<u>\$ 22,608</u>

Note 6 - Liquidity and Availability of Financial Assets

The following reflects the Corporation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions:

	Meridian Behavioral Healthcare, inc.	New Horizons Properties
Financial Assets at Year-End	\$ 29,762,451	\$ 868,843
Less Those Unavailable for General Expenditures		
Within One Year, Due to:		
Funded Reserves	-	(543,707)
Security Deposits	(12,424)	(22,511)
Funds Held in Escrow	-	(55,993)
Client Held Funds	(58,602)	-
Endowed Investments	(372,047)	-
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 29,319,378</u>	<u>\$ 246,632</u>

Note 7 - Endowments

The Corporation's endowments consist of both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

The Board of Directors has interpreted the State of Florida Statute (1010.10) cited as the *Florida Uniform Management of Institutional Funds Act* (FUMIFA) as requiring the Board of Directors to apply reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment management and expenditures of the Corporation's endowment funds. In accordance with FUMIFA, the Board of Directors may expend as much of an endowment fund as the Board of Directors determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment funds. The factors and circumstances considered by the Board of Directors in making a determination to appropriate or accumulate endowment funds include, but are not limited to, the following:

- 1) The Purpose of the Corporation
- 2) The Intent of the Donor of the Endowment Fund
- 3) The Terms of the Applicable Instrument
- 4) The Long-Term and Short-Term Needs of the Corporation in Carrying out its Purposes
- 5) The General Economic Conditions
- 6) The Possible Effect of Inflation or Deflation
- 7) The Other Resources of the Corporation
- 8) Perpetuation of the Endowments
- 9) The Investment Policies of the Corporation

As a result of this interpretation, the Board of Directors classifies as net assets with donor restrictions: (a) the original value of the gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions.

Endowment Spending and Investment Policy

The Corporation has adopted investment policies, approved by the Board of Directors, that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term and growth of the fund corpus. The Corporation's investment policies were designed to achieve this objective. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor specified period(s).

The Corporation's investment policy establishes an achievable return objective through diversification of asset classes. The primary investment objective of the Corporation is to produce a favorable investment return as compared against inflation. The current long-term return objective is to return 4% in excess of inflation. Actual returns in any given year may vary from this amount. The Board of Directors recognizes that under various market conditions, the investment policy may be both impractical and to some extent, undesirable; therefore, the asset allocation may vary from time to time without being considered an exception to the investment policy.

To satisfy its long-term rate of return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation that normally is split between equities and fixed income investment options to achieve its long-term return objectives within prudent risk constraints.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
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From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors has interpreted FUMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Endowment funds designated by the Board of Directors are comprised principally of certain corporate donations without donor restrictions and other amounts as determined by the Board of Directors. The earnings generated from these investments are used to support the Corporation's operations. The designated principal of the endowment investment account will only be used in extraordinary circumstances, which requires a two-thirds majority vote by the Board of Directors.

Endowment net asset composition by type of fund as of June 30, 2024, is as follows:

2024	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment Net Asset Composition by Type of Fund as of June 30, 2024			
Donor-Restricted Endowment Funds	\$ -	\$ 372,047	\$ 372,047
Total Funds as of June 30, 2024	\$ -	\$ 372,047	\$ 372,047
Changes in Endowment Net Assets for the Year Ended June 30, 2024			
Endowment Net Assets, Beginning of Year	\$ -	\$ 372,047	\$ 372,047
Investment Income	-	27,864	27,864
Release from Restrictions	-	(27,864)	(27,864)
Endowment Net Assets, End of Year	\$ -	\$ 372,047	\$ 372,047

At June 30, 2024, endowments with original gift values of \$372,074 are reported with fair values of \$901,953.

