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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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February 5, 2024

Board of Directors
Centerstone of Indiana, Inc.
Bartholomew County, Indiana

We have reviewed the audit report of Centerstone of Indiana, Inc., which was opined upon by LBMC, PC, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Centerstone of Indiana, Inc. as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report. The findings appear on page 14 of the Single Audit Report, which is included after the Financial Report. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears at the end of the reports.

In our opinion, LBMC, PC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

CENTERSTONE OF INDIANA, INC.

**Consolidated Financial Statements and
Supplemental Schedules**

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)



CENTERSTONE OF INDIANA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Centerstone of America, Inc.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Centerstone of Indiana, Inc. and its subsidiaries and affiliate (collectively, the "Corporation"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows and functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Independent Living Alternatives, Inc. d/b/a Cumberland Apartments and Centerstone Supportive Housing, LLC d/b/a Redwood Terrace, wholly owned subsidiaries, included in the consolidated financial statements, whose statements reflect total assets of approximately \$6,897,000 and \$7,152,000 as of June 30, 2023 and 2022, respectively, and total revenues of approximately \$1,066,000 and \$1,048,000 for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those identified, is based solely on the reports of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Guidelines for Examinations of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As explained in Note 2(b) to the consolidated financial statements, the Corporation is part of an affiliated group of entities. The Corporation is included in the reporting entity, Centerstone of America, Inc., and these consolidated financial statements include only the financial position, changes in net assets and cash flows and functional expenses of the Corporation. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporations'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.

Report on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedules listed in the table of contents are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, cash flows and functional expenses of the individual companies, and are not a required part of the consolidated financial statements. The Schedule of Expenditures of State and Local Awards is required by the *Guidelines for Examinations of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. 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 audits 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 (as part of Centerstone of America, Inc.'s Consolidated Single Audit report) dated December 21, 2023 on our consideration of Centerstone of America, Inc.'s internal control over financial reporting and 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 Centerstone of America, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Centerstone of America, Inc.'s internal control over financial reporting and compliance.

LBMC, PC

Brentwood, Tennessee
December 21, 2023

CENTERSTONE OF INDIANA, INC.

Consolidated Statements of Financial Position

June 30, 2023 and 2022

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 15,975,039	\$ 23,225,053
Restricted cash	1,033,175	1,114,725
Accounts receivable	3,139,506	3,135,542
Other receivables	6,038,929	3,995,623
Unconditional promises to give, net	110,297	112,041
Prepaid expenses and other current assets	<u>414,677</u>	<u>375,360</u>
Total current assets	26,711,623	31,958,344
Property and equipment, net	32,876,268	34,035,461
Operating lease right-of-use-asset	1,493,328	-
Other assets	2,286,757	59,986
Beneficial interest	1,383,723	1,279,523
Assets whose use is limited	<u>11,618,439</u>	<u>10,591,139</u>
Total assets	<u>\$ 76,370,138</u>	<u>\$ 77,924,453</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current portion of long-term debt	\$ 525,786	\$ 725,786
Current portion of notes payable to Parent	163,408	155,266
Current portion of operating lease liabilities	487,501	-
Accounts payable and accrued expenses	2,492,053	3,292,019
Estimated third-party settlements	761,117	602,844
Due to affiliated entities	360,673	732,726
Accrued payroll, benefits and taxes	<u>3,746,882</u>	<u>4,427,842</u>
Total current liabilities	8,537,420	9,936,483
Long-term debt, excluding current portion, net of deferred financing costs	4,131,877	4,614,815
Notes payable to Parent, excluding current portion	3,841,878	4,005,286
Operating lease liabilities, excluding current portion	992,619	-
Other long-term liabilities	<u>400,000</u>	<u>400,000</u>
Total liabilities	<u>17,903,794</u>	<u>18,956,584</u>
Net assets:		
Without donor restrictions:		
Centerstone of Indiana, Inc.	44,989,004	44,771,753
Noncontrolling interests in Kinser Flats, LP	<u>8,253,487</u>	<u>8,882,263</u>
Total net assets without donor restrictions	53,242,491	53,654,016
With donor restrictions	<u>5,223,853</u>	<u>5,313,853</u>
Total net assets	<u>58,466,344</u>	<u>58,967,869</u>
Total liabilities and net assets	<u>\$ 76,370,138</u>	<u>\$ 77,924,453</u>

See accompanying notes to the consolidated financial statements.

CENTERSTONE OF INDIANA, INC.

Consolidated Statements of Activities and Changes in Net Assets

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue and other support:		
Net client service revenue	\$ 47,591,497	\$ 51,293,443
Public support	34,963,587	36,819,753
Affiliated management fees	945,607	727,607
Other revenue	9,247,443	3,061,571
Total revenue and other support	92,748,134	91,902,374
Expenses:		
Salary and fringe benefits	67,666,039	59,760,513
Professional fees	2,203,684	2,939,803
Facilities and equipment	5,655,490	5,244,114
Depreciation and amortization	1,896,103	1,737,991
Travel and transportation	1,448,254	1,336,142
Supplies	1,233,462	2,905,906
Communications	859,320	834,446
Affiliated management fees	13,617,477	12,124,049
Interest	225,836	276,642
Miscellaneous	3,749,722	5,247,129
Total expenses	98,555,387	92,406,735
Operating loss	(5,807,253)	(504,361)

See accompanying notes to the consolidated financial statements.

CENTERSTONE OF INDIANA, INC.

Consolidated Statements of Activities and Changes in Net Assets (continued)

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Nonoperating income (expenses):		
Contributions	2,020,875	3,383,983
Realized gain (loss) on investments	(79,563)	281,341
Unrealized gain (loss) on investments	837,543	(2,371,596)
Interest income, net	588,354	210,317
Gain on deconsolidation of subsidiary	2,412,072	-
Other	<u>(177,631)</u>	<u>(560,186)</u>
Total nonoperating income	<u>5,601,650</u>	<u>943,859</u>
Excess of revenues over expenses (expenses over revenues)	(205,603)	439,498
Other changes in net assets without donor restrictions:		
Contributions to supported entities	(205,922)	(213,234)
Contributions from noncontrolling investor limited partners	-	7,944,521
Total other changes in net assets without donor restrictions	<u>(205,922)</u>	<u>7,731,287</u>
Change in net assets without donor restrictions	<u>(411,525)</u>	<u>8,170,785</u>
Change in net assets without donor restrictions attributable to noncontrolling interests	(628,776)	7,545,703
Change in net assets without donor restrictions attributable to Centerstone of Indiana, Inc.	217,251	625,082
Change in net assets with donor restrictions:		
Contributions	10,000	100,000
Contributions to supported affiliates	<u>(100,000)</u>	<u>-</u>
Change in net assets with donor restrictions	<u>(90,000)</u>	<u>100,000</u>
Change in net assets	(501,525)	8,270,785
Net assets at beginning of year	<u>58,967,869</u>	<u>50,697,084</u>
Net assets at end of year	<u><u>\$ 58,466,344</u></u>	<u><u>\$ 58,967,869</u></u>

See accompanying notes to the consolidated financial statements.

CENTERSTONE OF INDIANA, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities:		
Change in net assets	\$ (501,525)	\$ 8,270,785
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Gain on deconsolidation of subsidiary	(2,412,072)	-
Contributions from noncontrolling investor limited partners	-	(7,944,521)
Loss on the disposal of assets	-	13,534
Public support - debt forgiveness	(499,084)	(492,925)
Depreciation and amortization	1,896,103	1,737,991
Non-cash lease adjustment	(13,208)	-
Amortization of deferred financing costs	4,426	8,852
Unrealized (gain) loss on investments	(837,543)	2,371,596
Realized gain (loss) on sale of investments	79,563	(281,341)
Change in beneficial interest	(104,200)	256,660
Restricted contributions	(10,000)	(100,000)
Changes in operating assets and liabilities:		
Accounts receivable	(106,870)	298,824
Other receivables	(2,193,024)	890,714
Unconditional promises to give, net	1,744	73,531
Prepaid expenses and other assets	364,268	476,782
Accounts payable and accrued expenses	(650,568)	936,199
Estimated third-party settlements, net	158,273	19,808
Due to affiliates	(372,053)	(715,156)
Accrued payroll, benefits and taxes	(673,710)	(91,791)
Net cash provided (used) by operating activities	<u>(5,869,480)</u>	<u>5,729,542</u>
Investing activities:		
Purchase of property and equipment	(759,476)	(1,517,150)
Proceeds from the sale or maturity of investments	387,396	1,065,063
Purchases of investments	(656,716)	(1,379,038)
Net cash used by investing activities	<u>(1,028,796)</u>	<u>(1,831,125)</u>
Financing activities:		
Restricted contributions	10,000	100,000
Principal payments on long-term debt	(225,696)	(6,962,197)
Proceeds from note payable	37,416	165,729
Principal payments on note payable to Parent	(155,266)	(143,980)
Contributions from noncontrolling investor limited partners	-	7,944,521
Cash transferred in deconsolidation	(99,742)	-
Net cash provided (used) by financing activities	<u>(433,288)</u>	<u>1,104,073</u>
Increase (decrease) in cash, cash equivalents and restricted cash	(7,331,564)	5,002,490
Cash, cash equivalents and restricted cash at beginning of year	24,339,778	19,337,288
Cash, cash equivalents and restricted cash at end of year	<u>\$ 17,008,214</u>	<u>\$ 24,339,778</u>
Supplemental cash flows information:		
Cash paid for interest on long-term debt	<u>\$ 35,420</u>	<u>\$ 37,661</u>
Cash paid for interest on notes payable to related party	<u>\$ 185,990</u>	<u>\$ 230,129</u>
Noncash investing and financing activities:		
Indiana Housing and Community Development Authority debt forgiveness	<u>\$ 499,084</u>	<u>\$ 492,925</u>
Composition of cash, cash equivalents and restricted cash:		
Cash and cash equivalents at year-end	\$ 15,975,039	\$ 23,225,053
Restricted cash at year-end	1,033,175	1,114,725
Total cash, cash equivalents and restricted cash at year end	<u>\$ 17,008,214</u>	<u>\$ 24,339,778</u>

See accompanying notes to the consolidated financial statements.

CENTERSTONE OF INDIANA, INC.

Consolidated Statement of Functional Expenses

Year ended June 30, 2023

Expenses:	Child Community Based Care	Adult Community Based Care	Medical	Housing	SUD Residential Treatment	Foster Care	Intake, Crisis, Access and Outpatient Counseling	Other	Total Program Services	Management and General	Fundraising	Total
Salary and fringe benefits	\$ 27,297,184	\$ 15,547,814	\$ 9,027,280	\$ 4,158,629	\$ 5,413,500	\$ 1,248,979	\$ 1,437,356	\$ 1,880,679	\$ 66,011,421	\$ 1,654,618	\$ -	\$ 67,666,039
Professional fees	462,602	119,974	55,458	6,648	3,797	946,051	78,333	528,494	2,201,357	2,327	-	2,203,684
Facilities and equipment	1,001,735	1,236,570	333,329	916,577	546,807	45,238	145,384	1,381,605	5,607,245	48,245	-	5,655,490
Depreciation and amortization	238,100	368,677	98,497	205,108	85,221	744	27,572	862,143	1,886,062	10,041	-	1,896,103
Travel and transportation	594,942	383,805	38,263	124,125	88,833	56,633	3,981	125,691	1,416,273	31,981	-	1,448,254
Supplies	228,787	254,999	17,232	307,188	345,102	5,642	3,451	38,608	1,201,009	32,453	-	1,233,462
Communications	379,190	236,589	18,189	91,680	59,483	19,072	9,152	19,771	833,126	26,194	-	859,320
Affiliated management fees	-	-	-	-	-	-	-	-	-	13,203,764	413,713	13,617,477
Interest	-	-	1,348	244	171	-	-	222,775	224,538	1,298	-	225,836
Miscellaneous	756,597	773,754	187,268	260,094	89,024	53,360	23,531	1,794,159	3,937,787	(188,065)	-	3,749,722
Total expenses	\$ 30,959,137	\$ 18,922,182	\$ 9,776,864	\$ 6,070,293	\$ 6,631,938	\$ 2,375,719	\$ 1,728,760	\$ 6,853,925	\$ 83,318,818	\$ 14,822,856	\$ 413,713	\$ 98,555,387

See accompanying notes to the consolidated financial statements.

CENTERSTONE OF INDIANA, INC.

