

Specialized Treatment, Education and Prevention Services, Inc.
Consolidated Financial Statements
June 30, 2025
With Independent Auditor's Report

Specialized Treatment, Education and Prevention Services, Inc.
Table of Contents
June 30, 2025

Independent Auditor's Report	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
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	14

Independent Auditor's Report

To the Board of Directors of
Specialized Treatment, Education and Prevention Services, Inc.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Specialized Treatment, Education and Prevention Services, Inc. (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Specialized Treatment, Education and Prevention Services, Inc. as of June 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Restatement

As discussed in Note 13 to the consolidated financial statements, beginning net assets without donor restrictions have been restated to correct a material misstatement. 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 the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

June 30, 2026

Specialized Treatment, Education and Prevention Services, Inc.
Consolidated Statement of Financial Position
June 30, 2025

Assets

Current assets

Cash	\$ 1,239,224
Grants, contracts, and contributions receivable	913,098
Prepaid expenses	4,126

Total current assets	<u>2,156,448</u>
-----------------------------	------------------

Property and equipment, net	327,928
-----------------------------	---------

Other assets

Right-of-use assets - operating, net	2,303,019
Deposits	6,278

Total other assets	<u>2,309,297</u>
---------------------------	------------------

Total assets	<u><u>\$ 4,793,673</u></u>
---------------------	----------------------------

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 396,932
Current portion of operating lease liabilities	273,478

Total current liabilities	<u>670,410</u>
----------------------------------	----------------

Operating lease liabilities, less current portion	2,050,038
---	-----------

Net assets

Without donor restrictions	2,054,225
With donor restrictions	19,000

Total net assets	<u>2,073,225</u>
-------------------------	------------------

Total liabilities and net assets	<u><u>\$ 4,793,673</u></u>
---	----------------------------

The Notes to Consolidated Financial Statements are an integral part of this statement.

Specialized Treatment, Education and Prevention Services, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenues			
Support			
Federal and state government grants	\$ 5,558,316	\$ -	\$ 5,558,316
Local government grants	1,026,961	-	1,026,961
United Way	174	19,000	19,174
In-kind contributions	174,788	-	174,788
Contributions and donations	15,213	-	15,213
Net assets released from restrictions	32,900	(32,900)	-
Total support	6,808,352	(13,900)	6,794,452
Revenue - client fees	245,345	-	245,345
Total operating support and revenues	7,053,697	(13,900)	7,039,797
Expenses			
Program services			
Residential	3,172,416	-	3,172,416
Day treatment	131,192	-	131,192
Outpatient	2,889,085	-	2,889,085
Total program services	6,192,693	-	6,192,693
Support services			
General and administrative	354,430	-	354,430
Total support services	354,430	-	354,430
Total expenses	6,547,123	-	6,547,123
Change in net assets	506,574	(13,900)	492,674
Net assets			
Beginning of year, as restated	1,547,651	32,900	1,580,551
End of year	\$ 2,054,225	\$ 19,000	\$ 2,073,225

The Notes to Consolidated Financial Statements are an integral part of this statement.

Specialized Treatment, Education and Prevention Services, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

	Program Services				Support Services General and Administrative		
	Residential	Day Treatment	Outpatient	Total		Total	
Salaries and benefits	\$ 1,955,189	\$ 123,259	\$ 1,562,503	\$ 3,640,951	\$ 42,463	\$ 3,683,414	
Lease expense	298,071	4,600	99,445	402,116	13,840	415,956	
Professional fees	136,092	2,686	254,634	393,412	174,145	567,557	
Food services	110,786	-	5,611	116,397	1,694	118,091	
Insurance	102,409	-	182,462	284,871	2,588	287,459	
Auto	88,700	23	35,526	124,249	8,753	133,002	
Utilities	57,068	-	40,667	97,735	4,548	102,283	
Travel	4,840	-	25,272	30,112	9,134	39,246	
Repairs and maintenance	44,370	-	45,044	89,414	21	89,435	
Telephone	14,899	-	28,709	43,608	6,798	50,406	
Computer software and technology	24,725	-	156,546	181,271	40,832	222,103	
Office supplies	201,281	-	68,962	270,243	8,365	278,608	
Laboratory testing and supplies	122,696	-	344,723	467,419	-	467,419	
Fees, permits and licenses	3,509	148	3,152	6,809	5,620	12,429	
Equipment rental	7,165	105	22,584	29,854	79	29,933	
Interest	-	-	-	-	317	317	
Depreciation	-	-	-	-	27,862	27,862	
Education and training	616	371	13,245	14,232	7,371	21,603	
Total expenses	3,172,416	131,192	2,889,085	6,192,693	354,430	6,547,123	
Indirect cost allocation	248,101	35,443	70,886	354,430	(354,430)	-	
Total expenses after indirect cost allocation	\$ 3,420,517	\$ 166,635	\$ 2,959,971	\$ 6,547,123	\$ -	\$ 6,547,123	

The Notes to Consolidated Financial Statements are an integral part of this statement.

