

**CHAUTAUQUA OFFICES OF  
PSYCHOTHERAPY AND EVALUATION, INC.**

**Financial Statements and  
Supplemental Information**

**Year Ended June 30, 2010**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
<b>COMPLIANCE SECTION</b>	
Schedule of Expenditures of Federal Awards and State Financial Assistance	15
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and Internal Control over Compliance in Accordance with OMB Circular A 1-33 and Chapter 10.650, Rules of the Auditor General	20
Schedule of Findings and Questioned Costs	22



36474C Emerald Coast Parkway, Suite 3301, Destin, FL 32541 (850) 837-0398

Board of Directors  
Chautauqua Offices of Psychotherapy  
and Evaluation, Inc.  
Defuniak Springs, Florida

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Chautauqua Offices of Psychotherapy and Evaluation, Inc. (COPE) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of COPE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chautauqua Offices of Psychotherapy and Evaluation, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2011, on our consideration of COPE'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 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors  
Chautauqua Offices of Psychotherapy  
and Evaluation, Inc.  
Defuniak Springs, Florida  
Independent Auditor's Report (Continued)

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance on pages 15 - 16 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits - Nonprofit and For-profit Organizations* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*O'Sullivan Creel, LLP*

January 27, 2011

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2010**  
**(With Summarized Financial Information for June 30, 2009)**

	2010	2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 787,625	\$ 1,009,160
Investments	100,000	200,243
Accounts receivable, net of allowance for uncollectible accounts	552,583	549,767
Prepaid expense	16,977	19,410
<b>Total current assets</b>	<b>1,457,185</b>	<b>1,778,580</b>
<b>NON-CURRENT ASSETS</b>		
Restricted cash	80,943	38,391
Debt issuance costs, net of amortization	61,935	64,474
Property and equipment, net	3,117,315	2,711,739
	<b>3,260,193</b>	<b>2,814,604</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,717,378</b>	<b>\$ 4,593,184</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>NON-CURRENT LIABILITIES</b>		
Accounts payable	\$ 61,684	\$ 72,432
Accrued expenses payable		
Salaries and other related liabilities	308,857	287,784
Annual leave	93,094	81,718
Medicaid carveout reserve	13,499	13,499
Client trust funds	67,261	14,191
Judgment payable	-	6,500
Current portion of long term debt	83,943	75,155
Current portion of capital lease obligations	22,722	21,898
<b>Total current liabilities</b>	<b>651,060</b>	<b>573,177</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term debt, less current portion	1,992,126	2,105,626
Capital lease obligations, less current portion	36,718	70,080
<b>Total liabilities</b>	<b>2,679,904</b>	<b>2,748,883</b>
<b>NET ASSETS</b>		
Unrestricted-undesignated	2,033,715	1,840,542
Temporarily restricted	3,759	3,759
<b>Total net assets</b>	<b>2,037,474</b>	<b>1,844,301</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,717,378</b>	<b>\$ 4,593,184</b>

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

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2010**  
**(With Summarized Financial Information for the Year Ended June 30, 2009)**