Consolidated Statement of Functional Expenses

Year ended June 30, 2022

	Child Community Based Care	Adult Community Based Care	Medical	Housing	SUD Residential Treatment	Foster Care	Intake, Crisis, Access and Outpatient Counseling	Other	Total Program Services	Management and General	Fundraising	Total
Expenses:												
Salary and fringe benefits	\$ 24,245,845	\$ 13,089,132	\$ 8,146,484	\$ 4,037,623	\$ 4,590,336	\$ 1,185,388	\$ 1,549,719	\$ 1,096,457	\$ 57,940,984	\$ 1,819,529	\$ -	\$ 59,760,513
Professional fees	669,954	103,924	558,886	25,918	16,215	1,144,451	63,432	357,023	2,939,803	-	-	2,939,803
Facilities and equipment	1,959,869	845,979	379,631	972,124	541,367	67,992	126,927	306,719	5,200,608	43,506	-	5,244,114
Depreciation and amortization	309,260	342,669	90,084	195,891	95,705	2,198	31,112	657,394	1,724,313	13,678	-	1,737,991
Travel and transportation	602,085	316,843	65,986	136,232	96,032	54,340	9,369	18,671	1,299,558	36,584	-	1,336,142
Supplies	161,130	153,811	1,790,320	310,110	362,647	15,394	4,550	79,000	2,876,962	28,944	-	2,905,906
Communications	338,177	272,252	21,058	101,733	52,120	15,498	10,679	6,285	817,802	16,644	-	834,446
Affiliated management fees	-	-	-	-	-	-	-	29,491	29,491	11,770,504	324,054	12,124,049
Interest	-	50,835	133,304	17,230	15,747	4,886	9,300	45,340	276,642	-	-	276,642
Miscellaneous	553,830	322,697	129,878	135,064	58,059	58,412	19,346	3,926,188	5,203,474	43,655	-	5,247,129
Total expenses	\$ 28,840,150	\$ 15,498,142	\$ 11,315,631	\$ 5,931,925	\$ 5,828,228	\$ 2,548,559	\$ 1,824,434	\$ 6,522,568	\$ 78,309,637	\$ 13,773,044	\$ 324,054	\$ 92,406,735

See accompanying notes to the consolidated financial statements.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

(1) Nature of operations

Centerstone of Indiana, Inc. and its subsidiaries and affiliate (collectively, the "Corporation") are private, non-profit organizations that provide multi-funded, locally-directed mental health and addiction services to people of all ages. The Corporation was incorporated as a not-for-profit organization in June 1967 under the laws of the State of Indiana and commenced operations in August 1968. The Corporation is responsible for the establishment, operation and maintenance of a comprehensive mental health center which focuses on the treatment and prevention of mental illness and emotional disturbances of individuals. These services are provided to children and adults upon application or referral. The Corporation employs qualified psychiatrists, psychologists, social workers and others to consult with and treat individuals using the facilities of the Corporation. These services are currently delivered through community clinics located throughout many counties in Indiana and include outpatient care, consultation, screening, 24-hour emergency services, community education, a detoxification program with inpatient treatment and residential services to area residents. The Corporation receives a majority of its revenue from client services and federal, state and county grants.

(2) Summary of significant accounting policies

(a) Recently adopted accounting standards

On July 1, 2022, the Corporation adopted the cumulative accounting standard updates initially issued by the Financial Accounting Standards Board ("FASB") in February 2016 that amended the accounting for leases and are codified as Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"). These changes to the lease accounting model require operating leases be recorded on the balance sheet through recognition of a liability for the discounted present value of future fixed lease payments and a corresponding right-of-use ("ROU") asset. The ROU asset recorded at commencement of the lease represents the right to use the underlying asset over the lease term in exchange for the lease payments. Leases with an initial term of 12 months or less that do not have an option to purchase the underlying asset that is deemed reasonably certain to be exercised are not recorded on the balance sheet. Instead, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease. The Corporation uses their estimated incremental borrowing rate to discount their lease payments. The Corporation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

The Corporation elected the amended transition method allowed by the FASB in Accounting Standards Update ("ASU") No. 2018-11, which provides entities relief by allowing them to not recast prior comparative periods from the adoption of ASC 842. As a result, the prior year comparative consolidated financial statements have not been restated to reflect the adoption of ASC 842. Additionally, the Corporation elected the package of practical expedients available in ASC 842 upon adoption whereby an entity need not reassess expired contracts for lease identification or classification as a finance or operating lease, or for the reassessment of initial direct costs. The Corporation has not elected the practical expedient to use hindsight to determine the lease term for its lease at transition. Certain of the Corporation's lease agreements have lease and non-lease components, which for the majority of leases the Corporation accounts for separately when the actual lease and non-lease component are determinable.

The adoption of ASC 842 resulted in recognition of an operating lease ROU asset and lease liability of approximately \$1,013,000 as of July 1, 2022, with no cumulative adjustment to net assets. This reclassification has no effect on the change in net assets or net assets as previously reported. The consolidated financial statements as of and for the year ended June 30, 2022 are presented in accordance with ASC 840.

The Corporation also adopted the provisions of ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in ASU 2020-07 apply to nonprofit organizations that receive contributed nonfinancial assets (also referred to as gifts-in-kind) and address presentation and disclosure of those contributed nonfinancial assets. The term "nonfinancial assets" includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, cryptocurrency, services, and unconditional promises of those assets. Under ASU 2020-07, organizations must present gifts-in-kind as a separate line item in the statement of activities, apart from gifts of cash and other financial assets. In addition to this presentation requirement, the gifts-in-kind must be further broken down into categories (fixed assets, supplies, contributed services, etc.) in the notes to the consolidated financial statements. For each category of contributed nonfinancial assets recognized in the consolidated financial statements, further footnote disclosures are required under the ASU, including whether the gifts-in-kind were sold or used, among other disclosures. Adoption of this standard had no effect on its net assets for the years ended June 30, 2023 and 2022.

(b) Principles of consolidation

The consolidated financial statements include the accounts of Centerstone of Indiana, Inc., Centerstone Foundation, Inc. (the "Foundation"), Independent Living Alternatives, Inc. d/b/a Cumberland Apartments ("Cumberland"), Centerstone Supportive Housing, LLC d/b/a Redwood Terrace ("Supportive Housing"), Kinser Flats, LP ("Kinser Flats") and Centerstone Health Services, Inc. ("Centerstone Health Services").

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

The Corporation is the sole member of the Foundation. The Foundation is a not-for-profit organization that receives contribution and support for the affiliated entities of Centerstone of America, Inc. (the "Supported Organizations").

Cumberland was incorporated to construct, own and operate a 21-unit apartment community in Richmond, Indiana, known as Cumberland Apartments. They have entered into the standard Federal Housing Administration ("FHA") regulatory agreements governing the operation of the apartment project with the FHA Section of the Department of Housing and Urban Development ("HUD").

Supportive Housing was incorporated in the State of Indiana and may conduct any and all lawful business and activities as long as they are consistent with the charitable purposes or status of the sole member, the Corporation. Supportive Housing was formed to develop, own and operate a 60-unit affordable housing rental project and participates in the 1602 Tax Credit Exchange Program mortgage administered through the Indiana Housing and Community Development Authority.

Cumberland and Supportive Housing are consolidated as the Corporation is the sole corporate member.

Kinser Flats is a limited partnership formed to acquire, construct, own, and operate a 50-unit affordable housing apartment community in Bloomington, Indiana and may conduct any and all lawful business and activities as long as they are consistent with the charitable purposes or status of the partners. The partnership is eligible for the low-income housing tax credit in accordance with Section 42 of the Internal Revenue Code as enacted by the Tax Reform Act of 1986 on qualified low-income units. Generally, the low-income housing tax credit is computed as a percentage of the qualified basis of the property and is allowed annually during a period of ten years commencing with the year the building was placed in service. The apartment complex began operating during June 2021. As the Corporation is the sole general partner and controls the limited partnership, Kinser Flats is consolidated. The term of the partnership shall extend until December 31, 2070, unless sooner terminated as provided in the partnership agreement.

Centerstone Health Services, Inc. is a Federally Qualified Health Center ("FQHC") which operates health clinics located in Indiana that provide comprehensive, accessible, quality healthcare regardless of income to promote wellness and restore health. The Corporation pays certain expenses on behalf of the FQHC and is reimbursed accordingly, leases employees and space to the FQHC and has provided an operating loan. The FQHC is included in the consolidated statement of financial position as of June 30, 2022 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended and in the related notes to the consolidated financial statements. The FQHC was deconsolidated as of and for the year ended June 30, 2023.

All material intercompany accounts and transactions have been eliminated.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

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(c) Affiliated entities and related parties

The Corporation is part of an affiliated group of entities. The Corporation is included in the reporting entity, Centerstone of America, Inc. (the "Parent"), and these consolidated financial statements include only the financial position, changes in net assets, cash flows and functional expenses of the Corporation and its subsidiaries located in the state of Indiana.

The Parent is the holding company and sole corporate member of the Corporation. Centerstone of America, Inc. has the following additional entities under common control: Centerstone Military Services, Centerstone of Tennessee, Inc., Centerstone of Illinois, Inc., Centerstone Research Institute, Centerstone of Florida, Inc. and Homewood Insurance Company, Inc. (the "affiliated entities").

(d) Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not restricted by donor-imposed restrictions and available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Corporation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions - Net assets resulting from contributions and other inflows of net assets whose use by the Corporation is limited by donor-imposed restrictions. These include net assets with donor restrictions, some of which may or will be met either by action of the Corporation and/or passage of time. When a donor restriction expires, that is, when a 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 activities and changes in net assets as net assets released from restrictions. These also include net assets with donor restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Corporation. Net assets with donor restrictions includes endowment funds, which are subject to restrictions of gift instruments requiring that the principal be maintained in perpetuity, and invested for the purpose of producing present and future income.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

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(e) Cash and cash equivalents

For purposes of reporting cash flows, the Corporation considers all liquid investments with an original maturity of three months or less to be cash equivalents. The Corporation has cash balances totaling \$15,171,505 and \$22,371,886 at June 30, 2023 and 2022, respectively, that are managed by the Parent as a part of the Parent's consolidated cash management program. The Parent maintains these deposits with banks and FDIC insurance coverage for these deposits are retained by the Parent. The Corporation believes it is not exposed to any significant credit risk on its cash and cash equivalents.

(f) Restricted cash

The Corporation's restricted cash consists of funds held on behalf of clients. A corresponding liability is recorded in accounts payable and accrued expenses as the Corporation receives these fiduciary funds.

(g) Investments and investment income

Investments in equity securities and debt securities are measured at fair value in the consolidated statements of financial position and include the beneficial interest and assets whose use is limited. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Unrealized and realized gains and losses on investments, interest, and dividends from all investments are reported as a component of the performance indicator unless the income is restricted by donor or law.

(h) Assets whose use is limited

During fiscal year 2013, in order to provide additional oversight, the Foundation received the assets in Centerstone Endowment Trust (the "Trust") through an equity transfer, after receiving approval from the Tennessee Attorney General. Originally, Centerstone of Tennessee, Inc. established the Trust for the purpose of serving as a charitable endowment fund for the support of the Centerstone of Tennessee, Inc.'s mission and operations funded by an initial gift from the Dede Wallace Foundation. As of June 30, 2012, Centerstone of Tennessee, Inc. was the sole trustee of the Trust. After the approved transfer, the Foundation (a subsidiary of Centerstone of Indiana, Inc.) became the sole trustee to coordinate the support to the mission of the communities served by all the affiliated entities of Centerstone of America, Inc.

The terms of the Trust require annual distributions to the affiliated entities of Centerstone of America, Inc. of an amount equal to 3.75% of the average of the net fair values of the underlying assets as determined at the end of the three most recently completed calendar years. The Supported Organizations are also required to pay a management fee to the Foundation equal to 1.50% of the annual distribution.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

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(i) Accounts receivable

The accounts receivable balance represents the unpaid amounts billed to clients and third-party payors. Implicit and explicit price concessions are recorded to report receivables for client care services at net realizable value.

Client accounts receivable are reduced by appropriate implicit price concessions based on the Corporation's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to its service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of implicit price concessions. For receivables associated with services provided to clients who have third-party coverage, the Corporation analyzes contractually due amounts and provides explicit price concessions and implicit price concessions, if necessary. For receivables associated with self-pay payments, which includes both clients without insurance and clients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Corporation records implicit price concessions in the period of service on the basis of its past experience, which indicates that many clients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

(j) Other receivables

The Corporation has recorded receivables from federal and state agencies related to grants under contract. The Corporation expects full collection of these receivables.

(k) Property and equipment and depreciation

Property and equipment are stated at cost. Depreciation is provided over the assets' estimated useful lives using the straight-line method as follows:

Furniture and equipment	3 – 10 years
Buildings	18 – 40 years
Building and land improvements	5 – 20 years

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded as a change in net assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

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(l) Leases

The Company determines if an arrangement is a lease at inception of the contract. ROU assets and lease liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. The Corporation uses their estimated incremental borrowing rate in determining the present value of lease payments. The Company has elected not to recognize a ROU asset and lease liability for leases with an estimated term of 12 months or less but includes the expense associated with the short-term leases in rent expense in the consolidated statements of activities and changes in net assets.