Specialized Treatment, Education and Prevention Services, Inc.
Consolidated Statement of Cash Flows
Year Ended June 30, 2025

Operating activities

Change in net assets \$ 492,674

**Adjustments to reconcile change in net assets to net cash
provided by operating activities**

Depreciation expense 27,862

Amortization of right-of-use assets - operating 311,464

Changes in operating assets and liabilities

Grants, contracts, and contributions receivable (22,592)

Prepaid expenses (331)

Accounts payable and accrued expenses (52,589)

Lease liabilities - operating (298,724)

Net cash provided by operating activities 457,764

Investing activities

Purchase of property and equipment (78,400)

Net cash used in investing activities (78,400)

Financing activities

Repayment of line of credit (44,170)

Net cash used in financing activities (44,170)

Net change in cash 335,194

Cash

Beginning of year 904,030

End of year \$ 1,239,224

Supplemental disclosure of cash flow information

Cash paid during the year for interest \$ 317

Supplemental disclosure of noncash activities

Purchase of property and equipment in accounts payable \$ 71,600

The Notes to Consolidated Financial Statements are an integral part of this statement.

Specialized Treatment, Education and Prevention Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2025

1. Organization and Purpose

Nature of Organization

Specialized Treatment, Education and Prevention Services, Inc. ("STEPS") was incorporated as a not-for-profit on March 10, 1983, under the laws of Florida, as Temporary Living Center, Inc. STEPS legally changed its name during the year ended June 30, 1998. Its purpose is to offer comprehensive prevention, intervention, education and treatment services for chemically dependent men and women and their children in the Central Florida area. In June 2023, STEPS became the sole Member of Central Florida Management Group, Inc.

2. Summary of Significant Accounting Policies

a. Consolidation

In conformity with accounting principles generally accepted in the United States of America, STEPS's financial statements are consolidated with Central Florida Management Group, Inc. ("CFMG"), a Florida not-for-profit corporation, incorporated for the exclusive benefit of STEPS. The entities are collectively referred to as the Organization. As noted above, CFMG is controlled by STEPS. All significant intercompany transactions and balances have been eliminated.

b. Use of Estimates

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

c. Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

d. Basis of Presentation

The Organization prepares its consolidated financial statements under the guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board of Directors ("Board") designation and unavailable for use at management's discretion.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations. These stipulations either require the Organization to maintain the net asset permanently, generally permitting all or part of the income earned on related assets be used for general or specific purposes, or be met either by the completion of a stipulated action and/or the passage of time. As of June 30, 2025, the Organization does not have any assets that are required to be maintained permanently.

e. Grants, Contracts and Contributions Receivable and Support Revenue

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when the expenditures have been incurred in compliance with the grantor's restrictions. Some grants are fee-for-service, and revenue is recognized based on units of service provided under the grant agreement. Cash received in excess of revenue is recorded as refundable advances.

Specialized Treatment, Education and Prevention Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2025

Contributions, including unconditional promises to give, are recorded as made. All contributions are reported as an increase in net assets without donor restrictions unless specifically restricted by the donor. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due within one year are recorded at their net realizable value. Unconditional promises to give due after one year are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Grants, contracts and contributions receivable were \$890,506 and \$913,098 as of the beginning and the end of the year, respectively.

The allowance for uncollectible grants and contributions receivable is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance for uncollectible grants and contributions receivable was recorded at June 30, 2025 as management deemed the receivables to be fully collectible.

f. Revenue Recognition

The Organization derives client fee revenue primarily from inpatient and outpatient services provided to clients. The services provided by the Organization have no fixed duration and can be terminated by the patient 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 Organization reports revenue from patient services at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, Medicaid, and private insurers and include variable consideration for retrospective revenue adjustments due to settlements of audits, reviews, and investigations.