	Unrestricted	Temporarily Restricted	Total	
			2010	2009
<b>PUBLIC SUPPORT AND REVENUE</b>				
<u>Public support</u>				
Federal awards and state financial assistance				
Alcohol, drug abuse and mental health funding	\$ -	\$ 1,793,163	\$ 1,793,163	\$ 1,728,906
Other federal and state funding	-	834,009	834,009	889,643
Other grants and contracts	-	129,062	129,062	169,914
Client service fees, net of discounts				
Client and third party fees	664,917	-	664,917	724,550
Medicaid	3,362,379	-	3,362,379	3,227,846
Contributions and donations	22,991	-	22,991	22,102
Total public support	<u>4,050,287</u>	<u>2,756,234</u>	<u>6,806,521</u>	<u>6,762,961</u>
<u>Other Revenue</u>				
Miscellaneous revenue	126,082	-	126,082	116,928
Net assets released from restriction				
Satisfaction of program restrictions	<u>2,756,234</u>	<u>(2,756,234)</u>	<u>-</u>	<u>-</u>
Total public support and other revenue	<u>6,932,603</u>	<u>-</u>	<u>6,932,603</u>	<u>6,879,889</u>
<u>Program expenses</u>				
Alcohol, drug abuse and mental health programs (ADM)				
Adult Mental Health	2,244,906	-	2,244,906	2,193,164
Children's Mental Health	1,963,818	-	1,963,818	1,884,490
Adult Substance Abuse	168,235	-	168,235	127,235
Children's Substance Abuse	258,834	-	258,834	298,477
Total ADM program services	4,635,793	-	4,635,793	4,503,366
Other non-ADM programs	623,443	-	623,443	505,867
Total program expenses	<u>5,259,236</u>	<u>-</u>	<u>5,259,236</u>	<u>5,009,233</u>
<u>Supporting services</u>				
Program support	719,423	-	719,423	659,157
Administrative support	749,865	-	749,865	813,876
Fundraising	10,906	-	10,906	18,456
Total supporting services	<u>1,480,194</u>	<u>-</u>	<u>1,480,194</u>	<u>1,491,489</u>
Total expenses	<u>6,739,430</u>	<u>-</u>	<u>6,739,430</u>	<u>6,500,722</u>
Increase in net assets	193,173	-	193,173	379,167
NET ASSETS - JULY 1	<u>1,840,542</u>	<u>3,759</u>	<u>1,844,301</u>	<u>1,465,134</u>
NET ASSETS - JUNE 30	<u>\$ 2,033,715</u>	<u>\$ 3,759</u>	<u>\$ 2,037,474</u>	<u>\$ 1,844,301</u>

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

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2010

(With Summarized Financial Information for the Year Ended June 30, 2009)

	Program Services					Supporting Services			Total
	Adult Mental Health	Children's Mental Health	Adult Substance Abuse	Children's Substance Abuse	Other Non-ADM Programs	Program Support	Administrative Support	Fundraising	
<b>DIRECT EXPENSES</b>									
Salaries	\$ 1,095,268	\$ 833,955	\$ 118,471	\$ 185,394	\$ 261,875	\$ 560,869	\$ 367,158	\$ 10,906	\$ 3,413,004
Fringe benefits	240,571	148,562	21,241	38,966	46,663	105,320	93,354	-	711,479
Total salaries and related expenses	1,335,839	982,517	139,712	224,360	308,538	666,189	460,512	10,906	4,128,573
Occupancy	174,010	67,538	14,538	11,037	50,466	(98,825)	31,230	-	249,994
Professional services	107,504	697,424	-	-	33,883	26,601	41,820	-	907,232
Training and travel	51,556	69,080	4,601	7,015	25,703	28,436	33,967	-	220,358
Equipment	4,979	1,936	227	372	1,930	4,097	678	-	14,219
Food services	70,082	36	-	-	47,634	-	-	-	117,752
Medical and pharmacy	28,684	182	202	15	6,833	2,342	30	-	38,288
Subcontracted services	13,932	8,124	1,138	578	888	7,006	3,679	-	35,345
Insurance	47,284	44,766	4,350	7,451	13,097	28,840	12,793	-	158,581
Medicaid administration fee	169,598	53	-	-	-	-	-	-	169,651
Interest	-	58	-	-	29,176	-	57,697	-	86,931
Supplies and other operating expenses	221,757	85,609	2,678	6,716	91,044	40,725	55,736	-	504,265
Depreciation	19,681	6,495	789	1,290	14,251	14,012	51,723	-	108,241
Total direct expenses	2,244,906	1,963,818	168,235	258,834	623,443	719,423	749,865	10,906	6,500,722
<b>DISTRIBUTED COSTS</b>									
Program support	297,248	289,295	20,588	33,619	78,673	(719,423)	-	-	-
Administrative support	338,799	290,247	21,675	35,391	74,659	-	(749,865)	(10,906)	-
Total distributed costs	636,047	579,542	42,263	69,010	153,332	(719,423)	(749,865)	(10,906)	-
<b>TOTAL EXPENSES</b>	\$ 2,880,953	\$ 2,543,360	\$ 210,498	\$ 327,844	\$ 776,775	\$ -	\$ -	\$ -	\$ 6,739,430
									\$ 6,500,722

