

Southeast, Inc. and Affiliates

**Independent Auditor's Report and
Consolidated Financial Statements**

June 30, 2023



Southeast, Inc. and Affiliates

June 30, 2023

Contents

Independent Auditor’s Report	1
Consolidated Financial Statements	
Balance Sheet	4
Statement of Operations and Changes in Net Assets Information	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information	
Consolidating Balance Sheet Information.....	23
Consolidating Statement of Operations and Changes in Net Assets Information	24
Schedule of Expenditures of Federal Awards	25
Notes to the Schedule of Expenditures of Federal Awards	27
ADAMH Key Performance Indicators	28
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – Independent Auditor’s Report	29
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance – Independent Auditor’s Report	31
Schedule of Findings and Questioned Costs	34
Summary Schedule of Prior Audit Findings	36

Independent Auditor's Report

Board of Directors
Southeast, Inc. and Affiliates
Columbus, Ohio

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Southeast, Inc. and Affiliates (Organization), which comprise the consolidated balance sheet as of June 30, 2023, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization, as of June 30, 2023, and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

The 2022 consolidated financial statements, before they were restated for the matter discussed in Note 15, were audited by other auditors, and their report thereon, dated March 30, 2023, expressed an unmodified opinion.

As part of our audit of the 2023 consolidated financial statements, we also audited the adjustments described in Note 15 that were applied to restate the 2022 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 consolidated financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 consolidated financial statements as a whole. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements as a whole. The accompanying consolidating balance sheet and statement of operations and changes in net assets information, certain supplementary information required by Franklin County Board of Alcohol, Drug Addiction and Mental Health Services (ADAMH), as well as for the Ohio Development Services Agency, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 [REDACTED], on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

[Auditor's signature]

Cincinnati, Ohio

[Date of the auditor's report]

Southeast, Inc. and Affiliates

Consolidated Balance Sheet

Years Ended June 30, 2023

Assets

Current Assets

Cash and cash equivalents	\$	2,997,518
Short-term investments		12,412,422
Receivables		
Patients		10,112,327
Pharmacy		1,604,616
Grants		3,212,281
Other		78,589
Supplies		1,284,038
Prepaid expenses and other		799,705
Total current assets		<u>32,501,496</u>

Assets Limited as to Use

Held by trustee under deferred compensation agreement		<u>1,165,138</u>
---	--	------------------

Property, Plant and Equipment, at Cost

Land and improvements		592,938
Building and leasehold improvements		13,745,715
Furniture and equipment		2,616,654
Computers and software		1,109,922
		<u>18,065,229</u>
Less accumulated depreciation		<u>(12,559,134)</u>
		<u>5,506,095</u>

Right-of-Use Asset - Finance Lease

286,176

Total assets \$ 39,458,905

Liabilities and Net Assets

Current Liabilities

Current maturities of long-term debt	\$	124,759
Current portion of finance lease liabilities		59,877
Accounts payable		1,464,378
Accrued compensation costs		3,125,752
Deferred revenue		606,246
Total current liabilities		<u>5,381,012</u>

Other Liabilities

Long-term debt		2,875,217
Finance lease liabilities		203,043
Deferred compensation		911,790
Total liabilities		<u>9,371,062</u>

Net Assets

30,087,843

Total liabilities and net assets \$ 39,458,905

Southeast, Inc. and Affiliates
Consolidated Statement of Operations and Changes in Net Assets
Year Ended June 30, 2023

Revenues, Gains and Other Support	
Patient medical service revenue, net	\$ 21,409,870
Pharmacy	25,779,312
Grants	14,425,343
Other operating revenue	878,571
Total revenues, gains and other support	<u>62,493,096</u>
Expenses and Losses	
Salaries and benefits	38,153,702
Contract services and professional fees	1,411,931
Computer expenses	1,246,593
Operating supplies and expenses	3,128,371
Office expenses	872,678
Pharmaceuticals	13,174,669
Building and grounds	3,236,120
Insurance expense	969,251
Depreciation	611,722
Interest	168,449
Mileage and transportation	1,107,235
Total expenses and losses	<u>64,080,721</u>
Operating Loss	(1,587,625)
Other Income	
Contributions received	53,728
Investment return, net	892,544
Total other income	<u>946,272</u>
Deficiency of Revenues Over Expenses and Change in Net Assets	(641,353)
Net Assets, Beginning of Year, As Previously Reported	<u>34,729,955</u>
Adjustment applicable to prior years	(4,000,759)
Net Assets, Beginning of Year, As Restated	<u>30,729,196</u>
Net Assets, End of Year	<u><u>\$ 30,087,843</u></u>