The Organization recognizes revenue as its performance obligations are satisfied. The performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of the healthcare services provided. For inpatient services, the Organization recognizes revenue equally per day over the patient stay. For outpatient services, the Organization recognizes revenue equally over the number of treatments provided in a single episode of care. Generally, the Organization bills the patient when the services are performed. The Organization's ability to collect revenue is affected by a variety of factors, including general economic conditions and each patient's financial capability. For the year ended June 30, 2025, there was no variable consideration considered to be constrained and excluded from revenue.

g. Contributed Goods and Services

Contributions of donated noncash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The value of contributed services is based upon an estimated average fee normally charged by the individuals performing the services. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

h. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 7 years.

For the year ended June 30, 2025, depreciation expense was \$27,862.

Specialized Treatment, Education and Prevention Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2025

i. Functional Allocation of Expenses

The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across program and supporting services based on estimated time spent by employees involved with those areas. Other general and administrative expenses, including rent, repairs and maintenance, and utilities, are allocated based on a percentage of total square footage of owned and leased property utilized by each program and supporting service.

j. Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the consolidated statement of financial position. The Organization did not have any financing leases for the year ended June 30, 2025.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the Organization accounts for these other services as a component of the lease. For all other leases, the services are accounted for separately and the Organization allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments, reduced by any incentives using a discount rate based on the risk-free rate at time of lease execution or adoption. Right-of-use assets are recognized based on the initial present value of the fixed lease payments, reduced by any incentives and any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

k. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and therefore has made no provision for federal income taxes in the accompanying consolidated financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2025.

In accordance with FASB ASC Topic 740, *Income Taxes* (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the consolidated statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the consolidated statement of activities. As of June 30, 2025, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

The Organization's income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise, or other taxes. Further, there are no income tax related penalties included in the consolidated financial statements.

Specialized Treatment, Education and Prevention Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2025

I. Recent Accounting Pronouncement Adopted in Current Year

In July 2025, the FASB issued ASU 2025-05, Financial Instruments—Credit Losses (Topic 326): *Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The new standard, which is effective for annual reporting periods beginning after December 15, 2025, with early adoption permitted, provides a simplified approach for measuring expected credit losses on current accounts receivable and current contract assets accounted for under Topic 606.

The Organization has early adopted ASU 2025-05 prospectively as of July 1, 2024, with no impact to the consolidated financial statements.

m. Subsequent Events

The Organization has evaluated subsequent events through June 30, 2026, the date on which the consolidated financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no subsequent events have occurred which require adjustment to or disclosure in the consolidated financial statements.

3. Grants, Contracts, and Contributions Receivable

Grants, contracts, and contributions receivable consist of the following at June 30, 2025:

Federal, state, and local government grants due within one year	\$ 894,098
United Way receivable due within one year	19,000
Total grants, contracts, and contributions receivable	\$ 913,098

4. Property and Equipment, Net

Property and equipment, net consist of the following at June 30, 2025:

Furniture and fixtures	\$ 83,368
Vehicles	349,412
Property, plant, and equipment, gross	432,780
Less: Accumulated depreciation	(104,852)
Total property and equipment, net	\$ 327,928

5. Line of Credit

The Organization has a revolving line of credit from a bank that allows borrowings up to \$100,000. The line of credit requires monthly payments of interest variable at the prime rate plus 2.44% (9.94% at June 30, 2025) and is due on demand. The line is renewed annually, and was renewed in December 2025. The line is collateralized by all assets of the Organization. The line had no outstanding balance at June 30, 2025.

Specialized Treatment, Education and Prevention Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2025

6. Contributed Materials and Supplies

The value of contributed items is recorded as in-kind contributions at their estimated fair values at the date of the contribution as follows:

Supplies	\$ 155,526
Food and beverages	350
Professional services	18,912
	<u>\$ 174,788</u>

Additionally, a substantial number of volunteers have donated significant amounts of time to the Organization in various capacities. However, these services have not been recognized, as such services either do not require specialized skills or would not typically be purchased had they not been provided by donation. The value of these services is not readily determinable.

The Organization recognized contributed materials and supplies within revenue, including contributed supplies, food and beverages, and professional services. The contributed materials and supplies did not have donor-imposed restrictions and were used in all programs.

Contributed supplies, food and beverages, and professional services were utilized in the Organization's residential, day treatment, and outpatient program services. In valuing supplies and food and beverage contributions, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. In valuing professional service contributions, the Organization estimated the fair value on the basis of estimates of the fair value for receiving similar services.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions for purposes consist of \$19,000 for the adult day program at June 30, 2025. Net assets of \$32,900 were released from donor restrictions by incurring expenses satisfying this same restricted purpose for the year ended June 30, 2025.