Note 8 - Capital Asset Activity

	Meridian Behavioral Healthcare, Inc.			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets Not Being Depreciated				
Land	\$ 1,039,304	\$ -	\$ -	\$ 1,039,304
Work in Progress	139,830	1,186,660	-	1,326,490
Total Capital Assets Not Being Depreciated	1,179,134	1,186,660	-	2,365,794
Capital Assets Being Depreciated				
Land Improvements	367,263	-	-	367,263
Buildings and Improvements	22,298,976	141,456	-	22,440,432
IT Software and Equipment	3,107,281	91,218	-	3,198,499
Furniture and Equipment	3,591,046	15,400	(6,295)	3,600,151
Total Capital Assets Being Depreciated	29,364,566	248,074	(6,295)	29,606,345
Less Accumulated Depreciation				
Land Improvements	(163,000)	(20,305)	-	(183,305)
Buildings and Improvements	(14,101,136)	(754,528)	-	(14,855,664)
IT Software and Equipment	(2,240,558)	(326,423)	-	(2,566,981)
Furniture and Equipment	(2,490,978)	(366,085)	6,295	(2,850,768)
Total Accumulated Depreciation	(18,995,672)	(1,467,341)	6,295	(20,456,718)
Total Capital Assets Being Depreciated, Net	10,368,894	(1,219,267)	-	9,149,627
Total Capital Assets, Net	\$ 11,548,028	\$ (32,607)	\$ -	\$ 11,515,421

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

	New Horizons Properties			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets Not Being Depreciated				
Land	\$ 288,161	\$ -	\$ -	\$ 288,161
Total Capital Assets Not Being Depreciated	<u>288,161</u>	<u>-</u>	<u>-</u>	<u>288,161</u>
Capital Assets Being Depreciated				
Buildings and Improvements	3,325,952	79,433	-	3,405,385
Furniture and Equipment	211,955	5,606	-	217,561
Total Capital Assets Being Depreciated	<u>3,537,907</u>	<u>85,039</u>	<u>-</u>	<u>3,622,946</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,301,592)	(78,948)	-	(2,380,540)
Furniture and Equipment	(160,321)	(15,737)	-	(176,058)
Total Accumulated Depreciation	<u>(2,461,913)</u>	<u>(94,685)</u>	<u>-</u>	<u>(2,556,598)</u>
Total Capital Assets Being Depreciated, Net	<u>1,075,994</u>	<u>(9,646)</u>	<u>-</u>	<u>1,066,348</u>
Total Capital Assets, Net	<u>\$ 1,364,155</u>	<u>\$ (9,646)</u>	<u>\$ -</u>	<u>\$ 1,354,509</u>

Depreciation expense for the year ended June 30, 2024, for the Corporation totaled \$1,467,341 and for the New Horizons Properties totaled \$94,685.

Substantially all property and equipment on the Gainesville Campus has been pledged as collateral on long-term debt of the Corporation. See Note 9 for further long-term debt information.

Note 9 - Long-Term Debt

A summary of mortgages, bonds, and capital leases payable at June 30, 2024, follows:

	Meridian Behavioral Healthcare, Inc.				
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Mortgages Payable - Collateralized by Real Estate					
PNC Bank 2013A, Fixed Interest Rate 2.55%	\$ 1,699,951	\$ -	\$ (314,542)	\$ 1,385,409	\$ 322,879
PNC Bank 2013B, Fixed Interest Rate 2.55%	1,154,326	-	(213,490)	940,836	219,148
First Federal Bank-Note Payable, Fixed Interest Rate 4.20%	990,384	-	(72,041)	918,343	75,284
PNC Bank-Note Payable, Fixed Interest Rate 3.50%	329,551	-	(30,616)	298,935	36,183
Regions Bank-Note Payable, Fixed Interest Rate 3.49%	850,574	-	(85,319)	765,255	88,469
Tristate Bank - Line of Credit, Floating Interest Rate, Limit of \$1,000,000	8,685	-	(10)	8,675	8,673
Total Long-Term Debt - Meridian Behavioral Healthcare, Inc.	<u>\$ 5,033,471</u>	<u>\$ -</u>	<u>\$ (716,018)</u>	<u>\$ 4,317,453</u>	<u>\$ 750,636</u>