The Company may enter into leasing arrangements with one or more options to renew. The exercise of lease renewal options is at the Company's sole discretion. The Company considers whether or not renewal options are reasonably likely to be exercised, therefore, certain renewal options may be recognized as part of the determination of the lease terms. The lease agreements do not contain any material residual value guarantees, restrictions or covenants.

(m) Net client service revenue

The Corporation recognizes net client service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less implicit and explicit concessions and principally for clients covered by Medicare, Medicaid, and managed care and other health plans. Gross client service revenue is recorded in the accounting records using the established rates for the type of service provided to the client. The Corporation recognizes an estimated explicit price concession to reduce gross client charges to the estimated net realizable amount for services rendered based upon previously agreed to rates with a payor. The Corporation utilizes the client billing system to calculate explicit price concessions on a payor by payor basis based on the rates in effect for each primary third-party payor. The management of the Corporation continually reviews the process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms that result from contract renegotiations and renewals. See Note 3 for further discussion of revenue recognition.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies and employers. These third-party payors provide payments to the Corporation at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and fee schedule payments. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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Given the current regulatory and reimbursement environment, there can be no assurances that adequate reimbursement levels will continue to be available for the services provided by the Corporation. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on the Corporation's liquidity, financial condition, results of operations and cash flows.

Included in net client service revenue are reimbursements from Medicare, Medicaid, commercial payors and self-pay clients. As part of the Medicaid program, the Corporation participates in the Medicaid Rehabilitation Option ("MRO"). The MRO program includes a Federal portion and a State portion. As part of the State plan related to Indiana, the Corporation pays the State portion.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

(n) Charity care

The Corporation provides care to clients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The charity care amounts are not reported as net client service revenue as the Corporation does not pursue collection. Amounts for forgone charges related to charity care are approximately \$804,000 and \$810,000 for the years ended June 30, 2023 and 2022, respectively.

Of the Corporation's total unrestricted operating expense reported pertaining to the entities providing client care, an estimated \$481,000 and \$469,000 arose from providing services to charity clients during the years ended June 30, 2023 and 2022, respectively.

The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity clients. The ratio of cost to charges is calculated based on the Corporation's total expenses divided by gross client service revenue.

(o) Medicaid funds recovery

The Corporation participates in the Medicaid Funds Recovery Program. Funding for the Medicaid Funds Recovery Program is available through the Medicaid Program to reimburse expenses for certain administrative activities. Funding under the Medicaid Funds Recovery Program is available only to those providers who are certified as Managed Care Providers or Community Mental Health Centers by the Indiana Division of Mental Health and Addiction.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

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(p) Public support

The Corporation receives federal, state and county grants for providing services in specific program areas. Receipt of these funds is subject to the fulfillment of certain obligations by the Corporation as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency.

Indiana state law stipulates that the counties served by comprehensive community mental health centers provide the centers with a minimum designated amount. Tax receipts are designated to be remitted to the centers by June and December of each year. The Corporation recognizes the county tax receipts as income in the period the funds are due from the counties. Accordingly, amounts are recorded as other receivables or deferred revenue based upon the timing of the actual receipts.

The Corporation has contracts with the State of Indiana to provide community mental health services. During 2023 and 2022, the Corporation was paid by the State based upon applicable contractually agreed to stipulations.

The Corporation derives a significant portion of its revenue from third-party payors and federal, state and county funding programs. The receipt of future revenues by the Corporation is subject to among other factors, federal, state and county policies affecting the health care industry, economic conditions that may include an inability to control expenses in periods of inflation, increased competition, market pressures on premium rates and other conditions which are impossible to predict.

(q) Contributions and unconditional promises to give

Contributions received and unconditional promises to give are recorded as revenue without donor restrictions or revenue with donor restrictions depending on the existence of donor restrictions.

When a donor restriction expires, that is, when a 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 activities and changes in net assets as net assets released from restriction.

If a restriction is fulfilled in the same accounting period in which the contribution is received, the contribution is reported as without donor restrictions.

The Corporation uses the allowance method to determine uncollectible promises receivable. The allowance, if any, is based on prior years' experience and management's analysis of specific promises made.

In-kind contributions are recorded based on their estimated fair value at the date of donation.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

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The Foundation sends contribution support to affiliated entities to help further the mission of those organizations. Amounts sent to Centerstone of Indiana, Inc. have been eliminated in consolidation of these financial statements.

(r) Advertising costs

The Corporation uses advertising to promote its programs and services among the general public. The advertising costs are expensed as incurred. Advertising costs for the Corporation totaled approximately \$70,000 and \$114,000 for the years ended June 30, 2023 and 2022, respectively.

(s) Income taxes

The Corporation and its subsidiaries, except for Supportive Housing and Kinser Flats, are organized as not-for-profit corporations under section 501(c)(3) of the United States Internal Revenue Code ("IRC"). IRC Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Supportive Housing is organized as a limited liability company, whereby net taxable income is taxed directly to the members and not this entity. Kinser Flats is organized as a limited partnership, whereby net taxable income is taxed directly to the partners and not this entity. As such, Supportive Housing and Kinser Flats are generally exempt from income taxes. Accordingly, no current or deferred provision for income taxes was made for 2023 and 2022. The Corporation and its subsidiaries are required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The Corporation and its subsidiaries have filed their federal and state income tax returns for periods through June 30, 2022. Thus, the consolidated financial statements do not include any provision for Federal or State income taxes.

Accounting principles generally accepted in the United States of America ("GAAP") require management to evaluate tax positions taken and recognize a tax liability if it is more likely than not that an uncertain tax position would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Corporation and its subsidiaries are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(t) Noncontrolling interests

The consolidated financial statements include all assets, liabilities, revenues and expenses of entities in which the Corporation has a majority ownership interest or has other rights sufficient to allow the Corporation to consolidate the entity. As of June 30, 2023, Kinser Flats is the only entity with third-party noncontrolling ownership interest. Kinser Flats is a limited partnership and the Corporation is the general partner with 0.01% ownership.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

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(u) Performance indicator and operating indicator

The consolidated statements of activities and changes in net assets include a performance indicator, excess of revenues over expenses. Changes in net assets without donor restrictions which would be excluded from the performance indicator, consistent with industry practice, include contributions to supported entities and contributions from noncontrolling limited partners. The consolidated statements of activities and changes in net assets also include an operating indicator, operating loss. Certain nonoperating items are excluded from the operating indicator, including contributions from donors and related parties, realized and unrealized gains (losses) on investments, investment income, gains on disposal of assets, and other nonoperating income.

(v) Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(w) Functional expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Corporation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and fringe benefits, professional fees, facilities, equipment, depreciation and amortization, travel and transportation, supplies, communications, interest, and miscellaneous expenses. Other than depreciation and amortization, these costs are allocated based on management's estimates of time and effort involved for each program or supporting function. Depreciation and amortization expense is allocated based on management's assessment of administrative square footage used as a percentage of the total facility's square footage.

(x) Events occurring after reporting date

The Corporation has evaluated events and transactions that occurred between June 30, 2023 and December 21, 2023, which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

(y) COVID-19 pandemic

The Corporation believes the extent of COVID-19's impact on operating results and financial condition has been and could continue to be driven by many factors, most of which are beyond the Corporation's control and ability to forecast. Because of these uncertainties, the Corporation cannot estimate whether or to what extent COVID-19 will impact operations.

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As part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), the U.S. government announced it would offer relief funding to eligible health care providers. During the years ended June 30, 2023 and 2022, the Corporation participated in certain relief programs offered through the CARES Act including distributions relating to portions of the Public Health and Social Services Emergency Fund ("PHSSE Fund").

Amounts received from the PHSSE Fund are subject to the terms and conditions of the program, including certification that payment will be used to prevent, prepare for and respond to COVID-19 and shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to COVID-19. For the year ended June 30, 2022, the Corporation received approximately \$2,628,000 in general distributions which is included within in public support in the accompanying consolidated statements of activities and changes in net assets for the year ended June 30, 2022. The Corporation did not receive funds or recognize revenue related to the PHSSE Fund during 2023.

The Corporation also received additional funding from the State of Indiana. For the years ended June 30, 2023 and 2022, approximately \$780,000 and \$2,341,000, respectively, was received and is recorded within public support on the accompanying consolidated statements of activities and changes in net assets.

(3) Revenue from contracts with customers

Under ASC Topic 606 ("ASC 606"), *Revenue from Contracts with Customers*, a contract with a client is an agreement which both parties have approved (whether explicitly or implicitly), that creates enforceable rights and obligations, has commercial substance, where payment terms are identified and collectibility is probable. Once the Corporation has entered into a contract, it is evaluated to identify performance obligations under the contract by transferring the promised services to clients in an amount that reflects the consideration the Corporation expects to receive in exchange for providing care.

The Corporation evaluated the nature, amount, timing and uncertainty of revenue and cash flows using the five-step model provided within ASC 606. The services provided by the Corporation have no fixed duration and can be terminated by the client or the facility at any time, and therefore, each treatment is its own stand-alone contract. Services ordered by a healthcare provider in an episode of care are not separately identifiable and therefore have been combined into a single performance obligation for each contract. The Corporation recognizes revenue as its performance obligations are completed. The performance obligation is satisfied over time as the client simultaneously receives and consumes the benefits of the healthcare services provided. For outpatient services, the Corporation recognizes revenue equally based on the number of attended sessions. Typically, third-party payors are billed within several days of the service being performed or the client being discharged, and payments are due based on contract terms. Additionally, there may be ancillary services which are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time when those services are rendered.

CENTERSTONE OF INDIANA, INC.

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The contractual relationships with clients, in most cases, also involves a third-party payor including Medicare, Medicaid and other commercial insurance companies. The transaction price is determined based upon the Corporation's established rates or estimated cost reimbursement rates, as applicable, reduced by estimates for explicit and implicit price concessions using a portfolio approach to group contracts with similar characteristics and an analysis of historical collection trends. Explicit price concessions include contractual adjustments which result from differences between the Corporation's established rates and the amounts estimated to be payable by third parties. Implicit price concessions include discounts provided to private pay, uninsured clients or other payors, and adjustments arising from the Corporation's failure to obtain authorizations acceptable to the payor or other specified billing documentation, changes in coverage or payor, and other reasons unrelated to credit risk. Explicit price concessions and discounts are based on discount policies and historical collections. Subsequent changes to the estimate of the transaction price are recorded as adjustments to net client service revenue in the year of change. During the years ended June 30, 2023 and 2022, the impact of changes to the inputs used to determine the transaction price was considered immaterial to the current period.

Certain contracts contain variable consideration. However, it is unlikely a significant reversal of revenue will occur when the uncertainty is resolved, and therefore, the Corporation has included the variable consideration in the estimated transaction price. The Corporation considers the client's ability and intent to pay the amount of consideration upon admission. Subsequent changes that are determined to be the result of an adverse change in the client's ability to pay (i.e. change in credit risk) are recorded as bad debt expense or provision for credit losses, which is included as a component of operating expenses in the consolidated statements of activities and changes in net assets. Provision for credit losses for the years ended June 30, 2023 and 2022 was not significant.

(4) Third-party reimbursement program

The Corporation has estimated third-party assets and liabilities for Medicare, Medicaid, MRO, grants and other programs reflecting the difference between interim reimbursement and reimbursement as determined by contractual agreements and third-party audits. Based upon payments received from Medicare, Medicaid, MRO, grants and other programs, the Corporation has estimated net third-party settlements due to third-party payors of approximately \$761,000 and \$603,000 at June 30, 2023 and 2022, respectively, which are included in current liabilities in the accompanying consolidated statements of net position.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

(5) Credit concentrations

The mix of the accounts receivable as of June 30, 2023 and 2022 and net client service revenue for the years ended June 30, 2023 and 2022 is as follows:

	Receivables		Revenue	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Medicare	1 %	2 %	1 %	1 %
Medicaid	75 %	64 %	84 %	83 %
Self-pay	3 %	2 %	1 %	1 %
Other third-party payors	<u>21 %</u>	<u>32 %</u>	<u>14 %</u>	<u>15 %</u>
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

(6) Beneficial interest in Community Foundation of Middle Tennessee

The Foundation is the trustee of the beneficial interest in the Community Foundation of Middle Tennessee ("Community Foundation"). Centerstone of Tennessee, Inc. transferred certain funds to the Community Foundation and named Centerstone of Tennessee, Inc. as the specified beneficiary. The intended use of the Agency Endowment Fund is to support the mission of serving the needy for the Corporation. Variance power has been granted to the Community Foundation to make distributions from the fund in accordance with the Community Foundation's Articles of Incorporation and in accordance with the Community Foundation's expressed intent. Centerstone of Tennessee, Inc. has the right and responsibility to recommend distributions of principal and income, but those recommendations are advisory in nature.