Southeast, Inc. and Affiliates
Consolidated Statement of Cash Flows
Year Ended June 30, 2023

Operating Activities	
Change in net assets	\$ (641,353)
Items not requiring (providing) operating cash flow	
Depreciation and amortization	611,722
Net realized and unrealized gains on investments	(613,260)
Accrued deferred compensation costs	911,790
Changes in	
Patient accounts receivable	(1,562,346)
Pharmacy receivables	(301,431)
Grants receivable	(786,623)
Supplies	(362,736)
Accounts payable	643,618
Accrued compensation costs	368,044
Deferred revenue	452,369
Other assets and liabilities	(154,317)
Net cash used in operating activities	<u>(1,434,523)</u>
Investing Activities	
Purchase of investments	(415,342)
Purchase of property and equipment	(431,047)
Proceeds from disposition of property and equipment	18,134
Net cash used in investing activities	<u>(828,255)</u>
Financing Activities	
Principal payments on long-term debt and finance lease liabilities	(198,949)
Net cash used in financing activities	<u>(198,949)</u>
Decrease in Cash and Cash Equivalents	(2,461,727)
Cash and Cash Equivalents, Beginning of Year	<u>5,459,245</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,997,518</u></u>
Supplemental Cash Flows Information	
Interest paid	\$ 168,449
Right-of-use assets obtained in exchange for finance lease liabilities upon adoption of ASC 842	\$ 374,735

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Southeast, Inc. and Affiliates (Organization) are non-profit Ohio corporations organized to develop and administer a comprehensive integrated healthcare recovery service system, to provide services to lower-income and homeless persons throughout Ohio, to provide housing to lower-income, mentally disabled individuals and provide vocational services to individuals overcoming mental, emotional and other challenges. Services and programming are provided primarily in Central and Eastern Ohio locations. Affiliates include Alternative Lifestyles, Inc. (ALS), which owns two facilities and provides housing for the low-income community, and Friends of the Homeless, Inc. (FOH), which operates emergency shelter and other residential facilities.

In both years 2023 and 2022, Southeast, Inc. (Southeast) renewed its accreditations with the Ohio Mental Health and Addiction Services Board. The accreditations are one way Southeast shows its commitment to the quality improvement of its services to the community.

Southeast also operates two pharmacies (Apothecare) located in the Southeast-owned buildings in Columbus and St. Clairsville, Ohio. Southeast operates Apothecare as a specialty pharmacy to serve people with primary care needs, cognitive and/or other mental dysfunctions.

Principles of Consolidation

The consolidated financial statements include the accounts of Southeast, FOH and ALS corporations. All material intercompany accounts and transactions have been eliminated in consolidation.

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023 and 2022, cash equivalents consisted primarily of money market accounts.

At June 30, 2023, the Organization's cash accounts exceeded federally insured limits by approximately \$2,630,000.

Cash and cash equivalents held with brokers are considered short-term investments on the consolidated balance sheets.

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Assets Limited as to Use

Assets limited as to use include assets held by trustees for deferred compensation arrangements.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivable are due in full when billed.

Contract Assets and Liabilities

Amounts related to health care services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. The Organization had no significant contract assets at June 30, 2023.

Amounts received related to health care services that have not yet been provided to patients are contract liabilities. Contract liabilities consist of payments made by patients and third-party payors for services not yet performed. The Organization had no significant contract liabilities at June 30, 2023.

Supplies

Supply inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

Investments and Net Investment Return

The Organization measures debt and equity securities at fair value with changes recognized in excess (deficiency) of revenues over expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return includes dividend, interest and other investment income, and realized and unrealized gains and losses on investments carried at value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of operations with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	15-39 years
Furniture and equipment	3-7 years
Computers and software	3-5 years
Leasehold improvements	See below*

*The useful life for leasehold improvements is equal to 39 years or the remaining term of the lease or the remaining useful life of the building, whichever is less

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2023.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, certain net assets to be used for employee scholarships and risk management.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Organization has no significant net assets with donor restrictions.