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

	New Horizons Properties				
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Mortgages Payable - Collateralized by Real Estate					
U.S. Department of HUD, Payable \$2,068 per Month, Including Interest at 9.25% for Forty Years	\$ 50,236	\$ -	\$ (22,895)	\$ 27,341	\$ 23,261
KeyBank National Association, Payable \$4,326 per Month, Including Interest at 4.65% for Thirty-Five Years	840,019	-	(13,128)	826,891	13,751
U.S. Department of HUD, Payable \$2,242 per Month, Including Interest at 8.375% for Forty Years	147,021	-	(15,162)	131,859	16,480
U.S. Department of HUD, Capital Advance, not Payable if Facility is Used for Very Low-Income Residents	<u>917,400</u>	-	-	<u>917,400</u>	-
Total Long-Term Debt - New Horizons Properties	<u>1,954,676</u>	-	<u>(51,185)</u>	<u>1,903,491</u>	<u>53,492</u>
Total Long-Term Debt - Meridian Behavioral Healthcare, Inc. and New Horizon Properties	<u>\$ 6,988,147</u>	<u>\$ -</u>	<u>\$ (767,203)</u>	<u>\$ 6,220,944</u>	<u>\$ 804,128</u>

PNC Bank Note, 2013A

In July 2013, the Corporation obtained a \$4,420,000 note payable to PNC Bank with a fixed interest rate of 2.55% for 15 years. The note was to refinance the Regions Bank Note Payable 2008A and B and is secured by real estate of the Corporation.

PNC Bank Note, 2013B

In July 2013, the Corporation obtained a \$3,000,000 note payable with a fixed interest rate of 2.55% for 15 years, which is being used to construct the new administration building. The note is secured by the real estate of the Corporation.

First Federal Bank

In June 2019, the Corporation obtained a \$1,250,000 note payable to First Federal Bank with a fixed interest rate of 4.20%. The note was issued to refinance another note and to fund certain capital projects of the Corporation.

PNC Bank Note Payable

In September 2021, the Corporation obtained a \$388,000 note payable to PNC Bank with a fixed interest rate of 3.50% for 5 years. The note was to purchase real property and is secured by a mortgage on that real property.

Regions Bank Note Payable

In February 2022, the Corporation obtained a \$960,000 note payable to Regions Bank with a fixed interest rate of 3.49% for 10 years. The note was to purchase real property and is secured by a mortgage on that real property.

Tristate Line of Credit

The Corporation has a revolving, unsecured working capital line of credit priced at a floating rate with an available balance of \$1,000,000 and an outstanding balance of \$8,685 at June 30, 2024.

U.S. Department of HUD

New Horizons Properties have multiple mortgages payable to HUD, the terms of which are indicated in the table above. Substantially all of New Horizons Properties' property and equipment are pledged as collateral.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

The capital advance from HUD in the amount of \$917,400 bears no interest and is not required to be repaid as long as the facility is used for low-income residents over a forty-year period. The facility is currently being used in this capacity and it is anticipated that it will continue to be over the forty-year period.

KeyBank National Association

In June 2018, NHP II obtained an \$896,400 mortgage payable to KeyBank with a fixed interest rate of 4.65% for 35 years. The note is secured by property and equipment.

Interest costs incurred for the year ended June 30, 2024, on the long-term debt previously described totaled \$145,824 for the Corporation and \$55,217 for the New Horizons Properties (none of which was capitalized).

The following is a summary of future principal payments due on the long-term debt previously described:

<u>Meridian Behavioral Healthcare, Inc.</u>		<u>New Horizons Properties</u>	
<u>Fiscal</u>		<u>Fiscal</u>	
<u>Year</u>		<u>Year</u>	
<u>Ending</u>	<u>Principal</u>	<u>Ending</u>	<u>Principal</u>
2025	\$ 750,636	2025	\$ 53,492
2026	739,178	2026	36,399
2027	759,810	2027	34,563
2028	977,023	2028	36,975
2029	769,442	2029	39,568
Thereafter	321,364	Thereafter	1,702,494
Total	\$ 4,317,453	Total	\$ 1,903,491

Note 10 - Leases

The Corporation leases certain property and equipment under operating leases and certain vehicles under financing leases. Some of the leases provide for renewal options at the expiration of the lease term at the fair rental value at the time of renewal. Corresponding right-of-use assets total \$50,403 for operating leases and \$113,506 for financing leases as of June 30, 2024. The total payments for short-term leases were \$41,119 during the year ended June 30, 2024. Total payments for operating leases were \$122,202 for the year ended June 30, 2024. Total payments for financing leases were \$108,040 for the year ended June 30, 2024.