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

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2010**  
**(With Summarized Financial Information for the Year Ended June 30, 2009)**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 193,173	\$ 379,167
Adjustments to reconcile change in net assets to cash flows from operating activities		
Depreciation	108,241	92,809
Amortization of debt issuance costs	2,539	2,413
(Increase) decrease in		
Accounts receivable	(2,816)	(13,106)
Prepaid expense	2,433	5,906
Increase (decrease) in		
Accounts payable	(10,748)	(35,706)
Salaries and other related liabilities	21,073	111,230
Annual leave	11,376	(3,389)
Client trust funds	53,070	(4,713)
Judgment payable	(6,500)	(6,500)
Cash flows from operating activities	<u>371,841</u>	<u>528,111</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(513,817)	(423,578)
Disposition of equipment	-	115,287
Purchases of investments	-	(200,243)
Redemption of investments	100,243	-
Cash flows from investing activities	<u>(413,574)</u>	<u>(508,534)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long term debt	(104,712)	(70,794)
Proceeds from long term debt	-	-
Payments on capital lease obligations	(32,538)	(51,441)
Cash flows from financing activities	<u>(137,250)</u>	<u>(122,235)</u>
Net change in cash and cash equivalents	(178,983)	(102,658)
CASH - JULY 1	<u>1,047,551</u>	<u>1,150,209</u>
CASH - JUNE 30	<u>\$ 868,568</u>	<u>\$ 1,047,551</u>
<b>COMPOSITION OF CASH</b>		
Cash-unrestricted	\$ 787,625	\$ 1,009,160
Cash-restricted	80,943	38,391
Total cash	<u>\$ 868,568</u>	<u>\$ 1,047,551</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 86,931</u>	<u>\$ 133,318</u>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Equipment financed by capital lease and note payable	<u>\$ -</u>	<u>\$ 112,532</u>

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

Chautauqua Offices of Psychotherapy and Evaluation, Inc.  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2010

---

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose**

Chautauqua Offices of Psychotherapy and Evaluation, Inc. (hereinafter referred to as COPE), is a tax-exempt 501(c)(3) non-profit organization. COPE was established in 1973 to provide economical behavioral health services to individuals in Walton County, Florida who could not otherwise afford private full-fee treatment.

COPE provides a variety of services to more than 3,500 clients per year. COPE offers a sliding scale fee for services based on total family income and the number of dependents. Services include a wide array of family treatment and evaluation programs including clinical, rehabilitative and residential services.

**B. Basis of Accounting**

The financial statements for COPE have been prepared using the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal grants are recorded as revenue when performance occurs under the terms of the grant agreement.

**C. Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (FASB) Codification Standards for Not-for-Profit Entities. Under the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification (ASC), COPE is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

- *Unrestricted net assets* are not restricted by donors, or the donor-imposed restrictions have expired. Board designated or appropriated amounts are reported as part of the unrestricted class since the Board has the authority to change or withdraw such designations or appropriations.
- *Temporarily restricted net assets* contain donor-imposed restrictions that require COPE to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by the satisfaction of donor-imposed restrictions.
- *Permanently restricted net assets* contain donor-imposed restrictions requiring the resources be maintained permanently, but generally allowing COPE to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. At the present time COPE does not have any permanently restricted net assets.

Chautauqua Offices of Psychotherapy and Evaluation, Inc.  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2010

---

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Financial Statement Presentation (Continued)

The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with COPE's financial statements for the year ended June 30, 2009, from which the summarized information was derived (see Note 1-L Reclassifications).

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, COPE considers all unrestricted highly liquid investments with an initial maturity of three months or less, which are not permanently restricted, to be cash equivalents.