The beneficial interest is reported at fair value as of June 30, 2023 and 2022. The following is a summary of the investment expenses and earnings for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Beneficial interest in Community Foundation, beginning of year	\$ 1,279,523	\$ 1,536,183
Investment expenses	(7,737)	(9,846)
Investment gain (loss)	112,777	(169,505)
Grants paid out	<u>(840)</u>	<u>(77,309)</u>
Beneficial interest in Community Foundation, end of year	<u>\$ 1,383,723</u>	<u>\$ 1,279,523</u>

CENTERSTONE OF INDIANA, INC.

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Fair value of the beneficial interest is estimated as the net asset value ("NAV") as a practical expedient of the underlying shares in the Community Foundation's investment pool. Fair value is determined in this manner because there are no observable market transactions for assets similar to the beneficial interest in the Agency Endowment Fund. Because there are no observable market transactions and because the Foundation can only redeem the resources at NAV for its own use, subject to the approval of the governing board of the Community Foundation, this fair value measurement is classified in the fair value hierarchy as level 3 as permitted by Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurement* (Note 8).

(7) Assets whose use is limited

The composition of assets limited as to use at June 30, 2023 and 2022 is set forth in the following table:

	<u>2023</u>	<u>2022</u>
Cash	\$ 36,178	\$ 130,631
Common stock	7,025,408	6,350,586
Mutual funds	3,233,794	3,769,362
Other alternative investments	<u>1,323,059</u>	<u>340,560</u>
	<u>\$ 11,618,439</u>	<u>\$ 10,591,139</u>

(8) Fair value of financial instruments

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

CENTERSTONE OF INDIANA, INC.

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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

- *Common stocks*: Valued at the daily closing price as reported on an active market on which the common stocks are traded.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Corporation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Corporation are deemed to be actively traded.
- *Beneficial interest in outside trust*: Valued at fair value as reported by the trustee, which represents the Corporation's pro rata interest in the net assets of the trust, substantially all of which are valued on a mark-to-market basis.

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets measured at fair value on a recurring basis at June 30, 2023 and 2022:

	<u>Fair Value Measurements as of June 30, 2023 using the following inputs</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets whose use is limited				
Common stocks				
U.S. equity	\$ 3,617,701	\$ 3,617,701	\$ -	\$ -
Global equity	1,038,717	1,038,717	-	-
International equity	1,534,754	1,534,754	-	-
International growth equity	834,236	834,236	-	-
Mutual funds				
Fixed income	<u>3,233,794</u>	<u>3,233,794</u>	-	-
	10,259,202	<u>\$ 10,259,202</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	<u>36,178</u>			
Investments measured at NAV as a practical expedient (a)	<u>1,323,059</u>			
	<u>\$ 11,618,439</u>			
Beneficial interest - funds held by Community Foundation				
	<u>\$ 1,383,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,383,723</u>

CENTERSTONE OF INDIANA, INC.

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**Fair Value Measurements as of
June 30, 2022 using the following inputs**

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets whose use is limited				
Common Stock				
U.S equity	\$ 3,205,883	\$ 3,205,883	\$ -	\$ -
Global equity	963,058	963,058	-	-
International equity	1,428,430	1,428,430	-	-
International growth equity	753,215	753,215	-	-
Mutual funds				
Fixed income	<u>3,769,362</u>	<u>3,769,362</u>	<u>-</u>	<u>-</u>
	10,119,948	\$ <u>10,119,948</u>	\$ <u>-</u>	\$ <u>-</u>
Cash	<u>130,631</u>			
Investments measured at NAV as a practical expedient (a)	<u>1,323,059</u>			
	<u>\$ 11,573,638</u>			
Beneficial interest - funds held by Community Foundation				
	\$ <u>1,279,523</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,279,523</u>

(a) Certain investments are measured at NAV as a practical expedient to estimate fair value and, therefore, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements activities and changes in net assets.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2023 and 2022:

<u>Description</u>	<u>Fair Value June 30, 2023</u>	<u>Fair Value June 30, 2022</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate investment trust funds	\$211,128	\$128,250	\$688,500	3 years from July 1, 2022 and then quarterly	None
Business development company	\$604,382	\$212,310	\$283,500	3 years from May 2, 2022	None
Multi-manager alternative fund	\$507,549	\$ -	None	None	None

The Foundation's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

(9) Unconditional promises to give

Unconditional promises to give consist of pledges restricted to the support of the Corporation. Promises to give are discounted to the present value of the estimated future cash flows and also include an allowance for estimated uncollectible pledges, if applicable.

	<u>2023</u>	<u>2022</u>
Promises receivable in less than one year	\$ 110,751	\$ 112,183
Less net present value discount	<u>(454)</u>	<u>(142)</u>
	<u>\$ 110,297</u>	<u>\$ 112,041</u>

(10) Property and equipment

A summary of property and equipment as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 2,838,826	\$ 2,835,776
Buildings and improvements	47,709,885	47,677,067
Furnishings, equipment and vehicles	4,160,964	4,109,351
Construction in progress	<u>136,493</u>	<u>-</u>
	54,846,168	54,622,194
Accumulated depreciation and amortization	<u>(21,969,900)</u>	<u>(20,586,733)</u>
	<u>\$ 32,876,268</u>	<u>\$ 34,035,461</u>

During 2022, the Corporation sold buildings that were previously impaired in 2021. The associated gain on the sale of the buildings is reflected in nonoperating income on the consolidated statements of activities and changes in net assets for the year ended June 30, 2022.

As of June 30, 2023, the Corporation has commitments for various building renovation projects that approximate \$387,000 and are expected to be completed in November 2023.

(11) Liquidity and availability

The Corporation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. As part of the Corporation'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.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Financial assets available for general expenditures within one year of the consolidated statements of financial position are as follows at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 15,975,039	\$ 23,225,053
Patient accounts receivable	3,139,506	3,256,127
Other receivables	6,038,929	3,995,623
Unconditional promises to give, net	<u>14,381</u>	<u>15,664</u>
	<u>\$ 25,167,855</u>	<u>\$ 30,492,467</u>

The remaining \$95,916 and \$96,377, of unconditional promises to give included in current assets at June 30, 2023 and 2022, respectively, contain specific donor restrictions that limit their use. As such, these have been excluded from above.

(12) Long-term debt

A summary of long-term debt as of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Mortgage payable to Indiana Housing and Community Development Authority ("IHCD"), 0% interest, due 2026, forgiven over a 15 year period, collateralized by certain real estate.	\$ 3,143,491	\$ 3,642,575
Indiana Department of Finance Authority Series 2002 variable rate demand economic development revenue bonds, variable interest rate of 1 month LIBOR, \$200,000 redeemed on December 1st each year, final payment paid December 2022, collateralized by certain real estate and accounts receivable.	-	200,000
Mortgage loan with U.S. Department of Housing and Urban Development. Monthly installments of principal and interest are approximately \$5,000 with a maturity date of July 1, 2031. Interest is being charged at a fixed rate of 9.25%, collateralized by certain real estate.	339,172	364,868

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note payable to IHCDCA used in the construction of Kinser Flats. Interest is being charged at a fixed rate of 2.00% with entire unpaid principal and interest due August 31, 2036.	500,000	500,000
Note payable to financial institution through the Affordable Housing Program, used in construction of Kinser Flats, 0% interest, due November 15, 2036, forgivable over a 15 year period, collateralized by certain real estate.	500,000	500,000
Note payable through the HOME Investment Partnership Program, 0% interest, due December 31, 2039, forgiven over a 20 year period.	<u>175,000</u>	<u>137,584</u>
Total long-term debt	<u>4,657,663</u>	<u>5,345,027</u>
Less deferred financing costs	-	4,426
Less current portion	<u>525,786</u>	<u>725,786</u>
Long-term debt, excluding current portion	<u>\$ 4,131,877</u>	<u>\$ 4,614,815</u>

The mortgage loan with the IHCDCA is interest free and forgivable over a 15 year period, commencing when the associated property is placed into operation and as long as Supportive Housing manages and operates the Project for its intended purpose.

Aggregate annual maturities of long-term debt as of June 30, 2023 is as follows:

<u>Year</u>	<u>Amount</u>
2024	525,786
2025	514,183
2026	2,160,425
2027	15,100
2028	15,100
2029 and later years	<u>1,427,069</u>
	<u>\$ 4,657,663</u>

The Corporation capitalized interest relating to construction projects of approximately \$83,000 for the year ended June 30, 2022. The Corporation did not capitalize any interest related to construction projects for the year ended June 30, 2023.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

(13) Leases

ASC 842 disclosures:

For the year ended June 30, 2023, approximately \$772,000 of cash payments were included in the measurement of the operating lease liability.

Additional supplemental information regarding assumptions for operating leases as of June 30, 2023 is as follows:

Weighted-average remaining lease terms (in years)	3.52
Weighted-average discount rate	3.47%

The maturities of the operating lease liabilities as of June 30, 2023 are as follows:

<u>Maturities</u>	<u>Amount</u>
2024	\$ 524,000
2025	402,000
2026	301,000
2027	260,000
2028	<u>89,000</u>
Total undiscounted cash flows	1,576,000
Less: present value discount	(95,880)
Less: current portion of operating lease liabilities	<u>(487,501)</u>
Noncurrent portion of operating lease liabilities	<u>\$ 992,619</u>

The following table presents a reconciliation of rent expense included within facilities and equipment expense in the accompanying consolidated statement of activities and changes in net assets for the year ended June 30, 2023:

Operating lease expense	\$ 1,894,273
Short-term and other rent expense	712,995
Utilities and other expense	<u>2,981,473</u>
Total facilities and equipment	<u>\$ 5,588,741</u>

Monroe County, Indiana constructed the Bloomington facility, which was completed in July 1982, and entered into a lease agreement with Centerstone of Indiana for \$1.00 per year. The property reverts to the County if Centerstone of Indiana ceases to use it for certain specified purposes. The fair market value of the facility space provided by the lease approximated \$974,000 and \$1,058,000 for the years ended June 30, 2023 and 2022, respectively, and is included in other revenue and facilities and equipment expense (operating lease expense in the reconciliation above) in the accompanying consolidated statements of activities and changes in net assets.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

ASC 840 disclosures:

Prior to adoption of ASC 842 as of July 1, 2022, the Company accounted for its lease arrangements under ASC 840 with no ROU assets or lease liabilities reflected on the consolidated statements of financial position. Rent expense recognized on a straight-line basis amounted to approximately \$2,586,000 for the year ended June 30, 2022.

(14) Net assets

The net assets with donor restrictions consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Endowments	\$ 4,010,645	\$ 4,010,645
Beneficial Interest	1,000,000	1,000,000
Center for Clinical Excellence	125,992	125,992
Centerstone of Florida, Inc. hospital renovations	-	100,000
Other	<u>87,216</u>	<u>77,216</u>
	<u>\$ 5,223,853</u>	<u>\$ 5,313,853</u>

The earnings on the endowment assets can be used for general purposes. The endowment is subject to an endowment spending policy and appropriation.

There were \$100,000 of assets with donor restrictions released from restriction for the year ended June 30, 2023. There were no assets with donor restrictions released from restriction for the year ended June 30, 2022.

(15) Endowment funds

The Corporation's endowment consists of a fund established for a specific purpose. The endowment includes donor-restricted funds and funds designated by the Board of Directors to function as an endowment. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The investment objective is to meet or exceed the market index, or blended market index, selected and agreed upon by the Corporation or provide an acceptable return with lower volatility or credit risk. In order to meet its needs, the investment strategy of the Corporation is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Specifically, the primary objective in the investment management for endowment fund assets shall be long-term growth of capital and to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index. The board of directors has interpreted the relevant law as requiring prudent preservation of the fund and evaluates the amounts of without donor restrictions income and the unrealized gains and losses periodically.

The Corporation has a policy of appropriating for distribution an amount of earned income based on a stipulated formula.

The donor restricted endowment net assets by type of fund as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Donor-restricted endowment investment funds	\$ 4,010,645	\$ 4,010,645
Beneficial interest funds	<u>1,000,000</u>	<u>1,000,000</u>
Total endowment funds	<u>\$ 5,010,645</u>	<u>\$ 5,010,645</u>

The Corporation has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions (a) the original value of 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.

In accordance with the law, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Corporation, and (7) the Corporation's investment policies.

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2021	\$ 8,356,774	\$ 4,010,645	\$ 12,367,419
Net investment losses	(1,880,038)	-	(1,880,038)
Contributions	<u>103,758</u>	<u>-</u>	<u>103,758</u>
Balance at June 30, 2022	6,580,494	4,010,645	10,591,139
Net investment gains	<u>1,027,300</u>	<u>-</u>	<u>1,027,300</u>
Balance at June 30, 2023	<u>\$ 7,607,794</u>	<u>\$ 4,010,645</u>	<u>\$ 11,618,439</u>

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Endowment net assets without donor restrictions identified in the table above represent Board designated net assets and exclude the \$1,000,000 of beneficial interest funds.