The weighted average remaining lease term is 0.86 for operating leases and 1.45 for financing leases as of June 30, 2024. The weighted-average discount rate was 3.49% for operating leases and financing leases for the year ended June 30, 2024.

Maturities of lease liabilities for non-cancelable leases are as follows:

<u>Fiscal</u>			
<u>Year</u>			
<u>Ending</u>	<u>Operating</u>	<u>Financing</u>	
2025	\$ 47,493	\$ 60,366	
2026	3,601	19,808	
Less Interest	(691)	(1,647)	
Total	\$ 50,403	\$ 78,527	

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

Note 11 - Fees

Fees represent charges for client services. The charges are made to first-party payers (the client) and third-party payers (insurance companies, state, and local agencies). The Corporation operates as an agent for the client in pursuing the collection of third-party payments. A sliding fee schedule is used, which discounts the fee based on the client's financial ability to pay.

Note 12 - Pension Plan

Prior to January 1, 2017, the Corporation adopted a defined contribution 403(a) plan (Meridian Behavioral Healthcare, Inc. Pension Plan). Employees could elect to have the Corporation contribute to the plan instead of Social Security. The Corporation contributed 7.5% of each employee's gross salary that opted out of Social Security taxes and 1.3% for employees that continued to pay Social Security taxes. Employees vested immediately. Although the Corporation adopted a new plan, as referenced below, this plan will continue to exist as participants in the plan prior to January 1, 2017, were given the option to keep their assets in this plan or roll accumulated assets to the new plan.

Effective January 1, 2017, and resulting from certain bylaw amendments, the Corporation adopted a new defined contribution 403(b) plan (Meridian Behavioral Healthcare, Inc. Tax Sheltered Retirement Plan). All employees are eligible to participate in the plan and are eligible for 1% up to 7% employer matching contribution after 1 year of service based on tenure with the Corporation. Participants are 100% vested in matching contributions after 5 years of credited service.

Pension expense for 2024 was \$700,561.

Note 13 - Equity Investments

The Corporation, along with other similar not-for-profit organizations, invested \$15,000 for 15 shares of stock in Florida Premier Health Plan, Inc. (FPH). FPH was formed as a for-profit corporation by the Florida Council for Community Mental Health, Inc. to organize a provider service network.

The Corporation invested \$75,000 for 150 Class C stock shares and \$1,575 for 3 Class D stock shares in Mental Health Risk Retention Group, Inc. (MHRRG). MHRRG was formed as a for-profit organization by the Mental Health Corporations of America and the National Council for Behavioral Health to create alternative liability insurance options for community behavioral health organizations.

Additionally, the Corporation invested \$50,000 for 25 shares of stock in Behavioral Health Partners of Florida, LLC (BHPF). BHPF was formed as the Integrated Care Network of Florida, a statewide, provider-led independent practice association that represents Florida behavioral health providers in securing value-based managed care contracts.

As further described in Note 18, the Corporation invested \$10,000 in Progress Health System, Inc. (Progress Health).

Note 14 - Grants and Service Fees

The Corporation and the New Horizons Properties receive federal and state grants, Medicare, Medicaid, Medicaid capitation, and service fees funds. These funds are subject to compliance audits by the providers or their representatives. The audits of these programs have not yet been accepted/approved by the

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

providers and their representatives. Accordingly, the final determination of compliance with applicable grant requirements and other federal and state programs will be established at a future date. The amount, if any, of billings and expenditures which may be disallowed cannot be determined and, accordingly, no provision for these amounts have been made in the accompanying financial statements.