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Patient Service Revenue

Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

Pharmacy Revenue

Pharmacy revenue includes both retail revenue and 340B revenue. The 340B "Drug Discount Program" enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization receives benefits under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. Both the retail and contract pharmacy gross receipts are included in pharmacy revenue on the consolidated statements of operations and changes in net assets. Drug replenishment costs and administrative and filling fees are included in pharmaceuticals expenses. The net pharmacy revenue from this program is used in the furtherance of the Organization's mission.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by granting agencies and, as a result of such audits, adjustments could be required.

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Conditional contributions, gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Professional Liability Claims

The Organization recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 8*.

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Income Taxes

Southeast, Inc. and its subsidiaries are incorporated under the laws of the state of Ohio as not-for-profit corporations and are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Note 2: Grant Revenue

The Organization receives grant revenue from various governmental agencies, including the Community Health Center (CHC) grant from the U.S. Department of Health and Human Services (HHS), the Community Mental Health Centers (CMHC) and Certified Community Behavioral Health Clinics (CCBHC) grants from the Substance Abuse and Mental Health Services (SAMSA). Terms of the grants generally provide for funding of the Organization's operations based on an approved budget.

Grant revenue is recognized as the Organization meets the conditions prescribed by the grant agreements, which requires incurring qualifying expenditures over the grant period. Earned portions of the grants not yet received as of year-end are recorded as grants receivable.

The Organization also receives financial support from additional federal, state, and private sources. Generally, such financial support requires compliance with terms and conditions specified in the grant agreements and must be renewed on an annual basis. Remaining grant funding available under all conditional grants and contributions was approximately \$8,429,000 at June 30, 2023, which can be recognized as revenue upon meeting certain conditions, primarily incurring allowable expenditures the terms of the various agreements.

For the year ended June 30, 2023, grant revenue recognized was as follows:

Federal Grant Programs	
Community Health Centers	\$ 3,287,879
Community Mental Health Centers	1,159,275
Certified Community Behavioral Health Clinics	1,271,234
Other federal grant revenue	3,510,052
	9,228,440
Non-Federal Grant Programs	
ADAMH Franklin County Block Grant	2,781,442
MHRB BHM Block Grant	45,350
Delaware-Morrow MHRB Block Grant	644,362
Other non-federal grant revenue	1,725,749
	5,196,903
	\$ 14,425,343

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Note 3: Patient Service Revenue and Pharmacy Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in its outpatient centers. The Organization measures the performance obligation from the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Organization does not believe it is required to provide additional goods related to the patient.

Transaction Price

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Third-Party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS). Medicare payment, including patient coinsurance, are paid based on the lesser of the Organization's actual charge or the applicable PPS rate.

Medicaid - Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member. Additional Medicaid funding is also received from various governmental agencies who contract with the Organization to provide select health care services.

Alcohol, Drug Addiction and Mental Health Services Boards (ADAMH) – The Organization has contracts with various ADAMH county boards, whereby it receives payment for services based on billable units of mental health, alcohol, and substance abuse counseling and other related services and programs provided.

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Patient and Uninsured Payors

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. There were no adjustments to patient service revenue for the year ended June 30, 2023. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Revenue Composition

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors, who have different reimbursement and payment methodologies
- Method of reimbursement

The composition of patient service revenue by primary payor for the year ended June 30, 2023, is as follows:

Medicare	\$ 870,585
Medicaid	11,615,715
ADAMH boards	6,715,669
Other third-party payors	<u>2,207,901</u>
	<u>\$ 21,409,870</u>

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

The composition of patient service revenue and pharmacy revenues based on method of reimbursement and timing of revenue recognition for the year ended June 30, 2023, is as follows:

Method of reimbursement	
Fee for service	\$ 20,995,313
Per prescription	25,779,312
Quality incentive	<u>414,557</u>
	<u>\$ 47,189,182</u>
Timing of revenue recognition	
Health care services transferred over time	\$ 21,409,870
Pharmacy sales at a point in time	<u>25,779,312</u>
	<u>\$ 47,189,182</u>

Contract Balances

The following table provides information about the Organization's receivables from contracts with customers as of June 30, 2023:

Accounts receivable, beginning of year	\$ 13,853,925
Accounts receivable, end of year	11,716,943

Note 4: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients (medical service revenue only) and third-party payors at June 30, 2023, is:

Medicare	12%
Medicaid	59%
ADAMH boards	22%
Other third-party payors	<u>7%</u>
	<u>100%</u>