(16) Public support

The composition of public support during the years ended June 30, 2023 and 2022 is set forth in the following table:

	<u>2023</u>	<u>2022</u>
U.S. Department of Housing and Urban Development	\$ 373,825	\$ 404,842
U.S. Department of Health and Human Services	11,595,179	12,585,061
U.S. Department of Agriculture	502,925	480,090
Medicaid administrative outreach	5,019,533	3,796,308
Indiana Division of Mental Health	8,832,065	8,799,537
Indiana Family and Social Services Administration	472,320	2,340,966
County and other local funds	7,343,016	7,492,396
Other public support	<u>824,724</u>	<u>921,767</u>
	<u>\$ 34,963,587</u>	<u>\$ 36,820,967</u>

(17) Defined contribution plan

The Corporation has a defined contribution plan (the "Plan"). Contributions are made to employees who meet the eligibility requirements. The Plan includes an employer match up to 3% of eligible compensation. Employer contributions to the Plan were approximately \$831,000 and \$812,000 for the years ended June 30, 2023 and 2022, respectively.

(18) Affiliated entities and related party transactions

The Corporation entered into certain working capital, administrative and general transactions with its Parent and affiliated entities as disclosed in Note 2(c). The Corporation has recorded a net related party payable as of June 30, 2023 and 2022. There are no contractual settlement terms for amounts due to/from affiliates and are effectively settled in the normal course of operations as a part of the Parent's consolidated cash management program. Balances due from affiliates are considered to be "due on demand" and would be settled by the Parent to fulfill the Corporation's liquidity needs if necessary. For the years ended June 30, 2023 and 2022, the Corporation incurred affiliated management fees for services provided by its Parent which include finance, payroll, human resources, marketing, executive support, and other supporting services. The Foundation received affiliated management fees for services provided to the Supported Organizations. These fees are allocated to the Supported Organizations based on direct allocation of specific services provided to the Supported Organizations for fundraising events and as an allocation of total operating expenses of the Foundation, excluding contribution expense. For the years ended June 30, 2023 and 2022, the Corporation incurred malpractice and liability premiums of approximately \$474,000 and \$509,000, respectively, which are paid by the Parent and then reimbursed by the Corporation.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

During 2019, the Parent refinanced debt with a financial institution. Concurrent with the refinance, the Parent paid two of the Corporation's notes payable with financial institutions. The Corporation entered into two notes payable with the Parent. The first note payable due to Parent was issued in the original amount of \$1,307,846 maturing on January 31, 2029, with monthly installments of \$9,682 and an interest rate of 6.41%. The balance outstanding was \$1,148,824 and \$1,188,903 at June 30, 2023 and 2022, respectively. The second note payable due to Parent was issued in the original amount of \$2,441,502 used for capital expenditures. The note matures on January 31, 2029, with initial monthly installments of \$16,207 and an interest rate of 5.07%. This note was amended multiple times during 2022 to increase the outstanding balance as well as the monthly installments. The monthly installments were increased to \$22,107 during 2022. The balance outstanding was \$2,856,462 and \$2,971,649 at June 30, 2023 and 2022, respectively.

Aggregate annual maturities of notes payable to related party as of June 30, 2023 is as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 163,408
2025	173,223
2026	182,993
2027	193,322
2028	203,750
2029 and later years	<u>3,088,590</u>
	<u>\$ 4,005,286</u>

The Foundation is a supporting organization to the affiliated entities. The Foundation has a net related party receivable as of June 30, 2023 and 2022. During the years ended June 30, 2023 and 2022, the Foundation contributed approximately \$1,149,000 and \$2,191,000, respectively, to supported entities. For the years ended June 30, 2023 and 2022, the Foundation received affiliated management fees of approximately \$1,360,000 and \$1,050,000, respectively, for services provided to its affiliates. This revenue is included within affiliated management fees within the consolidated statements of activities and changes in net assets.

The Corporation is a management agent and sponsor of six multi-family residential apartments and two supervised living group homes for the mentally ill. Each of these eight communities is a separate not-for-profit center. Management fee revenue of approximately \$24,000 and \$20,000 was recorded during the years ended June 30, 2023 and 2022, respectively.

The Corporation contracts with Red Oak Industries to provide cleaning services and has recorded associated fees of approximately \$232,000 and \$184,000 for the years ended June 30, 2023 and 2022, respectively.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

During 2019, Centerstone of Indiana, Inc. entered into an operating loan agreement with Centerstone Health Services. The loan is up to an amount of \$500,000 and bears interest at a fixed rate of 6.00%. During 2022, Centerstone of Indiana, Inc. entered in to a new operating loan agreement with Centerstone Health Services and agreed to increase the total loan balance up to \$3,200,000. The loan bears interest at a fixed rate of 6.00% and is due in May 2027 at which time principal and any unpaid interest is due. The balance outstanding as of June 30, 2023 was approximately \$1,597,000 and is included in other assets in the consolidated statement of financial position. The outstanding balance as of June 30, 2022 and was eliminated through consolidation for the period then ended. Centerstone of Indiana, Inc. also entered into a facility lease agreement with Centerstone Health Services which includes monthly payments of approximately \$2,100 and matures in November 2029. Centerstone of Indiana, Inc. entered into a professional services and provider lease agreement with Centerstone Health Services whereby Centerstone of Indiana, Inc. provides certain health care services for Centerstone Health Services and is reimbursed by Centerstone Health Services. The reimbursed amounts approximated \$4,828,000 for year ended June 30, 2023 and are included in other revenue in the consolidated statement of activities and changes in net assets . All of the Corporation's intercompany accounts and transactions have been eliminated in the accompanying consolidated statement of financial position as of June 30, 2022 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended.

(19) Commitments and contingencies

Insurance

Through the Parent, the Corporation maintains professional and general liability insurance to cover medical malpractice claims and insurance related to employee health benefit programs.

The professional and general liability insurance includes known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to clients. The State of Indiana puts a judgment cap of \$1,800,000 on malpractice claims for those institutions and individual physicians willing to participate in the state funded insurance "pool." The "pool" requires that an institution/physician be responsible for the first \$500,000 of every claim and the State will fund the remaining balance of each claim.

The Parent established Homewood Insurance Company, Inc. as a pure captive insurance company. The Corporation is self-insured through Homewood Insurance Company, Inc. for professional, general and workers' compensation claims. The Corporation makes necessary contributions to Homewood Insurance Company, Inc. for claims made under the captive. For the years ended June 30, 2023 and 2022, the Corporation recognized expenses of approximately \$511,000 and \$472,000, respectively, for claims made or incurred.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

The Corporation is self-insured for certain costs related to employee health benefit programs. Expenses resulting from claims experience are recorded as incurred including an estimate of claims incurred but not reported. The related expense for the years ended June 30, 2023 and 2022 approximated \$8,998,000 and \$6,956,000, respectively. The Corporation has purchased insurance, which limits its exposure on a per individual basis to \$300,000 and no annual aggregate. The estimate of claims incurred but not reported for employee health benefit programs are recorded as a liability by the Parent, with the appropriate expense allocated to the Corporation.

Litigation

A contractor of the State of Indiana previously conducted certain audits related to documentation supporting claims billed under the MRO. The Corporation has engaged legal counsel and has filed a request for an administrative appeal for the audit findings. Management has included a related provision of approximately \$351,000 and \$355,000 as part of estimated third-party settlements on the accompanying consolidated statements of financial position as of June 30, 2023 and 2022, respectively.

The Corporation is involved in certain litigation arising in the ordinary course of business and has made provisions for any known estimable settlements which are probable of being paid. The Corporation is also involved in other litigation for which the outcome is unknown. After consultation with legal counsel, it is management's opinion that these matters will be resolved without material adverse effect on the Corporation's financial position, results of operations, and cash flows.

Guarantees

The Corporation is a guarantor, along with certain other affiliated entities of loans in the amount of \$29,000,000 including a \$15,000,000 taxable term loan that requires monthly principal and interest payments and bears interest at SOFR plus the applicable margin for the taxable term loan (7.17% at June 30, 2023) and a \$14,000,000 tax-exempt term loan that requires monthly principal and interest payments and bears interest at SOFR plus the applicable margin for the tax-exempt term loan (6.04% at June 30, 2023). The balance outstanding was approximately \$25,572,000 and \$26,584,000 as of June 30, 2023 and 2022, respectively. This loan is collateralized with certain buildings and real estate. The loan balance at June 30, 2023 includes collateralized interest on the tax-exempt term loan of approximately \$237,000. The loan matures January 31, 2029.

The Corporation is also a guarantor with certain other affiliated entities to a revolving promissory note issued to the Parent in the amount of \$5,000,000. The Parent had no borrowings outstanding on the line of credit as of June 30, 2023 and 2022. The line of credit is collateralized with buildings, real estate, and accounts receivable. The line of credit matures on January 31, 2027.

Should the Corporation be required to pay any portion of the total amount of the loans it has guaranteed, the Corporation could attempt to recover some or the entire amount from guarantee parties. The Corporation holds certain identified properties as collateral in respect of the guarantees.

CENTERSTONE OF INDIANA, INC.

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Health care industry

The delivery of personal health care services entails an inherent risk of liability. Participants in the health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. The Corporation is insured with respect to medical malpractice risk on a claims-made basis. The Corporation also maintains insurance for general liability, director and officer liability and property. Certain policies are subject to deductibles. In addition to the insurance coverage provided, the Corporation indemnifies certain officers and directors for actions taken on behalf of the Corporation. Management is not aware of any claims against the Corporation which would have a material financial impact.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes that the Corporation is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Health care reform

The health care industry is subject to changing political, regulatory, and other influences, along with various scientific and technological initiatives. In recent years, the U.S. Congress and certain state legislatures have passed a large number of laws and regulations intended to effect major change within the U.S. health care system, including the Affordable Care Act. The Affordable Care Act affects how health care services are covered, delivered and reimbursed through expanded health insurance coverage, reduced growth in Medicare program spending, reductions in Medicare and Medicaid Disproportionate Share Hospital payments, and the establishment of programs that tie reimbursement to quality and integration. However, there is uncertainty regarding the future of the Affordable Care Act. The law has been subject to legislative and regulatory changes and court challenges.

As currently structured, the Affordable Care Act expands coverage through a combination of private sector health insurance requirements, public program expansion and other reforms. Expansion of coverage through the private sector has been driven by requirements applicable to health insurers, employers, and individuals. Expansion in public program coverage has been driven primarily by expanding the categories of individuals eligible for Medicaid coverage and permitting individuals with relatively higher incomes to qualify. The State of Illinois has adopted the Medicaid expansion provisions, while number of states have opted out of the Medicaid expansion provisions, which they may do without losing federal funding.

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Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

There is uncertainty regarding the ongoing effect of the Affordable Care Act due to efforts to change, repeal or replace the Affordable Care Act, and the development of agency guidance, among other factors. There is also uncertainty regarding the potential impact of other reform efforts at the federal and state levels. For example, some members of Congress have proposed measures that would expand government-sponsored coverage, including proposals to expand coverage of federally-funded insurance programs as an alternative to private insurance or establish a single-payor system (such reforms often referred to as “Medicare for All”), and some states are considering similar measures. Other initiatives and proposals, including those aimed at price transparency and out-of-network charges, may impact prices and the relationships between health care providers and insurers.

CENTERSTONE OF INDIANA, INC.