Note 15 - Gifts-In-Kind

The Corporation received gifts-in-kind consisting of the following:

	June 30, 2024
Pharmaceuticals	\$ 783,400
Donated Space	61,974
Total Gifts-In-Kind	\$ 845,374

The Corporation’s policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Corporation. If an asset is provided that does not allow the Corporation to utilize it in its normal course of business, the asset will be sold at its fair market value. Substantially all gifts-in-kind received during the year ended June 30, 2024, were utilized to provide mental health or substance abuse services. Donated pharmaceuticals are valued at the price they would have to be purchased for if they had not been donated. Donated services are valued at the estimated fair value based on current rates for similar services. Donated space is valued at approximate price per square foot it would cost to rent similar space in the same market. All gifts-in-kind received during the year ended June 30, 2024, were considered to be without donor restriction.

Note 16 - Risk Management

The Corporation is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Corporation carries insurance. Insurance against losses is provided through various commercial insurers for the following types of risk:

- Workers’ Compensation and Employer’s Liability
- Automobile Physical Damage and Liability
- General and Professional Liability
- Fiduciary Liability
- Real and Personal Property Damage
- Cyber Liability
- Automobile Physical Damage and Liability

The Corporation’s coverage for workers’ compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost-to-date of the Corporation’s experience for this type of risk.

The Corporation has established a limited risk management program to help contain rising health insurance costs. The program consists of purchasing an aggregate stop loss and individual maximum claims reinsurance policy with the Corporation being responsible for the claims not covered by the policy.

The Corporation reports a liability when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs) based on the estimated claims incurred as of June 30, 2024. The result of the process to estimate the claims liability is not an exact amount as it is dependent on the timing of claims being reported and processed through the system. Unpaid claims are included with accrued salaries and payroll taxes on the combining statement of financial position.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS

	June 30, 2024
Unpaid Claims, Beginning of Fiscal Year	\$ 322,000
Incurred Claims (Including IBNRs)	3,092,069
Claims Payments	(3,157,069)
Unpaid Claims, End of Fiscal Year	\$ 257,000

Note 17 - Commitments and Contingencies

In 2013, the Corporation received five properties from Alachua County, Florida, as part of the Neighborhood Stabilization Grant. Each property is secured with a zero percent interest deferred mortgage loan with a maturity date of 15 years. The principal portion of the mortgages are forgiven evenly over 15 years on the anniversary date of each mortgage. As of June 30, 2024, the contingent liability for these mortgages is \$98,882.

As of June 30, 2024, the Corporation was the defendant to various ongoing litigations. The outcomes and a reasonable estimation of any losses were not determinable.

Note 18 - Affiliation with Other Organizations

Effective January 1, 2015, the Corporation entered into an affiliation agreement with Lifestream Behavioral Center, Inc. Both entities are Florida non-profit corporations and together have formed Progress Health. The Corporation invested \$10,000 in Progress Health and is being reported as an equity investment. The Board of Directors of Progress Health consists of an equal number of representatives from each of the affiliate corporations' boards. Progress Health was formed for the purpose of enhancing the level and quality of services to clients in their respective communities in a cost-effective manner through the sharing of certain administrative functions, while also providing a platform for providing a broader range of services on a regional basis. Since its creation, Progress Health has predominately focused on the marketing and sales of Health AI, a data analytics system purchased from the Corporation. Health AI was developed internally by the Corporation and all support services continue to be performed by the Corporation. In return, Progress Health pays the Corporation a sales royalty and a monthly service fee.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*;
THE UNIFORM GUIDANCE, *SINGLE AUDIT REQUIREMENTS*;
AND CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL***