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Note 5: Investments and Investment Return

Investments, at June 30, 2023 include:

Cash and cash equivalents	\$	557,458
Mutual funds		10,477,100
Equities		383,149
Fixed income funds - asset backed securities		2,159,853
		2,159,853
		\$ 13,577,560

Investments are included on the balance sheet at June 30, 2023 as follows:

Short-term investments	\$	12,412,422
Assets limited as to use - held by trustee		1,165,138
		1,165,138
		\$ 13,577,560

Total investment return is comprised of the following:

Interest and dividend income	\$	279,284
Realized gains on investments		332,931
Unrealized gains on investments		280,329
		280,329
		\$ 892,544

Note 6: Line of Credit

The Organization has a \$3,000,000 revolving line of credit which expired in February 2024. At June 30, 2023, no amounts were borrowed against this line. Interest varies with the bank's prime rate.

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Note 7: Long-Term Debt

Note payable, bank (A)	\$	441,013
Note payable, bank (B)		1,762,357
Notes payable, City of Columbus (C)		171,000
Notes payable, Ohio Department of Mental Health and Addiction Services (OMHAS) (D)		506,990
Note payable, U.S. Department of Housing and Urban Development (HUD) (E)		<u>118,616</u>
		2,999,976
Less current maturities		<u>(124,759)</u>
	\$	<u><u>2,875,217</u></u>

- (A) Due August 2024; payable \$4,277 monthly plus interest at 4.99 percent; secured by real estate owned by the Organization.
- (B) Due December 2028; payable \$17,000 monthly plus interest at LIBOR plus 2.27 percent (7.42 percent at June 30, 2023); secured by certain property and equipment.
- (C) Consists of four individual notes payable with similar terms; Due when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The notes are interest free and is secured by real estate owned by the Organization.
- (D) Consists of four individual notes payable with similar terms; Forgiven in monthly amounts through December 2040, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by the Organization.
- (E) Due March 2028; payable \$2,579 monthly plus interest at 9.25%; secured by real estate owned by the Organization.

Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2023, are:

2024	\$	124,759
2025		513,140
2026		128,346
2027		118,998
2028		1,455,072
Thereafter		<u>659,661</u>
	\$	<u><u>2,999,976</u></u>

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Note 8: Professional Liability Claims

The Organization purchases medical malpractice insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. The Organization also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

Note 9: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the program services, general and administrative and fundraising functional expense classifications based on departmental cost centers and other methods. The following schedule presents the natural classification of expenses by function as follows:

	Programs						Support		Total
	Clinical Services	Housing	Vocational	Apothecare Pharmacy	Prevention Education	Homeless Shelter Programs	Total Program	Management and General	
Salaries and benefits	\$ 25,407,833	\$ 2,378,936	\$ 4,830,594	\$ 1,322,381	\$ 788,821	\$ 1,158,317	\$ 35,886,882	\$ 2,266,820	\$ 38,153,702
Contract services and professional fees	1,010,805	98,128	95,514	19,213	9,662	16,448	1,249,770	162,161	1,411,931
Computer expenses	779,209	91,125	163,781	49,122	23,077	59,685	1,165,999	80,594	1,246,593
Operating supplies and expenses	2,184,976	171,984	544,238	24,980	20,732	93,072	3,039,982	88,389	3,128,371
Office expenses	494,899	135,733	94,527	23,388	13,804	28,425	790,776	81,902	872,678
Pharmaceuticals	-	-	-	13,174,669	-	-	13,174,669	-	13,174,669
Building and grounds	1,724,189	435,409	218,139	68,481	42,390	358,857	2,847,465	388,655	3,236,120
Insurance expense	493,891	83,015	99,190	21,689	18,259	64,025	780,069	189,182	969,251
Depreciation and amortization	340,405	81,393	71,624	28,138	11,439	19,606	552,605	59,117	611,722
Interest	64,356	20,163	12,865	2,868	2,414	3,818	106,484	61,965	168,449
Mileage and transportation	886,307	17,845	163,746	1,698	8,635	19,087	1,097,318	9,917	1,107,235
	<u>\$ 33,386,870</u>	<u>\$ 3,513,731</u>	<u>\$ 6,294,218</u>	<u>\$ 14,736,627</u>	<u>\$ 939,233</u>	<u>\$ 1,821,340</u>	<u>\$ 60,692,019</u>	<u>\$ 3,388,702</u>	<u>\$ 64,080,721</u>

Note 10: Employee Benefit Plans

The Organization has a 401(k) defined contribution retirement plan covering substantially all employees. The Organization contributes a safe harbor matching contribution equal to 100% up to the first 3%, and 50% of the next 2% of compensation contributed by the employee. The Organization may also make additional discretionary contributions. Contributions to the Plan were approximately \$531,000 for the year ended June 30, 2023.