E. Investments

Investments held by COPE consist of certificates of deposit. These investments are considered to be held to maturity and are recorded at cost, which approximates fair value.

F. Restricted and Unrestricted Revenue and Support

COPE receives client fees for services and recognizes these fees and other miscellaneous income when earned as an increase in unrestricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of net activities as "net assets released from restrictions". Federal and state grant awards are classified as refundable advances until expended for the purposes of grants since they are conditional promises to give.

G. Property and Equipment

Property and equipment are recorded at cost and depreciated on the straight-line basis over the estimated useful lives of assets ranging from 5 to 7 years for equipment and 15 to 40 years for buildings and leasehold improvements.

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

---

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Property and Equipment (Continued)

COPE capitalizes all expenditures for equipment in excess of \$1,000 or, if donated, at fair market value in excess of \$1,000 at the date of acquisition. Gains or losses from the sale of property and equipment are reported in the Statement of Activities as an increase or decrease in net assets (permanently restricted, temporarily restricted, or unrestricted, as appropriate).

H. Accrued Annual Leave

COPE's policy for paid leave permits all regular full-time and part-time employees to earn paid leave based on their number of years of service starting from the date of hire. This time is to be used for any leave of absence such as sickness, personal business and vacation. If terminated, employees are paid for unused annual leave earned up to the date of termination not to exceed 80 hours. In addition, employees earn five days of bereavement leave. Unused bereavement leave is not paid upon termination.

I. Income Taxes

COPE has been granted an exemption from income taxes under Internal Revenue Code, Section 501(c)(3) as a not-for-profit corporation. COPE has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b)(1)(A)(vi). COPE is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles. With few exceptions, COPE is no longer subject to federal, state, or local income tax examinations by tax authorities for years before 2007.

J. Functional Expenses

Salaries and other expenses that are associated with a specific program are charged directly to that program. Salaries and other expenses that benefit more than one program are allocated to the various programs based on each program's volume of activity relative to the specific expense pool.

Building occupancy expense is reflected as an expense of program support, and then is charged based on square footage to the related programs that occupy space, thereby reflecting a credit to program support in the financial statements. Indirect costs are allocated to each program based on the ratio of individual program's direct expense to total direct expense for all programs. This method provides a fair and equitable allocation to all functions and programs.

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

---

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**L. Reclassifications**

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on net assets previously reported.

**M. Events Occurring After Reporting Date**

COPE has evaluated events and transactions that occurred between June 30, 2010, and January 27, 2011, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE 2 - CONCENTRATIONS**

**Grants and Contracts**

COPE receives a substantial portion of its funding directly or indirectly in the form of pass through funding from the State of Florida Department of Children & Families (DCF) and the State of Florida Department of Health and Human Services (DHHS). The largest amount is received through alcohol, drug abuse and mental health (ADM) funding. During the year ended June 30, 2010, 22% of total funding was received from DCF and 14% of total funding was received from DHHS under contracts No. 08-111 and 08-1401, respectively.

**NOTE 3 - RESTRICTED CASH**

COPE has three bank accounts with cash restrictions. One account is used for out of area inpatient hospital stays and is managed by Lakeview Center, Inc. COPE has ownership of the account but no signature authority. The other accounts contain residential patient monies which are held by COPE in an agency capacity for the patients. Each account has a corresponding liability presented in the Statement of Financial Position.

**NOTE 4 - INVESTMENTS**

At June 30, 2010, the investment balance of \$100,000 consisted of one certificate of deposit that matures in January 2011, and bears interest at 2.08%.

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

---

---

**NOTE 5 - RECEIVABLES**

Receivables as of June 30, 2010, consist of the following:

Grants and contracts	\$ 177,795
Private pay	187,557
Medicaid	266,193
Third party	<u>42,310</u>
	673,855
Less allowance for uncollectible accounts	<u>(121,272)</u>
	<u>\$ 552,583</u>

The allowance for uncollectible accounts is an estimate based on prior collection history. COPE determines a percentage of uncollected accounts for the categories of first party, third party, and Medicaid collections. Management reviews this percentage and updates as deemed necessary.