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2024

	AL/ CSFA Number	Grant/ Contract Number	Expenditures
Federal Awards			
U.S. Department of the Treasury			
Indirect Programs:			
Passed Through City of Gainesville:			
Central Receiving	21.027	PO-004844-0	\$ 250,000
Total U.S. Department of the Treasury			250,000
U.S. Department of Veteran Affairs			
Direct Programs:			
Supportive Services for Veteran Families	64.033	14-FL-184	1,147,275
Total U.S. Department of Veteran Affairs			1,147,275
U.S. Department of Health and Human Services			
Direct Programs:			
Medication Assisted Treatment - Prescription Drug and Opioid Addiction	93.243	21TI84185A	685,660
Mental Health Awareness Training Grants	93.243	21SM84004A	122,974
Treatment for Individuals Experiencing Homelessness	93.243	23SM88681A	215,499
Grants for the Benefit of Homeless Individuals	93.243	17TI80418A	321,622
Certified Community Behavioral Health Clinic - Improvement & Advancement Project	93.696	22SM86868A	1,353,152
Certified Community Behavioral Health Clinic	93.829	21SM83295AC5	414,627
Community Mental Health Center	93.958	21SM85483AC5	1,805,022
Indirect Programs:			
Passed Through Florida Department of Children and Families:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150 *	LS021	140,881
Temporary Assistance for Needy Families (TANF)	93.558 *	LS021	414,982
Targeted Response to the Opioid Crisis	93.788 *	LS021	3,706,772
Block Grant for Community Mental Health Services	93.958 *	LS021	2,114,893
Block Grant for Prevention and Treatment of Substance Abuse	93.959 *	LS021	3,038,054
Opioid Abatement Dollars	N/A	N/A	18,910
Total U.S. Department of Health and Human Services			14,353,048
U.S. Department of Homeland Security			
Indirect Programs:			
Passed Through Florida Department of Children and Families:			
Crisis Counseling Assistance and Training Program	97.032	FEMA-4734-DR-FL	404,153
Total U.S. Department of Homeland Security			404,153
Total Expenditures of Federal Awards			\$ 16,154,476
State Financial Assistance			
Florida Department of Children and Families			
Direct Programs:			
Criminal Justice Mental Health and Substance Abuse Reinvestment	60.115	LH822	150,000
Forensic Services and Competency Restoration Training	60.114 *	LS021	1,019,627
Substance Abuse and Mental Health-Community Services	60.153 *	LS021	852,233
Centralized Receiving Systems	60.163 *	LS021	688,757
Indirect Programs:			
Passed Through the Partnership for Strong Families - Respite	N/A	PNP929	883,318
Passed Through the Florida Alcohol and Drug Abuse Association - Vivitrol Grant Agreement	N/A	N/A	483,368
Total Florida Department of Children and Families			4,077,303
Total Expenditures of State Financial Assistance			\$ 4,077,303

* These programs are part of Meridian Behavioral Healthcare, Inc.'s primary funding contract.

MERIDIAN BEHAVIORAL HEALTHCARE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 2024

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes federal award and state financial assistance activity of Meridian Behavioral Healthcare, Inc. (the Corporation). 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 Corporation, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the Corporation.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. No amounts were passed through to sub-recipients during the fiscal year ended June 30, 2024.

Note 3 - De Minimis Indirect Cost Rate Election

The Corporation 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.

**MERIDIAN BEHAVIORAL HEALTHCARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2024**

Summary of Audit Results

Financial Statements

Type of Auditor’s Report Issued:	Unmodified	
Internal Control Over Financial Reporting:	Material Weakness(es) Identified?	No
	Significant Deficiency(ies) Identified?	Yes
Non-Compliance Material to Financial Statements Noted?		No

Federal Awards and State Projects

Internal Control Over Major Programs and Projects:	Material Weakness(es) Identified?	No
	Significant Deficiency(ies) Identified?	No

Type of Auditor’s Report Issued on Compliance for Major Programs and Projects:	Unmodified
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Any Audit Findings Disclosed that are Required to be Reported in Accordance with CFR 200.516(a)?	No
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Identification of Major Federal Programs and Major State Projects:

Federal Programs:

- U.S. Department of Health and Human Services:
 - Certified Community Behavioral Health Clinic Expansion Grants (93.696)
 - Block Grants for Prevention and Treatment of Substance Abuse (93.959)

State Projects:

- State of Florida Department of Children and Families:
 - Forensic Services and Competency Restoration Training (60.114)
 - Substance Abuse and Mental Health Community Services (60.153)
 - Partnership for Strong Families – Respite (N/A)

Dollar Threshold Used to Distinguish Between Type A and Type B	
Federal Programs:	\$750,000
State Projects:	\$750,000

Auditee Qualified as a Low-Risk Auditee Pursuant to the Uniform Guidance?	Yes
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Findings and Questioned Costs for Major Federal Programs and State Financial Assistance Projects Required to be Reported Under Section .516(a) of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General

The audit did not disclose any finding which is required to be reported under Section .516(a) of the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*.