The Organization has a Retention Bonus Plan (Plan) which provides deferred compensation for a select group of management and highly compensated employees. The Plan is intended to be a top hat plan under Sections 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Security Act of 1974 (ERISA). Under the Plan, the Organization contributes, on a quarterly basis, \$3,750 to the accounts of part-time eligible employees and \$7,500 to the accounts of full-time eligible employees. Contributions to the Plan were approximately \$717,000 for the year ended June 30, 2023.

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Note 11: Liquidity and Availability

At June 30, 2023, all of the Organization's current financial assets, with the exception of inventory and prepaid expenses and other, are available within one year of the balance sheet date for general expenditure. At June 30, 2023, the Organization had no assets which contain donor restrictions or are part of an endowment.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$3,000,000, which it could draw upon (see *Note 6*). Additionally, the Organization has board designated net assets without donor restrictions that, while the Organization does not intend to spend for these purposes other than those identified, the amounts could be made available for current operations, if necessary.

Note 12: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023:

	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)
June 30, 2023				
Money market funds	557,458	557,458	-	-
Mutual funds:				
Equities	8,256,891	8,256,891	-	-
Fixed income	2,220,209	2,220,209	-	-
Equities:				
International	58,849	58,849	-	-
Small-Cap	89,015	89,015	-	-
Mid-Cap	74,728	74,728	-	-
Large-Cap	160,557	160,557	-	-
Fixed income funds:				
Asset backed securities	2,159,853	-	2,159,853	-
Total	\$ 13,577,560	\$ 11,417,707	\$ 2,159,853	\$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheet, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2023.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 1 and 3*.

Grant Revenues

Concentration of revenues related to grant awards and other support is described in *Note 2*.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1 and 8*.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations could be in areas not covered by the Organization's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

340B Drug Pricing Program

The Organization participates in the 340B Drug Pricing Program (340B Program) enabling the Organization to receive discounted prices from the drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to the financial statement amounts related to the 340B Program could occur in the near term.

Southeast, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2023

Note 14: COVID-19 Pandemic & Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding

In March 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While the initial restrictions on Organization services eased during May and June of 2020 (Ohio healthcare providers were permitted to resume procedures previously delayed), certain requirements remain in place related to timely COVID-19 testing and screening of patients and staff and the conservation and monitoring of personal protective equipment, other critical supplies, and equipment. The Organization has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business on an ongoing basis.

The extent of the COVID-19 pandemic's adverse effect on the Organization's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Organization's control and ability to forecast. Such factors include, but are not limited to, government-mandated or recommended suspensions of elective or other procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance, on the inputs and assumptions used in significant accounting estimates, and potential impairments of long-lived assets.

Note 15: Restatement of Prior Year Financial Statements

The 2022 net assets have been restated to correct an error in the accounts receivable balance originally reported at June 30, 2022. This restatement reduced previously reported net assets by \$4,000,759.

Note 16: Subsequent Events

Subsequent events have been evaluated through **DATE**, 2024, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Draft

3/21/2024

Southeast, Inc. and Affiliates
Consolidating Balance Sheet Information
June 30, 2023