8. Leasing Activities

The Organization leases office facilities and equipment under various non-cancellable operating leases having various expirations through February 2033. Because the rates implicit in the leases are generally not available, the Organization utilizes the risk-free rate at the time of lease execution as the discount rate.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2025:

2026	\$ 307,800
2027	306,000
2028	314,000
2029	330,000
2030	330,000
Thereafter	880,000
	<u>2,467,800</u>
Less: Imputed interest	(144,284)
Lease liability at June 30, 2025	<u>\$ 2,323,516</u>

Specialized Treatment, Education and Prevention Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2025

Lease and equipment rental expense comprises the following for the year ended June 30, 2025:

Lease expense	\$ 350,503
Short-term office facility and equipment leases	95,386
Total lease and equipment rental expense	\$ 445,889

Other information

Cash paid for amounts included in the measurement of operating lease liabilities

Operating lease payments	\$ 337,764
--------------------------	------------

Weighted average remaining lease term - operating leases	7.66
Weighted average discount rate - operating leases	1.58%

9. Matching Requirements

The Organization received a portion of its support through grants and contracts. Certain grants and contracts require the Organization to provide specified amounts of matching revenue. Each contract, where applicable, has met all matching requirements. In addition, each contract that ended on or before June 30, 2025, no obligation remains outstanding to the funding source.

10. Retirement Plan

The Organization currently maintains three defined contribution plans. Eligible employees may contribute to the plans through salary deductions. Employer contributions are made for eligible employees. The contributions for the year ended June 30, 2025 were approximately \$41,000.

11. Commitments and Contingencies

Economic Dependency

A portion of the Organization's revenues are provided through contracts and grants with the State of Florida and other pass-through entities. Accordingly, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies including, but not limited to, the Central Florida Cares Health System, Inc. ("CFCHS"). Such administrative directives, rules, and regulations are subject to change by an act of the United States Congress, the Florida State Legislature, or an administrative change mandated by CFCHS. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.

Concentrations of Credit Risk

The Organization has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of activities, and cash flows. The Organization's grants and contracts receivable arise as a result of agreements with third parties to provide specified services. The grants and contracts receivable are monitored on a monthly basis and are not collateralized.

Significant Funding Sources

The Organization relies to a significant extent on CFCHS as a source of funding. Funding from this source represented 52% of total operating support and revenues for the year ended June 30, 2025. Receivables from this funding source were 48% of total grants, contracts, and contributions receivable as of June 30, 2025.

The Organization also relies to a significant extent on the Florida Department of Children and Families as a source of funding. Funding from this source represented 12% of total operating support and revenues for the year ended June 30, 2025. Receivables from this funding source were 8% of total grants, contracts, and contributions receivable as of June 30, 2025.

Specialized Treatment, Education and Prevention Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2025

Litigation

During the course of its operations, the Organization is subject to various claims, torts, and actions. Management reviews the validity of such actions and acts accordingly. Management does not believe the outcome of any current actions will result in a material loss to the Organization.

12. Financial Assets and Liquidity Resources

The Organization's financial assets available within one year of June 30, 2025 for general expenditures are as follows:

Financial assets

Cash	\$ 1,239,224
Grants, contracts, and contributions receivable	913,098
Total financial assets available within one year	<u>2,152,322</u>

Less: Amounts unavailable for general expenditure within one year, due to donor restrictions

Purpose restrictions	(19,000)
Total financial assets available to management for general expenditures within one year	<u>\$ 2,133,322</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. The Organization also has a line of credit available to meet short-term needs. See Note 5 for information about the line of credit.

13. Prior Period Restatement

During the fiscal year ended June 30, 2025, the Organization identified errors in the previously reported net assets without donor restrictions as of June 30, 2024. As a result, net assets without donor restrictions as of July 1, 2024 has been restated from \$1,283,793 to \$1,547,651.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

To the Board of Directors of
Specialized Treatment, Education and Prevention Services, 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 ("*Government Auditing Standards*"), the consolidated financial statement of Specialized Treatment, Education and Prevention Services, Inc., which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Specialized Treatment, Education and Prevention Services, Inc.'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 Specialized Treatment, Education and Prevention Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Specialized Treatment, Education and Prevention Services, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness (Finding 2025-001).

Report on Compliance and Other Matters

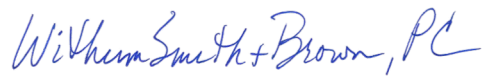
As part of obtaining reasonable assurance about whether Specialized Treatment, Education and Prevention Services, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Specialized Treatment, Education and Prevention Services, Inc.'s Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

June 30, 2026