Prior Audit Findings

The prior year finding significant deficiency is repeated in the current year as finding 2024-01.

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

Board of Directors
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the combining financial statements of Meridian Behavioral Healthcare, Inc. (the Corporation) and affiliates, which comprise the combining statement of financial position as of June 30, 2024, and the related combining statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combining financial statements, and have issued our report thereon dated January 29, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combining financial statements, we considered the Corporation’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation’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 the 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. We identified certain deficiencies in internal control, described below as 2024-01 and 2024-02, that we consider to be significant deficiencies.

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Gainesville, Florida

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

2024-01 – Financial Close and Reporting

Condition – Due to turnover in the finance department and difficulties with a major EMR conversion, the Corporation did not have accurate and complete financial records in time for the scheduled audit start date. Several significant audit areas could not be audited during the scheduled fieldwork period, as adjusting entries continued to be posted by the Corporation for several months after the start of final fieldwork.

Effect – Completion of the audit was significantly delayed while these adjustments were being calculated and posted. As a result of these delays, the December 31 contractual audit issuance deadline was not met. Additionally, delays in financial close and reporting increase the risk that material misstatements of financial information may go undetected by management.

Recommendation – We recommend that financial close and reporting processes be documented and periodically reviewed to ensure consistency in the implementation of those processes, especially when there is turnover within the finance department.

2024-02 – Approval of Disbursements

Condition – Testing of internal controls over cash disbursements disclosed multiple disbursements for which documentation of proper approval could not be located.

Effect – Although the tested disbursements appeared to be appropriate disbursements that were properly recorded, a lack of proper approval of disbursements could lead to unauthorized or mis-posted disbursements that are not prevented or detected and corrected on a timely basis.

Recommendation – We recommend the Corporation retain documentation of proper review and approval of all cash disbursements.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation’s combining financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the combining 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

The Corporation’s response to the findings identified in our audit is described in its accompanying letter. The Corporation’s response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Board of Directors
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

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

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 Corporation’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 Corporation’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis Gray

January 29, 2025
Gainesville, Florida

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

Board of Directors
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Meridian Behavioral Healthcare, Inc.'s (the Corporation) 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 Corporation's major federal programs and state projects for the year ended June 30, 2024. The Corporation's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2024.

The Corporation's basic combining financial statements include the operations of the New Horizons Properties, which received federal awards that are not included in the schedule of federal awards and state financial assistance during the year ended June 30, 2024.

Basis of Opinion for Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

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

We are required to be independent of the Corporation 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 state project. Our audit does not provide a legal determination of the Corporation’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 Corporation’s federal programs and state projects.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation’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 generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General* will always detect material non-compliance when it exists. The risk of not detecting material non-compliance 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. Non-compliance 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 Corporation’s compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 non-compliance, 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 Corporation’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 Corporation’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 and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control over compliance. Accordingly, no such opinion is expressed.

Board of Directors
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

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

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.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance 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 non-compliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Purvis Gray

January 29, 2025
Gainesville, Florida



MERIDIAN HEALTHCARE

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Alachua

January 22, 2025

Purvis Gray
Certified Public Accountants
222 NE 1st Street
Gainesville, FL 32601

Re: Response to Audit Findings

Due to critical vacancies in key fiscal positions as well as the complexity of a full transition to a new Electronic Medical Record, including billing functionality, there was an unexpected delay in closing the fiscal year and having documentation ready for the commencement of the audit when originally scheduled. That Electronic Medical Record transition has been completed, and we continue to identify additional opportunities for organizational fiscal efficiencies. We also continue to prioritize keeping critical positions in the fiscal department staffed. In addition, those critical vacancies, as well as turnover in fiscal support staff positions, contributed to a drift from our established procedures related to the approval of cash disbursements. Since onboarding our new Chief Financial Officer in February 2024, there is documentation demonstrating consistent adherence to the approval process and evidence of separation of duties. Meridian remains committed to adhering to established procedures as well as best practice documentation standards.

Sincerely,

Lauren Cohn
President/CEO

PURVIS GRAY

CERTIFIED PUBLIC ACCOUNTANTS

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