	Southeast, Inc.	Friends of the Homeless, Inc.	Alternative Lifestyles, Inc.	Eliminations	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	\$ 2,433,599	\$ 254,018	\$ 309,901	\$ -	\$ 2,997,518
Short-term investments	12,412,422	-	-	-	12,412,422
Receivables					
Patients	10,112,327	-	-	-	10,112,327
Pharmacy	1,604,616	-	-	-	1,604,616
Grants	3,212,281	-	-	-	3,212,281
Other	78,589	-	-	-	78,589
Supplies	1,284,038	-	-	-	1,284,038
Prepaid expenses and other	799,705	-	-	-	799,705
Due from affiliate	389,233	326,318	-	(715,551)	-
Total current assets	32,326,810	580,336	309,901	(715,551)	32,501,496
Assets Limited as to Use:					
Held by trustee under deferred compensation agreement	1,165,138	-	-	-	1,165,138
Property, Plant and Equipment, at Cost					
Land and improvements	514,138	22,300	56,500	-	592,938
Buildings and improvements	11,581,939	1,510,891	652,885	-	13,745,715
Equipment	2,504,963	91,691	20,000	-	2,616,654
Computers and software	1,109,922	-	-	-	1,109,922
	15,710,962	1,624,882	729,385	-	18,065,229
Less accumulated depreciation	(10,381,073)	(1,600,839)	(577,222)	-	(12,559,134)
	5,329,889	24,043	152,163	-	5,506,095
Right-of-Use Asset - Finance Lease	286,176	-	-	-	286,176
Total assets	\$ 39,108,013	\$ 604,379	\$ 462,064	\$ (715,551)	\$ 39,458,905
Liabilities and Net Assets					
Current Liabilities					
Current maturities of long-term debt	\$ 103,913	\$ -	\$ 20,846	\$ -	\$ 124,759
Current portion of finance lease liabilities	59,877	-	-	-	59,877
Accounts payable	1,464,378	-	-	-	1,464,378
Accrued compensation costs	3,121,054	-	4,698	-	3,125,752
Deferred revenue	588,646	-	17,600	-	606,246
Due to affiliate	-	-	715,551	(715,551)	-
Total current liabilities	5,337,868	-	758,695	(715,551)	5,381,012
Other Liabilities					
Long-term debt, net	2,588,392	189,055	97,770	-	2,875,217
Finance lease liabilities	203,043	-	-	-	203,043
Deferred compensation	911,790	-	-	-	911,790
Total liabilities	9,041,093	189,055	856,465	(715,551)	9,371,062
Net Assets	30,066,920	415,324	(394,401)	-	30,087,843
Total liabilities and net assets	\$ 39,108,013	\$ 604,379	\$ 462,064	\$ (715,551)	\$ 39,458,905

Southeast, Inc. and Affiliates
Consolidating Statement of Operations and Changes in Net Assets Information
Year Ended June 30, 2023

	<u>Southeast, Inc.</u>	<u>Friends of the Homeless, Inc.</u>	<u>Alternative Lifestyles, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues, Gains and Other Support					
Patient medical service revenue, net	\$ 21,409,870	\$ -	\$ -	\$ -	\$ 21,409,870
Pharmacy	25,779,312	-	-	-	25,779,312
Grants	14,401,043	24,300	-	-	14,425,343
Other operating revenue	736,350	6,342	135,879	-	878,571
	<u>62,326,575</u>	<u>30,642</u>	<u>135,879</u>	<u>-</u>	<u>62,493,096</u>
Expenses and Losses					
Salaries and benefits	38,153,702	-	-	-	38,153,702
Contract services and professional fees	1,411,781	-	150	-	1,411,931
Computer expenses	1,241,576	-	5,017	-	1,246,593
Operating supplies and expenses	3,018,481	170	109,720	-	3,128,371
Office expenses	804,605	-	68,073	-	872,678
Pharmaceuticals	13,174,669	-	-	-	13,174,669
Building and grounds	3,183,274	-	52,846	-	3,236,120
Insurance expense	946,126	-	23,125	-	969,251
Depreciation	584,745	5,371	21,606	-	611,722
Interest	155,787	-	12,662	-	168,449
Mileage and transportation	1,105,319	-	1,916	-	1,107,235
	<u>63,780,065</u>	<u>5,541</u>	<u>295,115</u>	<u>-</u>	<u>64,080,721</u>
Operating Income (Loss)	<u>(1,453,490)</u>	<u>25,101</u>	<u>(159,236)</u>	<u>-</u>	<u>(1,587,625)</u>
Other Income					
Contributions received	24,524	29,204	-	-	53,728
Investment return, net	892,533	-	11	-	892,544
	<u>917,057</u>	<u>29,204</u>	<u>11</u>	<u>-</u>	<u>946,272</u>
Excess (Deficiency) of Revenues Over Expenses and Change in Net Assets					
	<u>(536,433)</u>	<u>54,305</u>	<u>(159,225)</u>	<u>-</u>	<u>(641,353)</u>
Net Assets, Beginning of Year, As Previously Reported					
	<u>34,604,112</u>	<u>361,019</u>	<u>(235,176)</u>	<u>-</u>	<u>34,729,955</u>
Adjustment applicable to prior years	(4,000,759)	-	-	-	(4,000,759)
Net Assets, Beginning of Year, As Restated					
	<u>30,603,353</u>	<u>361,019</u>	<u>(235,176)</u>	<u>-</u>	<u>30,729,196</u>
Net Assets, End of Year					
	<u>\$ 30,066,920</u>	<u>\$ 415,324</u>	<u>\$ (394,401)</u>	<u>\$ -</u>	<u>\$ 30,087,843</u>