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2010, was as follows:

Land	\$ 1,022,230
Construction in progress	551,628
Buildings and improvement	1,998,986
Equipment and vehicles	<u>871,638</u>
	4,444,482
Less accumulated depreciation	<u>(1,327,167)</u>
	<u>\$ 3,117,315</u>

Depreciation expense for the year ended June 30, 2010, was \$108,241.

**NOTE 7 - CAPITAL LEASE OBLIGATIONS**

In a lease agreement dated July 18, 2008, COPE committed to lease multiple pieces of copier equipment with a capitalized cost of 109,455. The lease requires monthly payments of \$2,155, including interest at an imputed rate of 7.0%, and is collateralized by the copier equipment with a net book value of \$68,391 at June 30, 2010. Depreciation expense on the copier equipment totaled \$16,565 for the year ended June 30, 2010. The lease expires in June 2013.

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

---

**NOTE 7 - CAPITAL LEASE OBLIGATIONS (CONTINUED)**

Future minimum lease payments and present minimum value of lease payments at June 30, 2010, are as follows:

2011	\$ 22,722
2012	24,049
2013	<u>18,167</u>
Total future minimum lease payments	64,938
Less amounts representing interest	<u>(5,498)</u>
Present value of future minimum lease payments	<u>\$ 59,440</u>

**NOTE 8 - LONG-TERM DEBT**

Long-term debt consisted of the following at June 30, 2010:

\$2,000,000 note payable to Bank of America; due in monthly installments of \$12,921, including interest at 5.18%, due December 19, 2025; secured by real estate and assignments of leases and rents.	\$ 1,698,873
\$420,000 note payable to Bank of America; due in monthly installments of \$3,412, including interest at 7.5%, due May 8, 2026; secured by real estate and assignments of leases and rents.	<u>377,196</u>
Total long-term debt	<u>\$ 2,076,069</u>

Aggregate maturities of long-term debt at June 30, 2010, are as follows:

<u>Fiscal years ending June 30</u>	
2011	\$ 83,943
2012	88,429
2013	93,769
2014	99,126
2015	104,797
2016-2019	482,596
2020-2024	777,438
2025-2026	<u>345,971</u>
Total long term debt	2,076,069
Less current portion	<u>(83,943)</u>
Long term debt, less current portion	<u>\$ 1,992,126</u>

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

---

**NOTE 9 - 403(b) MONEY PURCHASE PLAN**

The Board of Directors has elected to contribute an amount equal to six percent of full-time employees' compensation to an Internal Revenue Code Section 403(b) Money Purchase Plan (the Plan) administered by Valic Insurance Company. The Plan is a voluntary defined contribution plan available to all employees of COPE that have completed one year of service. Upon hire, employees may, at their option, contribute a specific amount of their compensation to the Plan. Participating employees are fully vested in their contributions at all times. Vesting in COPE's contributions, however, is based on years of continuous service. Participating employees become fully vested after three years of service.

The amount of employer's contribution to the Plan for the year ended June 30, 2010, was \$119,254.

**NOTE 10 - CONSTRUCTION COMMITMENTS**

At June 30, 2010, COPE had an open contract commitment in the amount of \$20,680 for the construction of the administrative building project in progress.

**NOTE 11 - SUPPORT REQUIRING MATCH**

COPE received a substantial portion of its support from grants that require the local entity to match federal and state expenditures with expenditures funded through local sources.