Consolidating Statement of Financial Position

June 30, 2023

	Centerstone of Indiana, Inc.	Centerstone Foundation, Inc.	Independent Living Alternatives, Inc.	Supportive Housing, LLC	Kinser Flats, LP	Centerstone Health Services, Inc.	Eliminations	Total
Assets								
Current assets:								
Cash and cash equivalents	\$ 14,853,968	\$ 638,282	\$ 263,935	\$ 113,383	\$ 105,471	\$ -	\$ -	\$ 15,975,039
Restricted cash	1,031,751	-	-	-	1,424	-	-	1,033,175
Accounts receivable	3,139,506	-	-	-	-	-	-	3,139,506
Other receivables	5,931,913	-	8,417	60,081	38,518	-	-	6,038,929
Unconditional promises to give, net	-	110,297	-	-	-	-	-	110,297
Prepaid expenses and other current assets	405,669	9,008	-	-	-	-	-	414,677
Total current assets	25,362,807	757,587	272,352	173,464	145,413	-	-	26,711,623
Property and equipment, net	16,712,261	-	117,931	6,333,063	9,713,013	-	-	32,876,268
Operating lease right-of-use-asset	1,493,328	-	-	-	-	-	-	1,493,328
Other assets	2,286,757	-	-	-	-	-	-	2,286,757
Beneficial interest	-	1,383,723	-	-	-	-	-	1,383,723
Assets whose use is limited	-	11,618,439	-	-	-	-	-	11,618,439
Total assets	\$ 45,855,153	\$ 13,759,749	\$ 390,283	\$ 6,506,527	\$ 9,858,426	\$ -	\$ -	\$ 76,370,138
Liabilities and net assets (deficit)								
Current liabilities:								
Current portion of long-term debt	\$ -	\$ -	\$ 26,703	\$ 499,083	\$ -	\$ -	\$ -	\$ 525,786
Current portion of notes payable to Parent	163,408	-	-	-	-	-	-	163,408
Current portion of operating lease liabilities	487,501	-	-	-	-	-	-	487,501
Accounts payable and accrued expenses	1,904,575	37,878	65,558	47,761	436,281	-	-	2,492,053
Estimated third-party settlements	761,117	-	-	-	-	-	-	761,117
Due to (from) affiliated entities	589,332	(228,659)	-	-	-	-	-	360,673
Accrued payroll, benefits and taxes	3,657,407	89,475	-	-	-	-	-	3,746,882
Total current liabilities	7,563,340	(101,306)	92,261	546,844	436,281	-	-	8,537,420
Long-term debt, excluding current portion, net of deferred financing costs	-	-	309,626	2,647,251	1,175,000	-	-	4,131,877
Notes payable to Parent, excluding current portion	3,841,878	-	-	-	-	-	-	3,841,878
Operating lease liabilities, excluding current portion	992,619	-	-	-	-	-	-	992,619
Other long-term liabilities	-	-	-	400,000	-	-	-	400,000
Total liabilities	12,397,837	(101,306)	401,887	3,594,095	1,611,281	-	-	17,903,794
Net assets (deficit):								
Without donor restrictions:								
Centerstone of Indiana, Inc.	33,457,316	8,637,202	(11,604)	2,912,432	(6,342)	-	-	44,989,004
Noncontrolling interests in Kinser Flats, LP	-	-	-	-	8,253,487	-	-	8,253,487
Total net assets without donor restrictions	33,457,316	8,637,202	(11,604)	2,912,432	8,247,145	-	-	53,242,491
With donor restrictions	-	5,223,853	-	-	-	-	-	5,223,853
Total net assets (deficit)	33,457,316	13,861,055	(11,604)	2,912,432	8,247,145	-	-	58,466,344
Total liabilities and net assets	\$ 45,855,153	\$ 13,759,749	\$ 390,283	\$ 6,506,527	\$ 9,858,426	\$ -	\$ -	\$ 76,370,138

See accompanying independent auditors' report.

CENTERSTONE OF INDIANA, INC.

Consolidating Statement of Activities and Changes in Net Assets

Year ended June 30, 2023

	Centerstone of Indiana, Inc.	Centerstone Foundation, Inc.	Independent Living Alternatives, Inc.	Supportive Housing, LLC	Kinser Flats, LP	Centerstone Health Services, Inc.	Eliminations	Total
Revenue and other support:								
Net client service revenue	\$ 47,591,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,591,497
Public support	34,462,514	-	-	501,073	-	-	-	34,963,587
Affiliated management fees	-	1,356,066	-	-	-	-	(410,459)	945,607
Other revenue	8,440,072	23,387	167,421	397,047	243,026	-	(23,510)	9,247,443
Total revenue and other support	90,494,083	1,379,453	167,421	898,120	243,026	-	(433,969)	92,748,134
Expenses:								
Salary and fringe benefits	66,519,242	902,056	16,849	66,159	161,733	-	-	67,666,039
Professional fees	1,808,638	253,139	15,212	71,582	55,113	-	-	2,203,684
Facilities and equipment	4,805,967	75,870	42,861	259,799	470,993	-	-	5,655,490
Depreciation and amortization	1,116,978	-	17,424	228,914	532,787	-	-	1,896,103
Travel and transportation	1,383,856	42,669	3,034	5,812	12,883	-	-	1,448,254
Supplies	1,231,025	-	79	1,402	956	-	-	1,233,462
Communications	846,435	-	3,626	8,390	869	-	-	859,320
Affiliated management fees	14,051,446	-	-	-	-	-	(433,969)	13,617,477
Interest	192,180	-	33,235	-	421	-	-	225,836
Miscellaneous	2,684,881	1,380,044	11,973	36,726	(363,902)	-	-	3,749,722
Total expenses	94,640,648	2,653,778	144,293	678,784	871,853	-	(433,969)	98,555,387
Operating income (loss)	(4,146,565)	(1,274,325)	23,128	219,336	(628,827)	-	-	(5,807,253)

See accompanying independent auditors' report.

CENTERSTONE OF INDIANA, INC.

Consolidating Statement of Activities and Changes in Net Assets (continued)

Year ended June 30, 2023

	Centerstone of Indiana, Inc.	Centerstone Foundation, Inc.	Independent Living Alternatives, Inc.	Supportive Housing, LLC	Kinser Flats, LP	Centerstone Health Services, Inc.	Eliminations	Total
Nonoperating income (expenses):								
Contributions	\$ 220,754	\$ 1,800,121	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,020,875
Realized loss on investments	-	(79,563)	-	-	-	-	-	(79,563)
Unrealized loss on investments	-	837,543	-	-	-	-	-	837,543
Interest income, net	316,721	269,320	124	2,189	-	-	-	588,354
Gain on deconsolidation of subsidiary	-	-	-	-	-	2,412,072	-	2,412,072
Other	(114,804)	(62,827)	-	-	-	-	-	(177,631)
Total nonoperating income (expenses)	422,671	2,764,594	124	2,189	-	2,412,072	-	5,601,650
Excess of revenues over expenses (expenses over revenues)	(3,723,894)	1,490,269	23,252	221,525	(628,827)	2,412,072	-	(205,603)
Other changes in net assets without donor restrictions -								
Contributions to supported entities	2,613	(208,535)	-	-	-	-	-	(205,922)
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total other changes in net assets without donor restrictions	2,613	(208,535)	-	-	-	-	-	(205,922)
Change in net assets without donor restrictions	(3,721,281)	1,281,734	23,252	221,525	(628,827)	2,412,072	-	(411,525)
Change in net assets without donor restrictions attributable to noncontrolling interests	-	-	-	-	(628,776)	-	-	(628,776)
Change in net assets without donor restrictions attributable to Centerstone of Indiana, Inc.	(3,721,281)	1,281,734	23,252	221,525	(51)	2,412,072	-	217,251
Change in net assets with donor restrictions:								
Contributions	-	10,000	-	-	-	-	-	10,000
Contributions to supported affiliates	-	(100,000)	-	-	-	-	-	(100,000)
Change in net assets with donor restrictions	-	(90,000)	-	-	-	-	-	(90,000)
Change in net assets	(3,721,281)	1,191,734	23,252	221,525	(628,827)	2,412,072	-	(501,525)
Net assets (deficit) at beginning of year	37,178,597	12,669,321	(34,856)	2,690,907	8,875,972	(2,412,072)	-	58,967,869
Net assets (deficit) at end of year	<u>\$ 33,457,316</u>	<u>\$ 13,861,055</u>	<u>\$ (11,604)</u>	<u>\$ 2,912,432</u>	<u>\$ 8,247,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,466,344</u>

See accompanying independent auditors' report.

CENTERSTONE OF INDIANA, INC.

Consolidating Statement of Financial Position

June 30, 2022

	Centerstone of Indiana, Inc.	Centerstone Foundation, Inc.	Independent Living Alternatives, Inc.	Supportive Housing, LLC	Kinser Flats, LP	Centerstone Health Services, Inc.	Eliminations	Total
Assets								
Current assets:								
Cash and cash equivalents	\$ 21,925,310	\$ 695,938	\$ 240,427	\$ 175,042	\$ 88,594	\$ 99,742	\$ -	\$ 23,225,053
Restricted cash	1,031,751	-	-	-	82,974	-	-	1,114,725
Accounts receivable	3,032,636	-	-	-	-	102,906	-	3,135,542
Other receivables	3,775,488	439	15,039	31,405	23,534	149,718	-	3,995,623
Unconditional promises to give, net	-	112,041	-	-	-	-	-	112,041
Prepaid expenses and other current assets	365,247	3,660	-	-	-	6,453	-	375,360
Total current assets	30,130,432	812,078	255,466	206,447	195,102	358,819	-	31,958,344
Property and equipment, net	17,261,994	-	131,443	6,558,735	10,060,723	22,566	-	34,035,461
Other assets	2,134,678	-	-	-	-	-	(2,074,692)	59,986
Beneficial interest	-	1,279,523	-	-	-	-	-	1,279,523
Assets whose use is limited	-	10,591,139	-	-	-	-	-	10,591,139
Total assets	\$ 49,527,104	\$ 12,682,740	\$ 386,909	\$ 6,765,182	\$ 10,255,825	\$ 381,385	\$ (2,074,692)	\$ 77,924,453
Liabilities and net assets (deficit)								
Current liabilities:								
Current portion of long-term debt	\$ 200,000	\$ -	\$ 26,703	\$ 499,083	\$ -	\$ -	\$ -	\$ 725,786
Current portion of notes payable to Parent	155,266	-	-	-	-	-	-	155,266
Accounts payable and accrued expenses	2,714,612	99,985	56,897	28,858	242,269	149,398	-	3,292,019
Estimated third-party settlements	602,844	-	-	-	-	-	-	602,844
Due to (from) affiliated entities	342,374	(171,765)	-	-	-	2,636,809	(2,074,692)	732,726
Accrued payroll, benefits and taxes	4,332,551	85,199	-	2,842	-	7,250	-	4,427,842
Total current liabilities	8,347,647	13,419	83,600	530,783	242,269	2,793,457	(2,074,692)	9,936,483
Long-term debt, excluding current portion, net of deferred financing costs	(4,426)	-	338,165	3,143,492	1,137,584	-	-	4,614,815
Notes payable to Parent, excluding current portion	4,005,286	-	-	-	-	-	-	4,005,286
Other long-term liabilities	-	-	-	400,000	-	-	-	400,000
Total liabilities	12,348,507	13,419	421,765	4,074,275	1,379,853	2,793,457	(2,074,692)	18,956,584
Net assets (deficit):								
Without donor restrictions:								
Centerstone of Indiana, Inc.	37,178,597	7,355,468	(34,856)	2,690,907	(6,291)	(2,412,072)	-	44,771,753
Noncontrolling interests in Kinser Flats, LP	-	-	-	-	8,882,263	-	-	8,882,263
Total net assets without donor restrictions	37,178,597	7,355,468	(34,856)	2,690,907	8,875,972	(2,412,072)	-	53,654,016
With donor restrictions								
Total net assets (deficit)	37,178,597	12,669,321	(34,856)	2,690,907	8,875,972	(2,412,072)	-	58,967,869
Total liabilities and net assets	\$ 49,527,104	\$ 12,682,740	\$ 386,909	\$ 6,765,182	\$ 10,255,825	\$ 381,385	\$ (2,074,692)	\$ 77,924,453

See accompanying independent auditors' report.

CENTERSTONE OF INDIANA, INC.

Consolidating Statement of Activities and Changes in Net Assets

Year ended June 30, 2022

	Centerstone of Indiana, Inc.	Centerstone Foundation, Inc.	Independent Living Alternatives, Inc.	Supportive Housing, LLC	Kinser Flats, LP	Centerstone Health Services, Inc.	Eliminations	Total
Revenue and other support:								
Net client service revenue	\$ 47,414,796	\$ -	\$ -	\$ -	\$ -	\$ 3,878,647	\$ -	\$ 51,293,443
Public support	35,608,403	-	-	885,618	-	325,732	-	36,819,753
Affiliated management fees	-	1,051,661	-	-	-	-	(324,054)	727,607
Other revenue	5,167,123	-	161,304	-	481,645	(86,162)	(2,662,339)	3,061,571
Total revenue and other support	88,190,322	1,051,661	161,304	885,618	481,645	4,118,217	(2,986,393)	91,902,374
Expenses:								
Salary and fringe benefits	58,617,806	666,432	-	37,310	101,553	2,863,755	(2,526,343)	59,760,513
Professional fees	2,415,396	122,948	-	-	50,140	351,319	-	2,939,803
Facilities and equipment	4,633,646	48,458	63,317	259,871	167,850	186,971	(115,999)	5,244,114
Depreciation and amortization	1,091,738	-	14,965	228,914	398,859	3,515	-	1,737,991
Travel and transportation	1,295,446	23,578	-	-	-	17,118	-	1,336,142
Supplies	1,217,415	9,851	-	-	-	1,678,640	-	2,905,906
Communications	825,948	4,694	-	-	-	3,804	-	834,446
Affiliated management fees	12,448,103	-	-	19,997	-	-	(344,051)	12,124,049
Interest	241,840	-	34,552	-	-	97,422	(97,172)	276,642
Miscellaneous	2,409,248	2,394,821	44,192	47,206	162,101	189,561	-	5,247,129
Total expenses	85,196,586	3,270,782	157,026	593,298	880,503	5,392,105	(3,083,565)	92,406,735
Operating income (loss)	2,993,736	(2,219,121)	4,278	292,320	(398,858)	(1,273,888)	97,172	(504,361)

See accompanying independent auditors' report.