Southeast, Inc. and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
<u>Health Centers Program Cluster</u>				
Consolidated Health Centers Program	93.224/93.527	N/A	\$ -	\$ 2,557,960
COVID-19: American Rescue Plan Act Fund for Health Center	93.224	N/A	-	729,919
Total Health Centers Program Cluster			-	3,287,879
<u>Certified Community Behavioral Health Clinic (CCBHC) Expansion Grants</u>	93.829	N/A	-	1,271,234
<u>Block Grants for Community Mental Health Services</u>	93.958	N/A	-	1,159,275
<u>HIV Care Formula Grants (Ryan White Part B)</u>				
<i>Pass through from Ohio Department of Health</i>	93.917	02560022RW1222	-	291,997
<u>Temporary Assistance for Needy Families</u>				
Child and Family Collaborative of Ohio (Bridges) Program				
<i>Pass through from Ohio Department of Job & Family Services</i>	93.558	G-2223-06-0265	-	505,260
<u>Cooperative Agreement to Support Navigators in Federally Facilitated Exchanges</u>	93.332	N/A	-	253,826
<u>Opioid STR</u>				
<i>Pass through from the Ohio Department of Mental Health and Franklin County ADAMH Board</i>	93.788	H4322/H4323/H4343	-	605,414
<u>Projects for Assistance in Transition from Homelessness (PATH)</u>				
<i>Pass through from the Ohio Department of Mental Health and Franklin County ADAMH Board</i>	93.150	H4433	-	239,608
Total U.S. Department of Health and Human Services			-	7,614,493
Department of the Treasury				
<u>Coronavirus State and Local Fiscal Recovery Funds</u>				
Shelter American Rescue Plan Act Program				
<i>Pass through from the City of Columbus and the Community Shelter Board</i>	21.027	SE-23-CSB	-	206,334
<u>Coronavirus State and Local Fiscal Recovery Funds</u>				
American Rescue Plan Act Elevate Program				
<i>Pass through from the City of Columbus and the Department of Development</i>	21.027	SLFRP1055	-	100,000
Total Department of the Treasury and Coronavirus State and Local Fiscal Recovery Funds			-	306,334
Social Security Administration				
<u>Work Incentives Planning and Assistance Program</u>	96.008	N/A	-	377,285

Southeast, Inc. and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development				
<u>Supportive Housing for the Elderly (Section 202)</u>				
Direct: Project Rental Assistance Contract (FHA Project Number 043-EH060)	14.157	N/A	-	13,595
Direct: Loan (FHA Project Number 043-EH060)	14.157	N/A	-	18,437
Direct: Project Rental Assistance Contract (FHA Project Number 043-EH219)	14.157	N/A	-	51,506
Direct: Loan (FHA Project Number 043-EH219)	14.157	N/A	-	137,604
Total Supportive Housing for the Elderly (Section 202)			-	221,142
<u>Emergency Solutions Grants Program</u>				
Emergency Solutions Grant <i>Pass through from the Community Shelter Board</i>	14.231	SE-23-CSB	-	52,000
ODSA - Emergency Solutions Grant <i>Pass through from the Ohio Development Services Agency and the Community Shelter Board</i>	14.231	SE-23-CSB	-	324,108
COVID-19: ODSA Emergency Solutions COVID Grant <i>Pass through from the Ohio Development Services Agency and the Community Shelter Board</i>	14.231	SE-23-CSB	-	51,858
Total Emergency Solutions Grants Program			-	427,966
<u>Supportive Housing Program</u>				
Transitional Housing <i>Pass through from the Community Housing Network</i>	14.235	PSA 2022-2023	-	281,220
Total U.S. Department of Housing and Urban Development			-	930,328
Total federal expenditures			\$ -	\$ 9,228,440

Southeast, Inc. and Affiliates
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2023. 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of the Organization.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

