

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)

FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

Years Ended June 30, 2010 and 2009

CLAY BEHAVIORAL HEALTH CENTER, INC.

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MEMBER OF
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Clay Behavioral Health Center, Inc.
Orange Park, Florida

We have audited the accompanying statements of financial position of Clay Behavioral Health Center, Inc., (a nonprofit corporation), a component corporation of the Institute for Growth and Development, Inc., (a nonprofit corporation), as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Clay Behavioral Health Center, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years 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 August 6, 2010, on our consideration of Clay Behavioral Health Center, Inc.'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 internal control over financial reporting or on 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 audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Clay Behavioral Health Center, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, by Section 215.97, Florida Statutes and Chapter 10.650; *Rules of the Auditor General*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

James Knutzen & Associates

James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
August 6, 2010

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$ 685,030	\$ 377,554
Investments (Note A)	-	33,763
Accounts receivable (Note B):		
State of Florida	88,149	493,968
Contracts	193,711	159,318
Medicaid/Medicare	269,018	261,596
Other	246,423	387,323
Allowance for doubtful accounts	(155,801)	(260,096)
	<u>641,500</u>	<u>1,042,109</u>
Prepaid expenses	71,814	92,658
Total Current Assets	1,398,344	1,546,084
Property, plant and equipment, less accumulated depreciation of \$1,607,012 and \$1,540,721, respectively (Note C)	1,773,413	1,581,147
Restricted cash (Note D)	-	35,479
Deposits	7,606	7,606
	<u>7,606</u>	<u>7,606</u>
Total Assets	<u>\$ 3,179,363</u>	<u>\$ 3,170,316</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 26,652	\$ 23,561
Accrued expenses	95,342	76,683
Due to other agencies	2,856	2,856
Accrued compensated absences	95,410	83,643
Line of credit, demand note (Note E)	-	-
Current portion of long-term debt (Note F)	106,690	101,539
Total Current Liabilities	<u>326,950</u>	<u>288,282</u>
Long term debt (Note F)	781,954	888,643
	<u>781,954</u>	<u>888,643</u>
Total Liabilities	1,108,904	1,176,925
Net assets - unrestricted	<u>2,070,459</u>	<u>1,993,391</u>
Total Liabilities and Net Assets	<u>\$ 3,179,363</u>	<u>\$ 3,170,316</u>

See Notes to Financial Statements.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted Public Support and Revenue:		
Support:		
Contributions	\$ 9,559	\$ 9,385
State of Florida:		
Department of Children and Families:		
Mental Health	1,240,462	1,188,363
Substance Abuse	1,093,723	1,106,689
Other Programs	52,902	46,035
Department of Juvenile Justice:		
Prevention/Diversion	24,240	31,510
Department of Education:		
Vocational Rehabilitation Services	46,605	36,226
Clay County School Board	303,278	231,756
Clay County	420,116	420,142
Clay County Drug Court	136,958	102,510
United Way of Northeast Florida	26,873	35,069
	<u>3,354,716</u>	<u>3,207,685</u>
Revenue:		
Medicaid	1,359,285	1,320,259
Medicare	105,545	67,616
Client Fees	221,122	212,791
Client Insurance	116,836	99,930
Rental Revenue	17,647	15,849
Other Miscellaneous	240,489	223,396
Interest	1,773	3,982
	<u>2,062,697</u>	<u>1,943,823</u>
	<u>5,417,413</u>	<u>5,151,508</u>
EXPENSES		
Program Service Expenses	4,458,182	4,058,733
Supporting Services Expenses	882,163	848,313
	<u>5,340,345</u>	<u>4,907,046</u>
Increase in Net Assets	77,068	244,462
Net Assets, Beginning of Year	<u>1,993,391</u>	<u>1,748,929</u>
Net Assets, End of Year	<u>\$ 2,070,459</u>	<u>\$ 1,993,391</u>

See Notes to Financial Statements.