Those grant and match requirements were as follows:

	<u>Contract #</u>	<u>Funds Requiring Match</u>	<u>Required Match</u>
Florida Department of Children and Families	AD391	\$ 156,778	\$ 22,087
Lakeview Center, Inc.	08-1401	459,551	297,869
Lakeview Center, Inc.	08-111	1,484,508	366,747
Lakeview Center, Inc.	Flex/Wish	35,220	6,126
		<u>\$ 2,136,057</u>	<u>\$ 692,829</u>

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

---

---

**NOTE 11 - SUPPORT REQUIRING MATCH (CONTINUED)**

The following schedule shows that COPE exceeded the required expenditure match:

**CALCULATION OF EXCESS MATCH EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2010**

Total expenses reported in the Statement of Activities	\$ 6,739,430
Less expenses funded by:	
Grant funds not requiring match	(308,655)
Other federal and state grants	(339,155)
Client and third party funds and other contracts and donations	<u>(4,176,369)</u>
Total reimbursable expenses available for matching	1,915,251
Less amount of required match	<u>(692,829)</u>
Excess of expenses over required match	<u><u>\$ 1,222,422</u></u>

**NOTE 12 - SUBSEQUENT EVENT**

In April 2010, the Board of Directors approved changing the administrator of the Money Purchase Plan (the Plan) from Valic Insurance Company to the Hartford Group. This transition was completed in October 2010.

## **COMPLIANCE SECTION**

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**Year Ended June 30, 2010**

<u>Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Contract Grant Number</u>	<u>Federal Expenditure</u>	<u>State Expenditure</u>
<b>Federal Awards</b>				
<b><u>U. S. Department of Justice</u></b>				
Passed through Florida Office of the Attorney General Victims of Crime Act	16.575	V8128	\$ 5,443	\$ -
<b><u>U. S. Department of Education</u></b>				
Passed through Florida Office of the Governor, Office of Criminal Justice				
Drug Free Communities Program Promoting Appropriate Life Skills	84.186	08DFC- WALT-1- T6-014	5,116	-
<b><u>U. S. Department of Health and Human Services</u></b>				
Passed through the Florida Department of Health Hotline & Sexual Assault Awareness	93.136	COHVE	6,166	-
Passed through Lakeview Center, Inc.				
Promoting Safe and Stable Families	93.556	08-1401	159,528	-
Promoting Safe and Stable Families	93.556	Off contract	2,919	-
Temporary Assistance for Needy Families	93.558	08-1401	257,987	40,468
Temporary Assistance for Needy Families	93.558	Off contract	5,396	-
Passed through Florida Department of Children and Families Temporary Assistance for Needy Families	93.558	AD391	21,569	-
Passed through Lakeview Center, Inc.				
Child Abuse and Neglect State Grants	93.669	08-1401	20,649	-
Child Abuse and Neglect State Grants	93.669	Off contract	432	-
Block Grants for Community Mental Health Services	93.958	08-111	12,638	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	08-111	248,398	-
Passed through Florida Department of Children and Families Block Grants for Prevention and Treatment of Substance Abuse	93.959	ADZ01	137,849	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	AD391	2,109	-
In-kind Drug match	93.959	AD368	14,027	-
Passed through Florida Department of Children and Families and Florida State University Substance Abuse Response Guide	93.243	R01165	38,427	-
<b>Total U. S. Department of Health and Human Services</b>			<b>928,094</b>	<b>40,468</b>

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**Year Ended June 30, 2010**

Grantor/Program Title	CFDA/ CSFA Number	Contract Grant Number	Federal Expenditure	State Expenditure
<b>State Financial Assistance</b>				
<b><u>Florida Department of Children and Families</u></b>				
Passed through Lakeview Center, Inc.				
Substance Abuse Treatment and Aftercare Services for Children	60.030	AD391	-	133,100
Community Based Care Supports	60.074	08-1401	-	21,368
In Home Supports	60.075	08-1402	-	54,194
In home Supports	60.075	Off contract	-	26,550
Children's Mental Health Community Support Services	60.055	08-111	-	85,909
Adult Community Mental Health Community Support Services	60.053	08-111	-	645,722
Indigent Psychiatric Medication Program	60.039	08-111	-	4,381
Children's Mental Health Emergency Stabilization	60.057	08-111	-	125,207
Adult Community Mental Health Emergency Stabilization	60.054	08-111	-	203,422
Baker Act	60.006	08-111	-	79,653
Substance Abuse Treatment & Aftercare Services for Children	60.030	08-111	-	68,302
Substance Abuse Treatment & Aftercare Services for Adults	60.033	08-111	-	10,876
<b>Total Florida Department of Children and Families</b>			<u>-</u>	<u>1,458,684</u>
<b><u>Florida Department of Health</u></b>				
Passed through Tobacco Prevention Programs				
Tobacco Prevention Community Program	64.093	COTZ9	-	177,250
<b><u>Florida Department of Corrections</u></b>				
Community Corrections, Education, & Programs	70.016	DO1485665	-	12,117
<b>Total expenditures of federal awards and state financial assistance</b>			<u>\$ 938,653</u>	<u>\$ 1,688,519</u>