The Organization has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

The federal loan programs listed subsequently are administered directly by the Organization, and balances and transactions relating to these programs are included in the Organization’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2023, consists of:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2023	
14.157	FHA Project Number 043-EH060	\$	-
14.157	FHA Project Number 043-EH219	\$	118,616

Southeast, Inc. and Affiliates
ADAMH Key Performance Indicators
Year Ended June 30, 2023

Current Ratio

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{32,501,496}{5,381,012} = 6.04$$

Debt to Equity Ratio

$$\frac{\text{Total liabilities}}{\text{Total net assets}} = \frac{9,371,062}{30,087,843} = 0.31$$

Administrative Costs to Expenses

$$\frac{\text{Total administrative costs}}{\text{Total expenses}} = \frac{3,388,702}{64,080,721} = 0.05$$

Revenue to Expenses

$$\frac{\text{Total revenue}}{\text{Total expenses}} = \frac{62,493,096}{64,080,721} = 0.98$$

Fund Balance Reserve

$$\frac{\text{Total net assets}}{\text{Total expenses}/12} = \frac{30,087,843}{5,340,060} = 5.63$$

Percent of Funding From Franklin Country ADAMH Board

$$\frac{\text{Total funding from ADAMH Board}}{\text{Total revenue}} = \frac{9,497,111}{62,493,096} = 0.15$$

Cash to Average Days Expenses

$$\frac{\text{Cash}}{\text{Expenses}/365 \text{ Days}} = \frac{2,997,518}{175,564} = 17.07$$

**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***

Independent Auditor's Report

Board of Directors
Southeast, Inc. and Affiliates
Columbus, Ohio

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 (*Government Auditing Standards*), the consolidated financial statements of Southeast, Inc. and Affiliates (Organization), which comprise the Organization's consolidated balance sheet as of June 30, 2023, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated [REDACTED], which contained an emphasis of matters paragraph related to predecessor auditors and the restatement of prior period balances.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated 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 consolidated 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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*.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on the response.

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.

[Auditor's signature]

Cincinnati, Ohio

[Date of the auditor's report]

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Southeast, Inc. and Affiliates
Columbus, Ohio

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southeast, Inc. and Affiliates' (Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's 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 for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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*); and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Organization 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. 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.

Auditor's 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*, and the Uniform Guidance 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 as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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.

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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 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 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. Accordingly, this report is not suitable for any other purpose.

[Auditor's signature]

Cincinnati, Ohio

[Date of the auditor's report]

Draft
3/21/2024

Southeast, Inc. and Affiliates
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section II – Financial Statement Findings

Reference Number	Finding
2023-001	<p>Criteria – Management is required to present accurate financial reporting in accordance with generally accepted accounting principles.</p> <p>Condition – Material adjustments were required to the beginning net assets (restatement) and to the current year accounts receivable and revenue balances.</p> <p>Cause – The Organization did not maintain a formalized process for estimating revenue and related accounts receivable balances for several consecutive years. Furthermore, payments received were not properly posted to the Electronic Health Records (EHR) system to allow for accurate tracking and analysis of balances.</p> <p>Effect or potential effect – A material adjustment to beginning of year net assets was required to correct an error related to a shortfall in cash received compared to amounts previously recorded. A material adjustment was also made to the current year accounts receivable and revenue accounts for the same reason.</p> <p>Recommendation – We recommend that the Organization revise its process for estimated accounts receivable and revenue and perform a detailed review of its process for posting and tracking payments received in its EHR system.</p> <p>Views of responsible officials and planned corrective actions – Southeast, Inc. and Affiliates (Southeast) hired a new Chief Financial Officer (CFO) in December of 2022 that began implementing a formalized process for booking revenue and related accounts receivable and ensuring payments received are posted to the Electronic Health Record system. For additional assurance, Southeast contracted with an independent account firm to review accounts receivable balances, assist with determining prior year period account receivable balances, and provide best practices guidance over the revenue cycle. Steps taken by the current CFO have resulted in adoption of new revenue cycle internal controls and new billing practices have been established to ensure all revenue and payments are posted to the Electronic Health Records system in a timely manner.</p>

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Southeast, Inc. and Affiliates
Summary of Schedule of Prior Audit Findings
Year Ended June 30, 2023

Reference Number	Summary of Finding	Status
No matters are reportable.		

Draft
3/21/2024