JAMES KNUTZEN & ASSOCIATES
C.P.A.'s P.A.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010

	Case Management	Crisis Support Emergency	Drop In/ Self-Help Day/Night Center	In Home/ On-Site Services	Intensive Case Mgmt	Intervention	Medical Services	Methodone Maintenance	Outpatient Individual	Prevention	Residential	
Salaries	\$ 232,697	\$ 129,813	\$ 94,977	\$ 7,884	\$ 251,409	\$ 70,511	\$ 54,059	\$ 441,208	\$ -	\$ 376,708	\$238,187	\$ -
Fringe Benefits	24,686	13,772	10,076	836	26,672	7,480	5,735	46,808	-	39,964	25,269	-
Payroll Taxes	17,702	9,875	7,225	600	19,125	5,364	4,112	33,563	-	28,657	18,119	-
	<u>275,085</u>	<u>153,460</u>	<u>112,278</u>	<u>9,320</u>	<u>297,206</u>	<u>83,355</u>	<u>63,906</u>	<u>521,579</u>	<u>-</u>	<u>445,329</u>	<u>281,575</u>	<u>-</u>
Building Occupancy	15,460	8,625	6,310	524	16,703	4,685	3,592	29,313	-	25,028	15,825	-
Professional Services	22,005	12,276	8,981	746	23,774	6,668	5,112	41,722	-	35,623	22,524	-
Travel	5,855	3,266	2,390	198	6,326	1,774	1,360	11,101	-	9,478	5,993	-
Equipment Costs	727	406	297	25	785	220	169	1,378	-	1,177	744	-
Medical and Pharmacy	1,887	1,053	770	64	2,039	572	438	3,578	-	3,055	1,932	-
Subcontracted Services	29,110	16,239	11,881	986	31,451	8,821	6,763	55,194	14,400	47,125	29,797	71,581
Insurance	3,339	1,863	1,363	113	3,607	1,012	776	6,331	-	5,405	3,418	-
Operating Supplies and Expenses	14,270	7,961	5,824	483	15,418	4,324	3,315	27,058	-	23,102	14,607	-
	<u>92,653</u>	<u>51,689</u>	<u>37,816</u>	<u>3,139</u>	<u>100,103</u>	<u>28,076</u>	<u>21,525</u>	<u>175,675</u>	<u>14,400</u>	<u>149,993</u>	<u>94,840</u>	<u>71,581</u>
Total Personnel and Expense	367,738	205,149	150,094	12,459	397,309	111,431	85,431	697,254	14,400	595,322	376,415	71,581
Other Support	25,344	14,139	10,345	859	27,383	7,680	5,888	48,054	-	41,030	25,942	-
Administration	18,379	10,253	7,502	623	19,857	5,569	4,270	34,847	-	29,754	18,813	-
Interest	3,849	2,147	1,571	130	4,158	1,166	894	7,296	-	6,230	3,939	-
Depreciation	5,779	3,224	2,359	196	6,244	1,751	1,343	10,956	-	9,355	5,915	-
Bad Debt Expense	16,050	8,954	6,551	544	17,341	4,863	3,729	30,431	-	25,983	16,429	-
Unallowable Expense	1,888	1,053	771	64	2,040	572	439	3,580	-	3,057	1,933	-
	<u>1,888</u>	<u>1,053</u>	<u>771</u>	<u>64</u>	<u>2,040</u>	<u>572</u>	<u>439</u>	<u>3,580</u>	<u>-</u>	<u>3,057</u>	<u>1,933</u>	<u>-</u>
Grand Total	\$ 439,027	\$ 244,919	\$ 179,193	\$ 14,875	\$ 474,332	\$ 133,032	\$ 101,994	\$ 832,418	\$ 14,400	\$ 710,731	\$449,386	\$ 71,581

See Notes to Financial Statements.