CENTERSTONE OF INDIANA, INC.

Consolidating Statement of Activities and Changes in Net Assets (continued)

Year ended June 30, 2022

	Centerstone of Indiana, Inc.	Centerstone Foundation, Inc.	Independent Living Alternatives, Inc.	Supportive Housing, LLC	Kinser Flats, LP	Centerstone Health Services, Inc.	Eliminations	Total
Nonoperating income (expenses):								
Contributions	\$ 503,168	\$ 2,880,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,383,983
Realized gain on investments	-	281,341	-	-	-	-	-	281,341
Unrealized gain on investments	-	(2,371,596)	-	-	-	-	-	(2,371,596)
Interest income, net	97,272	210,217	-	-	-	-	(97,172)	210,317
Other	(115,302)	(416,459)	-	-	-	(28,425)	-	(560,186)
Total nonoperating income (expenses)	485,138	584,318	-	-	-	(28,425)	(97,172)	943,859
Excess of revenues over expenses (expenses over revenues)	3,478,874	(1,634,803)	4,278	292,320	(398,858)	(1,302,313)	-	439,498
Other changes in net assets without donor restrictions -								
Contributions to supported entities	2,454	(215,688)	-	-	-	-	-	(213,234)
Contributions from noncontrolling investor limited partners	-	-	-	-	7,944,521	-	-	7,944,521
Total other changes in net assets without donor restrictions	2,454	(215,688)	-	-	7,944,521	-	-	7,731,287
Change in net assets without donor restrictions	3,481,328	(1,850,491)	4,278	292,320	7,545,663	(1,302,313)	-	8,170,785
Change in net assets without donor restrictions attributable to noncontrolling interests	-	-	-	-	7,545,703	-	-	7,545,703
Change in net assets without donor restrictions attributable to Centerstone of Indiana, Inc.	3,481,328	(1,850,491)	4,278	292,320	(40)	(1,302,313)	-	625,082
Change in net assets with donor restrictions - contributions	-	100,000	-	-	-	-	-	100,000
Change in net assets	3,481,328	(1,750,491)	4,278	292,320	7,545,663	(1,302,313)	-	8,270,785
Net assets (deficit) at beginning of year	33,697,269	14,419,812	(39,134)	2,398,587	1,330,309	(1,109,759)	-	50,697,084
Net assets (deficit) at end of year	<u>\$ 37,178,597</u>	<u>\$ 12,669,321</u>	<u>\$ (34,856)</u>	<u>\$ 2,690,907</u>	<u>\$ 8,875,972</u>	<u>\$ (2,412,072)</u>	<u>\$ -</u>	<u>\$ 58,967,869</u>

See accompanying independent auditors' report.

CENTERSTONE OF INDIANA, INC.

Schedule of Expenditures of State and Local Awards
Year ended June 30, 2023

Grantor	Expenditures
State	
Indiana Division of Mental Health and Addiction	\$ 8,832,065
Indiana Department of Education	739,146
Indiana Family & Social Services	472,320
Total state awards	<u>10,043,531</u>
Local	
Anderson County Funds	80,000
Bartholomew County Funds	1,261,806
Brown County Funds	111,868
City of Bloomington Funds	421,795
Decatur County Funds	228,067
Fayette County Funds	188,145
Jackson County Funds	399,244
Jefferson County Funds	184,889
Jennings County Funds	170,752
Lawrence County Funds	229,003
Marion County Funds	94,829
Monroe County Funds	870,496
Morgan County Funds	460,931
New Albany Floyd Funds	133,200
New Castle Schools Funds	130,000
Owen County Funds	102,399
Richmond Community Schools Funds	181,000
Rush County Funds	176,532
South Harrison School Corporation Funds	107,862
Randolph County Funds	210,437
Union County Funds	58,023
Wayne County Funds	592,543
Indiana Health Funds	114,720
Indiana University Funds	315,000
Greater Clark Schools Funds	324,950
Other	194,525
Total local awards	<u>7,343,016</u>
	<u><u>\$ 17,386,547</u></u>

Note - The accompanying schedule of expenditures of state and local awards for the year ended June 30, 2023, includes the state award activity of the Corporation on the accrual basis of accounting. The basic financial statement classifications may include other financial activity for reporting purposes. Therefore, some of the amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. The schedule of expenditures of federal awards for the Corporation for the year ended June 30, 2023 is included in the Consolidated Single Audit of Centerstone of America, Inc.

See accompanying independent auditors' report.

CENTERSTONE OF AMERICA, INC.

Consolidated Single Audit Report

June 30, 2023



CENTERSTONE OF AMERICA, INC.

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

To the Board of Directors
Centerstone of America, Inc.:

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 consolidated financial statements of Centerstone of America, Inc. and subsidiaries (collectively, the "Corporation"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free of 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*.

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.

LBMC, PC

**Brentwood, Tennessee
December 21, 2023**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Centerstone of America, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Centerstone of America, Inc. and subsidiaries' (collectively, the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2023. The Corporation's major federal programs are identified in the summary of auditors' 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 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 *Auditors' Responsibilities for the Audit of Compliance* section of our report.

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. 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.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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*, 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 Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 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, 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.

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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. We consider the deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the internal control over compliance findings. The Corporation's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Corporation as of and for the year ended June 30, 2023, and have issued our report thereon dated December 21, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

LBMC, PC

Brentwood, Tennessee
December 21, 2023

CENTERSTONE OF AMERICA, INC.

Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

U.S. Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing ("AL") Number	Pass-Through Grantor Number	Federal Expenditures	Passed-through to Subrecipients
Centerstone of Indiana, Inc.:				
U.S. Department of Agriculture Special Supplemental Nutrition Program for WIC - Passed through the Indiana State Department of Health	10.557	202IN002W1003, 192IN002W1003	\$ 502,925	\$ -
U.S. Department of Housing and Urban Development Continuum of Care Program	14.267	N/A	277,895	-
Emergency Solutions Grant Program - Passed through the Indiana Housing and Community Development Authority	14.231	N/A	95,930	-
Total U.S. Department of Housing and Urban Development			373,825	-
U.S. Department of Health and Human Services Passed through the Indiana Division of Mental Health Community Catalyst - Indiana Projects for Assistance in Transition from Homelessness (PATH)	21.027 93.150	N/A N/A	209,109 99,934	- -
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SM080690-01, 1H79SM082753-01	1,916,283	-
Social Services Block Grant	93.667	53935	319,424	-
Comprehensive Opioid Recovery Centers	93.788	1H9TI083098-01	923,819	-
COVID-19 - Certified Community Behavioral Health Clinic	93.829	1H79SM083121-01	1,549,226	-
Healthy Start Initiative - Eliminating Racial/Ethnic Disparities	93.926	1 H49MC32724-01-00	1,031,086	81,257
Block Grants for Community Mental Health Services	93.958	53935	3,303,030	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	53935	2,243,268	-
Total passed through the Indiana Division of Mental Health			11,595,179	81,257
COVID-19 - Provider Relief Fund	93.498	N/A	2,628,221	-
Total U.S. Department of Health and Human Services			14,223,400	81,257
Total Centerstone of Indiana, Inc.			\$ 15,100,150	\$ 81,257
Centerstone of Tennessee, Inc.:				
U.S. Department of Veteran's Affairs VA Supportive Services for Veteran Families Program	64.033	19-ZZ-070SS and 19-ZZ-070	179,165	-
COVID-19 - VA Supportive Services for Veteran Families CARES Program	64.033	19-ZZ-070-CARES	258,532	-
Total U.S. Department of Veteran's Affairs			437,698	-
U.S. Department of Health and Human Services Passed through the State of Tennessee, Department of Mental Health and Substance Abuse Services CSU & WIC (Crisis Stabilization Units & Walk in Centers)	21.027	77614	48,466	-
Tennessee Lives Count - Connect 2	93.243	72793	296,084	-
Tennessee Lives Count - Connect 2	93.243	77282	292,884	-
National Suicide Prevention Lifeline 988 Implementation (Block)	93.243	75174	256,198	-
Better Attitudes and Skills in Children (B.A.S.I.C.)	93.958	70246	355,901	-
Regional Intervention Program	93.958	70532	306,161	-
Older Adult Program	93.958	74142	79,951	-
School Based Behavioral Health Liaison Decatur County	93.958	74315	45,086	-
COVID-19 Relief Mental Health Block Grant	93.958	DGA 71196 - 2022 - 2023	484,630	-
COVID-19 American Rescue Plan Act Services	93.958	77421	200,287	-
National Suicide Prevention Lifeline 988 Implementation	93.958	74266	216,932	-
TN Prevention Network	93.959	74156	233,784	-
Total passed through the State of Tennessee, Department of Mental Health and Substance Abuse Services			2,816,365	-

See accompanying notes to schedule of expenditures of federal awards.

CENTERSTONE OF AMERICA, INC.

Schedule of Expenditures of Federal Awards (continued)
Year ended June 30, 2023

U.S. Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor Number	Federal Expenditures	Passed-through to Subrecipients
Personal Responsibility Education Program	93.092	90AP2691	643,427	-
ATDC Expansion	93.243	H79TI081062	158,716	-
GABHI - Integrated Community Services	93.243	H79TI08453	350,769	-
Centerstone's Engagement and Tx Services (CETS)	93.243	H79TI080668	621,672	-
Centerstone Integrated Treatment, Care, and Prevention (ITCP)	93.243	H79SM080583	185,240	-
Centerstone Trauma Treatment and Training (CT3)	93.243	H79SM084812	358,961	-
Screening, Brief Intervention, and Referral to Treatment (SBIRT)	93.243	H79T1084076	1,060,793	-
Vibrant 988 Chat/Text	93.243	SM084816	1,572,577	-
Healthy Youth	93.297	TP1AH000252	724,346	-
COVID-19 Provider Relief Fund	93.498	N/A	1,153,071	-
Certified Community Behavioral Health Clinic - Improvement and Advancement	93.696	H79SM086407	726,899	-
Certified Community Behavioral Health Clinic	93.829	H79SM083124	45,067	-
Healthy Start Initiative	93.926	H4927830	1,258,070	71,375
Certified Community Mental Health Centers	93.958	H79SM085416	2,385,551	-
Passed through the State of Tennessee, Department of Health				
Personal Responsibility Education Program	93.092	90AP2691	270,465	-
Telemental Health Training Project	93.136	72486	4,000	-
Telemental Health Training Project	93.136	73004	37,330	-
Evidence-Based Home Visitation Services	93.870	72086	232,533	-
Evidence-Based Home Visitation Services	93.870	75575	627,119	-
Evidence-Based Home Visitation Services 2GEN	93.870	72062	244,448	-
Evidence-Based Home Visitation Services TANF	93.870	72033	1,106,493	-
Total passed through the State of Tennessee, Department of Health			2,522,388	-
Total U.S. Department of Health and Human Services			16,583,912	71,375
U.S. Department of Homeland Security				
Passed through the State of Tennessee, Department of Mental Health and Substance Abuse Services				
Crisis Counseling Grant - Tennessee Storms & Flooding	97.031	73270	92,036	-
Total Centerstone of Tennessee, Inc.			\$ 17,113,645	\$ 71,375
Centerstone of Illinois, Inc.:				
U.S. Department of Housing and Urban Development				
Continuum of Care Grant	14.267	N/A	\$ 291,449	\$ -
U.S. Department of the Treasury				
Passed through the Illinois Department of Health and Human Services				
COVID-19 - State and Local Fiscal Recovery Funds	21.027	43CAZ03230	8,682	-
U.S. Department of Health and Human Services				
Passed through the Illinois Department of Health and Human Services				
Opioid STR	93.788	43CBC03630	465,125	150,599
Promoting Integration of Primary and Behavioral HC Project	93.243	45CB03983	425,287	-
Social Services Block Grant	93.667	FCSBJ00323	34,536	-
Community Mental Health Services Block Grant	93.958	45CZB00906, 45CB00619, 45CBB03505,	1,463,033	-
		45CAB04219		
Substance Abuse Prevention and Treatments Block Grants	93.959	43CAZ03230, 43CAC03047, 43CAC00288,	1,937,722	-
		43CAB04219		
Promoting Resilience and Mental Health Among Health Professional Workforce (CWRP)	93.732	1 U3MHP45380-01-00	994,112	-
Total passed through the Illinois Department of Health and Human Services			5,319,815	150,599

See accompanying notes to schedule of expenditures of federal awards.

CENTERSTONE OF AMERICA, INC.