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS AND STATE FINANCIAL ASSISTANCE**  
**Year Ended June 30, 2010**

---

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal programs and state financial assistance projects of COPE. All federal awards and state projects received directly from federal or state agencies as well as federal awards passed through other government agencies are included on the schedule. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits-Nonprofit and For-profit Organizations*. 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.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the accrual basis of accounting, which is described in Note 1 of COPE's basic financial statements.



36474C Emerald Coast Parkway, Suite 3301, Destin, FL 32541 (850) 837-0398

Board of Directors  
Chautauqua Offices of Psychotherapy  
and Evaluation, Inc.  
Defuniak Springs, Florida

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

We have audited the financial statements of Chautauqua Offices of Psychotherapy and Evaluation, Inc. (COPE) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 27, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered COPE's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of COPE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of COPE's internal control over financial reporting.

*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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Board of Directors  
Chautauqua Offices of Psychotherapy and Evaluation, Inc.  
Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether COPE's 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 determination of financial statement amounts. 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*.

We noted certain other matters that we reported to management of COPE in a separate letter dated January 27, 2011.

This report is intended solely for the information and use of management, the board of directors, others within the entity, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*D'Sullivan Creel, LLP*

January 27, 2011



36474C Emerald Coast Parkway, Suite 3301, Destin, FL 32541 (850) 837-0398

Board of Directors  
Chautauqua Offices of Psychotherapy  
and Evaluation, Inc.  
Defuniak Springs, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-  
133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

Compliance

We have audited the compliance of Chautauqua Offices of Psychotherapy and Evaluation, Inc. (COPE) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended June 30, 2010. COPE's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of COPE's management. Our responsibility is to express an opinion on COPE's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about COPE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on COPE's compliance with those requirements.

In our opinion, COPE complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2010.

Board of Directors  
Chautauqua Offices of Psychotherapy and Evaluation, Inc.  
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major  
Federal Program and State Project and Internal Control over Compliance in Accordance  
with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General (Continued)

Internal Control Over Compliance

Management of COPE is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered COPE's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of COPE's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

January 27, 2011

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2010**

**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes  No
- Significant deficiency (ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes  None Reported

Noncompliance material to the financial statements noted: \_\_\_\_\_ Yes  No

*Federal Awards and State Projects*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes  No
- Significant deficiency (ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes  None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 and Chapter 10.650, Rules of the Auditor General? \_\_\_\_\_ Yes  No

Identification of major programs:

Federal

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

State

<u>CSFA #</u>	<u>Name of State Project</u>
60.053	Adult Community Mental Health Community Support Services

Dollar threshold used to distinguish between Type A and B programs for federal awards \$ 300,000

Dollar threshold used to distinguish between Type A and B programs for state awards \$ 300,000

Auditee qualified as low-risk auditee?  Yes  No

**Chautauqua Offices of Psychotherapy and Evaluation, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2010**

---

**II. FINANCIAL STATEMENT FINDINGS**

- The results of our audit of COPE did not disclose any findings required to be reported in accordance with GAGAS.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS AND STATE PROJECTS**

- The results of our audit of COPE did not disclose any findings or questioned costs required to be reported under the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits - Nonprofit and For-profit Organizations*.