Respite	Substance Abuse			Outpatient Group	Room & Bd W/ Supv 2	Other Incidentals	Clinical Support	TOTAL CLINICAL	Support Staff	Administrative	TOTAL
	Detox	Supportive Employment	Aftercare								
\$ 164	\$ -	\$ 62,734	\$ 10,811	\$ 293,438	\$ 123,329	\$ -	\$ 364,983	\$ 2,752,912	\$ 189,731	\$ 137,588	\$ 3,080,231
18	-	6,656	1,147	31,131	13,083	-	38,720	292,053	20,128	14,597	326,778
12	-	4,772	822	22,322	9,382	-	27,765	209,417	14,433	10,466	234,316
194	-	74,162	12,780	346,891	145,794	-	431,468	3,254,382	224,292	162,651	3,641,325
11	-	4,168	718	19,496	8,194	-	24,249	182,901	12,605	9,141	204,647
16	-	5,932	1,022	27,748	11,662	-	34,514	260,325	17,942	13,011	291,278
4	-	1,578	272	7,383	3,103	-	9,183	69,264	4,774	3,462	77,500
1	-	196	34	917	385	-	1,140	8,601	593	430	9,624
1	-	509	88	2,380	1,000	-	2,960	22,326	1,539	1,116	24,981
21	11,606	7,848	1,352	36,708	15,428	-	45,658	441,969	23,735	17,212	482,916
2	-	900	155	4,211	1,770	-	5,237	39,502	2,722	1,974	44,198
10	-	3,847	662	17,996	7,563	10,089	22,383	178,912	11,635	8,437	198,984
66	11,606	24,978	4,303	116,839	49,105	10,089	145,324	1,203,800	75,545	54,783	1,334,128
260	11,606	99,140	17,083	463,730	194,899	10,089	576,792	4,458,182	299,837	217,434	4,975,453
18	-	6,833	1,177	31,960	13,432	-	39,753	299,837	(299,837)	-	-
13	-	4,955	854	23,177	9,741	-	28,827	217,434	-	(217,434)	-
3	-	1,038	179	4,853	2,040	-	6,036	45,529	3,138	2,276	50,943
4	-	1,558	268	7,287	3,063	-	9,064	68,366	4,712	3,417	76,495
11	-	4,327	746	20,240	8,507	-	25,175	189,881	13,087	9,490	212,458
1	-	509	88	2,381	1,001	-	2,962	22,339	1,540	1,117	24,996
<u>\$ 310</u>	<u>\$ 11,606</u>	<u>\$ 118,360</u>	<u>\$ 20,395</u>	<u>\$ 553,628</u>	<u>\$ 232,683</u>	<u>\$ 10,089</u>	<u>\$ 688,609</u>	<u>\$ 5,301,568</u>	<u>\$ 22,477</u>	<u>\$ 16,300</u>	<u>\$ 5,340,345</u>

JAMES KNUTZEN & ASSOCIATES
C.P.A.'s P.A.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009

	Case Management	Crisis Support Emergency	Drop In/ Self-Help Day/Night Center	In Home/ On-Site Services	Intensive Case Mgmt	Intervention	Medical Services	Methadone Maintenance	Outpatient Individual	Prevention	Residential	
Salaries	\$ 210,852	\$ 159,082	\$ 79,386	\$ 14,760	\$ 217,428	\$ 63,536	\$ 80,491	\$ 303,255	\$ -	\$ 455,300	\$176,219	\$ -
Fringe Benefits	26,643	20,101	10,031	1,865	27,474	8,028	10,170	38,319	-	57,531	22,266	-
Payroll Taxes	16,130	12,170	6,073	1,129	16,633	4,861	6,158	23,199	-	34,830	13,481	-
	<u>253,625</u>	<u>191,353</u>	<u>95,490</u>	<u>17,754</u>	<u>261,535</u>	<u>76,425</u>	<u>96,819</u>	<u>364,773</u>	<u>-</u>	<u>547,661</u>	<u>211,966</u>	<u>-</u>
Building Occupancy	11,537	8,705	4,344	808	11,897	3,477	4,404	16,593	-	24,913	9,642	-
Telephone	2,106	1,589	793	147	2,171	634	804	3,028	-	4,547	1,760	-
Professional Services	19,539	14,742	7,356	1,368	20,148	5,888	7,459	28,102	-	42,191	16,330	-
Travel	5,410	4,082	2,037	379	5,579	1,630	2,065	7,781	-	11,683	4,522	-
Equipment Costs	884	667	333	62	911	266	337	1,271	-	1,909	739	-
Medical and Pharmacy	4,703	3,548	1,771	329	4,850	1,417	1,795	6,764	-	10,155	3,930	-
Subcontracted Services	27,608	20,829	10,394	1,933	28,468	8,319	10,539	39,706	14,400	59,614	23,073	18,024
Insurance	3,449	2,602	1,299	241	3,556	1,039	1,317	4,960	-	7,447	2,882	-
Operating Supplies and Expenses	7,347	5,544	2,766	515	7,577	2,214	2,805	10,567	-	15,866	6,141	-
	<u>82,583</u>	<u>62,308</u>	<u>31,093</u>	<u>5,782</u>	<u>85,157</u>	<u>24,884</u>	<u>31,525</u>	<u>118,772</u>	<u>14,400</u>	<u>178,325</u>	<u>69,019</u>	<u>18,024</u>
Total Personnel and Expense	336,208	253,661	126,583	23,536	346,692	101,309	128,344	483,545	14,400	725,986	280,985	18,024
Other Support Administration	24,864	18,760	9,361	1,741	25,640	7,492	9,492	35,761	991	53,690	20,780	1,240
Interest	17,778	13,413	6,693	1,245	18,332	5,357	6,787	25,569	709	38,388	14,858	887
Depreciation	5,157	3,891	1,942	361	5,318	1,554	1,969	7,417	-	11,136	4,310	-
Bad Debt Expense	5,500	4,150	2,071	385	5,672	1,657	2,100	7,911	-	11,877	4,597	-
Unallowable Expense	12,338	9,309	4,645	864	12,723	3,718	4,710	17,745	-	26,642	10,312	-
	<u>2,074</u>	<u>1,565</u>	<u>781</u>	<u>145</u>	<u>2,138</u>	<u>625</u>	<u>792</u>	<u>2,983</u>	<u>-</u>	<u>4,478</u>	<u>1,733</u>	<u>-</u>
Grand Total	<u>\$ 403,919</u>	<u>\$ 304,749</u>	<u>\$ 152,076</u>	<u>\$ 28,277</u>	<u>\$ 416,515</u>	<u>\$ 121,712</u>	<u>\$ 154,194</u>	<u>\$ 580,931</u>	<u>\$ 16,100</u>	<u>\$ 872,197</u>	<u>\$337,575</u>	<u>\$ 20,151</u>