Schedule of Expenditures of Federal Awards (continued)
Year ended June 30, 2023

U.S. Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor Number	Federal Expenditures	Passed-through to Subrecipients
Early Head Start	93.600	05CH011234-01-01, 05HE000237-01-01	1,063,910	-
Youth and Family Tree	93.243	1H79TI081314	335,152	-
Grants for the Benefit of Homeless Individuals (GBHI)	93.243	1H79TI082623-01	288,286	-
National Child Traumatic Stress Initiative - Cat III	93.243	1H79SM082770-01	392,643	-
Medication - Assisted Treatment Services in Illinois (C-MAT)	93.243	1H79TI084109-01	296,742	-
COVID-19 - Provider Relief Funds	93.498	N/A	628,237	-
Rural Communities Opioid Response Program - (RCORP)	93.211	1G28RH46263-01-00	120,929	-
COVID-19 - Certified Community Behavioral Health Clinic	93.829	1H79SM083122-01	589,376	-
Medicaid Assistance Program - Title XIX	93.778	HCBS000001	374,297	-
Centerstone's Partnership to Help Children and Families Flourish	93.087	90CU0096-01-000, 90CU0118-01-000	480,336	-
Age Smart	93.052	3 E Caregiver Counseling	9,000	-
Total U.S. Department of Health and Human Services			9,898,723	150,599
Total Centerstone of Illinois, Inc.			\$ 10,198,853	\$ 150,599
Centerstone of Florida, Inc.:				
U.S. Department of Justice				
Passed through the State of Florida Office of Attorney General				
Crime Victim Assistance	16.575	VOCA-2021-Centerstone, I-00611	\$ 64,156	\$ -
Crime Victim Assistance	16.575	VOCA-2022-Centerstone, I-00864	139,996	-
Total passed through the State of Florida Office of Attorney General			204,152	-
Passed through Manatee County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020 DJ BX 0129	114,914	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-02062-JAGX	13,213	-
Total passed through Manatee County			128,127	-
Total U.S. Department of Justice			332,279	-
Department of Homeland Security Federal Emergency Management Agency				
Passed through the Florida Division of Emergency Management				
COVID-19 - Public Assistance	97.036	N/A	55,024	-
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SM080891	685,569	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79TI081156	834,741	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79TI081990	97,345	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SM083123	863,937	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SM082939	962,660	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SM087245	240,662	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	90AK0074-02	639,109	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.829	1H79TI082621	400,559	-
Health Resources and Services Administration Graduate Psychology Education Programs	93.191	D40HP33338	555,496	-
COVID-19 - Provider Relief Fund	93.498	N/A	353,008	-
Mental and Behavioral Health Education and Training Grants	93.732	6M01HP41960	423,207	-
Affordable Care Act -Personal Responsibility Education Program	93.092	90AK0074	554,234	-
Certified Community Behavioral Health Clinics	93.696	1H79SM086888	1,000,000	-

See accompanying notes to schedule of expenditures of federal awards.

CENTERSTONE OF AMERICA, INC.

Schedule of Expenditures of Federal Awards (continued)
Year ended June 30, 2023

U.S. Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor Number	Federal Expenditures	Passed- through to Subrecipients
Passed through the Central Florida Behavioral Health Network				
Temporary Assistance to Needy Families	93.558	QG026-23	2,492,467	-
Block Grants for Community Mental Health Services	93.958	QG026-23	2,782,269	-
Block Grants for Community Mental Health Services	93.958	QG026-23	171,000	-
Block Grants for Community Mental Health Services	93.958	QG026-23	103,292	-
Block Grants for Community Mental Health Services	93.958	QG026-23	10,535,731	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	QG026-23	1,959,325	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	QG026-23	1,094,686	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)				
State Targeted Response to the Opioid Crisis Grants	93.104	QG026-23	57,881	-
Mental Health Disaster Assistance & Emergency Mental Health	93.788	QG026-23	416,244	-
Block Grants for Prevention and Treatment of Substance Abuse	93.982	QG026-23	54,853	-
Block Grants for Prevention and Treatment of Substance Abuse	97.032	QG026-23	83,458	-
Total passed through the Central Florida Behavioral Health Network			19,751,206	-
Passed through the State of Florida Department of Children & Families Reinvestment Grant				
Total passed through the State of Florida Department of Children & Families	60.115	LHZ84, LH819	638,084	-
			638,084	-
Total U.S. Department of Health and Human Services				
			27,999,817	-
U.S. Department of Housing and Urban Development				
Passed through Lee County				
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218	N/A	581,473	-
Total Centerstone of Florida, Inc.			\$ 28,968,593	\$ -
Centerstone Research Institute, Inc.:				
U.S. Department of Health and Human Services				
Passed through the State of Tennessee, Department of Mental Health and Substance Abuse Services				
CHR-P Youth and Young Adults	93.243	72010	\$ 23,976	\$ -
National Suicide Prevention Lifeline 988 Implementation	93.243	75174	36,998	-
Systems of Care Across Tennessee (SOCAT) - Network	93.104	72005	56,352	-
Systems of Care Across Tennessee (SOCAT) - Network	93.104	75998	134,828	-
Systems of Care Across Tennessee (SOCAT) - TANF	93.558	74509	139,376	-
Homebuilders	93.087	77280	43,898	-
Tennessee Disaster Response Initiative	93.982	71351	8,948	-
Therapeutic Intervention, Education and Skills (TIES)	93.558	63355	112,216	-
Comprehensive Suicide Prevention	93.136	69859	79,979	-
Total passed through the State of Tennessee, Department of Mental Health and Substance Abuse Services			636,571	-
Zero Suicide	93.243	H79SM083412	460,678	-
Healthy Start Initiative, passed through Centerstone of Tennessee, Inc.	93.926	H49MC27830	71,375	-
Healthy Start Initiative, passed through Centerstone of Indiana, Inc.	93.926	H49MC27830	81,257	-
Total Centerstone Research Institute, Inc.			\$ 1,249,881	\$ -
Total federal expenditures			\$ 72,631,122	\$ 303,231

See accompanying notes to schedule of expenditures of federal awards.

CENTERSTONE OF AMERICA, INC.

Schedule of Expenditures of Federal Awards (continued)
 Year ended June 30, 2023

The schedule below is a summation of awards listed by Assistance Listing (AL) number.

AL #	Total Expenditures
10.557	\$ 502,925
14.218	581,473
14.231	95,930
14.267	569,344
16.575	204,152
16.738	128,127
21.027	266,257
60.115	638,084
64.033	437,698
93.052	9,000
93.087	524,234
93.092	1,468,126
93.104	249,061
93.136	121,309
93.150	99,934
93.191	555,496
93.211	120,929
93.243	13,653,962
93.297	724,346
93.498	4,762,537
93.558	2,744,059
93.600	1,063,910
93.667	353,960
93.696	1,726,899
93.732	1,417,319
93.778	374,297
93.788	1,805,188
93.829	2,584,228
93.870	2,210,593
93.926	2,441,788
93.958	22,432,854
93.959	7,468,785
93.982	63,801
97.032	83,458
97.031	92,036
97.036	55,024
	\$ 72,631,122

See accompanying notes to schedule of expenditures of federal awards.

CENTERSTONE OF AMERICA, INC.

**Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023**

NOTE A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Centerstone of America, Inc. and subsidiaries (collectively, the “Corporation”) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with 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”).

NOTE B – 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. The Corporation has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – HOME Investment Partnerships Program and Supportive Housing Program

The Corporation had the following grant advances outstanding as of June 30, 2023 from HOME Investment Partnerships Program through the Madison County Community Development and the Supportive Housing Program through the U.S. Department of Housing and Urban Development for the construction and renovation of a group home facility. The Corporation also received grant advances from HOME Investment Partnership Program through the Housing and Neighborhood Development Department for construction of an affordable housing apartment community.

<u>Program</u>	<u>AL</u>	<u>Grant ID</u>	<u>Amount outstanding</u>
Madison Country Community Development – HOME Investments Partnership Program	14.239	Theodoro Place – 2011	\$ 211,834
U.S. Department of Housing and Urban Development – Supportive Housing Program	14.235	IL01B204001	356,650
Housing and Neighborhood Development Department – HOME Investments Partnership Program	14.239	Kinser Flats	<u>175,000</u>
Total federal grant advances			<u>\$ 743,484</u>

CENTERSTONE OF AMERICA, INC.

**Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023**

NOTE D – Other

There were no federal awards expended in the form of non-cash assistance and there were no loan guarantees outstanding at year end.

NOTE E – Insurance

During the year ended June 30, 2023, the following insurance was in effect:

<u>Insurance type</u>	<u>Amount</u>
Professional liability	\$ 2,000,000
Professional liability excess	2,000,000
Commercial general liability	2,000,000
Fiduciary liability	5,000,000
Directors' and officers' liability	6,000,000
Auto	1,000,000
Auto excess	1,000,000
Workers compensation	1,000,000
Commercial property	262,896,757
Employment practices liability	6,000,000

NOTE F – Provider Relief Fund

Based on current guidance from the Department of Health and Human Services (HHS), Provider Relief Fund (PRF) expenditures (including lost revenues) are to be reported on the Schedule based upon PRF reports submitted through the Health Resources and Services Administration (HRSA) reporting portal. Therefore, the amount of PRF expenditures included on the June 30, 2023 Schedule is based upon the PRF reporting portal guidelines for Period 4 (payments received from July 1, 2021, to December 31, 2021), as specified by HHS. Centerstone of America, Inc. did not receive Period 5 payments.

CENTERSTONE OF AMERICA, INC.

**Schedule of Findings and Questioned Costs
June 30, 2023**

Section I - Summary of Auditors' Results:

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards:

Internal controls over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

 X yes _____ none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)]?

 X yes _____ no

Identification of major federal programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
92.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance
93.558	Temporary Assistance for Needy Families
93.926	Healthy Start Initiative
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.870	Maternal, Infant and Early Childhood Home Visiting Grant
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program
93.498	COVID-19 Provider Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

\$2,178,934

Auditee qualified as low-risk auditee?

 X yes _____ no

CENTERSTONE OF AMERICA, INC.

**Schedule of Findings and Questioned Costs (continued)
June 30, 2023**

Section II - Financial Statement Findings:

No matters reported

Section III - Federal Award Findings and Questioned Costs:

2023-001: Provider Relief Fund Reporting

Criteria: Management is responsible for the requirements of laws, regulations, contracts, and grants applicable to its federal programs. This requires management to complete the reporting portion associated with the Department of Health and Human Services ("HHS") Provider Relief Fund ("PRF") Portal to report the Corporation's usage of the funds for COVID-related expenses and lost revenues in the applicable period in the PRF Portal. The PRF Portal specifies a timeline for reporting dependent on when the PRF were received.

Condition: During our testing, we noted that management did not submit the Period 4 information in the PRF Portal for one of the entity's American Rescue Plan ("ARP") rural distributions.

Cause of Condition: The entity that did not report on the Period 4 ARP rural distribution as they thought it was being included in the reporting for the general distribution payment which was reported at the parent.

Potential Effects of Condition: For the Period 4 ARP rural distribution, received on November 23, 2021 in the amount of \$743,753, the Corporation has not complied with the terms and conditions of the PRF as management did not report the usage of the funds in the PRF Portal for the Period 4 payment. The Period 4 reporting period has closed and management is currently working with the Health Resources and Services Administration ("HRSA") to correct the issue. The \$743,753 are considered questioned costs.

Recommendation: We recommend that management implement controls to ensure all information is submitted in the PRF Portal by the specified due date. It is our understanding that management has contacted HRSA and is currently working with them to correct the issue and report on the usage of the Period 4 ARP rural distribution.

Views of Responsible Officials: Management's response is reported in the "Corrective Action Plan" at the end of the report.

2023-002: Provider Relief Fund Reporting

Criteria: Management is responsible for the requirements of laws, regulations, contracts, and grants applicable to its federal programs. This requires management to ensure amounts reported in the HHS PRF Portal agree to underlying accounting records.

Condition: During our testing, we noted for two of the Period 4 PRF reported in the PRF Portal, the COVID expenses did not agree to supporting accounting records or were duplicative of previous reporting periods.

Cause of Condition: Supporting detail that agreed to the expenses reported in the PRF Portal could not be provided and certain expenses were also reported in previous periods. For these two Period 4 Portal submissions, there are lost revenues to support the usage of the PRF.

Potential Effects of Condition: The entity did not complete the PRF Portal submission in accordance with guidance provided by HRSA. As a result, the data included in the PRF Portal submission is not correct.

Recommendation: We recommend that management implement controls to ensure all information included in the PRF Portal is supported by and agrees to underlying accounting records and in accordance with the terms and conditions of the PRF.

Views of Responsible Officials: Management's response is reported in the "Corrective Action Plan" at the end of the report.

Section IV - Summary Schedule of Prior Audit Findings:

No prior year findings reported



CENTERSTONE

Carol R. Bean

Delivering care that changes people's lives.