See Notes to Financial Statements.

Respite	Substance			Outpatient Group	Room & Bd W/ Supv 2	Other Incidentals	Clinical Support	TOTAL CLINICAL	Support Staff	Administrative	TOTAL
	Abuse Detox	Supportive Employment	Aftercare								
\$ 1,644	\$ -	\$ 61,003	\$ 30,352	\$ 170,460	\$ 116,540	\$ -	\$ 354,137	\$ 2,494,445	\$ 187,744	\$ 134,237	\$ 2,816,426
207	-	7,708	3,835	21,539	14,726	-	44,748	315,191	23,723	16,962	355,876
126	-	4,667	2,322	13,040	8,915	-	27,091	190,825	14,362	10,269	215,456
1,977	-	73,378	36,509	205,039	140,181	-	425,976	3,000,461	225,829	161,468	3,387,758
90	-	3,338	1,661	9,327	6,377	-	19,378	136,491	10,273	7,345	154,109
16	-	609	303	1,702	1,164	-	3,536	24,909	1,875	1,340	28,124
152	-	5,653	2,813	15,796	10,799	-	32,817	231,153	17,398	12,439	260,990
42	-	1,565	779	4,374	2,990	-	9,087	64,005	4,817	3,444	72,266
7	-	256	127	715	489	-	1,485	10,458	787	563	11,808
37	-	1,361	677	3,802	2,599	-	7,899	55,637	4,188	2,994	62,819
215	41,074	7,987	3,974	22,319	15,259	-	46,368	400,103	24,582	17,576	442,261
27	-	998	496	2,788	1,906	-	5,793	40,800	3,071	2,196	46,067
57	-	2,125	1,057	5,940	4,062	7,793	12,340	94,716	6,930	4,955	106,601
643	41,074	23,892	11,887	66,763	45,645	7,793	138,703	1,058,272	73,921	52,852	1,185,045
2,620	41,074	97,270	48,396	271,802	185,826	7,793	564,679	4,058,733	299,750	214,320	4,572,803
194	2,827	7,194	3,579	20,101	13,743	539	41,761	299,750	(299,750)	-	-
139	2,021	5,143	2,559	14,372	9,826	385	29,859	214,320	-	(214,320)	-
40	-	1,492	742	4,169	2,850	-	8,662	61,010	4,592	3,283	68,885
43	-	1,591	792	4,447	3,040	-	9,238	65,071	4,897	3,502	73,470
96	-	3,570	1,776	9,975	6,820	-	20,723	145,966	10,986	7,855	164,807
16	-	600	299	1,676	1,146	45	3,483	24,579	1,459	1,043	27,081
<u>\$ 3,148</u>	<u>\$ 45,922</u>	<u>\$ 116,860</u>	<u>\$ 58,143</u>	<u>\$ 326,542</u>	<u>\$ 223,251</u>	<u>\$ 8,762</u>	<u>\$ 678,405</u>	<u>\$ 4,869,429</u>	<u>\$ 21,934</u>	<u>\$ 15,683</u>	<u>\$ 4,907,046</u>

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 77,068	\$ 244,462
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	76,495	73,470
(Increase) decrease in:		
Accounts receivable	400,609	(79,739)
Prepaid expenses	20,844	19,010
Restricted cash	35,479	191,409
Increase (decrease) in:		
Accounts payable	3,091	(11,042)
Accrued expenses	30,426	25,661
Due to other agencies	-	(887)
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	644,012	462,344
CASH FLOWS FROM INVESTING ACTIVITIES;		
Purchase of furniture, equipment and building construction	(268,761)	(239,636)
Redemption (purchase) of investments	33,763	(1,107)
	<hr/>	<hr/>
NET CASH USED BY INVESTING ACTIVITIES	(234,998)	(240,743)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loans	(101,538)	(96,665)
	<hr/>	<hr/>
NET CASH USED BY FINANCING ACTIVITIES	(101,538)	(96,665)
NET INCREASE IN CASH	307,476	124,936
CASH AT BEGINNING OF PERIOD	<hr/> 377,554	<hr/> 252,618
CASH AT END OF PERIOD	<hr/> <u>\$ 685,030</u>	<hr/> <u>\$ 377,554</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during year:		
Interest	<hr/> <u>\$ 50,943</u>	<hr/> <u>\$ 56,321</u>

See Notes to Financial Statements.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

A. Summary of Significant Accounting Policies:

- (1) Nature of Business – Clay Behavioral Health Center, Inc. (The Center), formerly known as Clay County Community Services, Inc. and Clay County Mental Health, Drug and Alcohol Services, Inc., was incorporated August 3, 1982 to provide coordinated mental health, alcohol, and drug abuse treatment and prevention services for the residents of Clay County, Florida. The largest programs are adult and children mental health and substance abuse. The largest funding source for the Center is the Florida Department of Children and Families.
- (2) Basis of Presentation – The financial statements are prepared in accordance with the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, “*Financial Statements of Not-For-Profit Organizations.*”
- (3) Basis of Accounting – The financial statements are prepared using the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.
- (4) Investments - Investments are bank certificates of deposit, with maturities of more than three months.
- (5) Public Support and Revenue – Revenue is reported at the estimated net realizable amounts due from third-party payers and others for services rendered. Client fees are recognized upon receipt.
- (6) Property, Plant and Equipment – Property, plant and equipment are recorded at cost for purchased items. Donated items are recorded at fair market value at the date of gift. Asset purchases of \$500 or more are capitalized.
- (7) Income Taxes – The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue code and is not a private foundation. Accordingly, no provision for income tax is required.
- (8) Depreciation – Building and equipment are being depreciated over the estimated useful lives of the individual assets by the straight-line method.
- (9) Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, primarily related to the collectibility of receivables and the depreciable lives of buildings and improvements that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009
-continued-

- (10) Restricted and Unrestricted Revenue and Support - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.
- (11) Changes in Presentation - Certain 2009 accounts have been restated to conform to 2010 account groupings.

B. Accounts Receivable:

Revenue due under third-party payor agreements is subject to audit and retroactive adjustment. The Center maintains an allowance for doubtful accounts of \$155,801 and \$260,096 for June 30, 2010 and 2009, respectively.

C. Property, Plant and Equipment:

The Center purchased a quadplex on April 30, 1999 for \$120,000 to provide supportive housing rental units. The purchase was subject to a mortgage more particularly described in Footnote F. The Center purchased property and three buildings at 89 Knight Boxx Road on March 3, 2003 for \$265,000 to provide treatment facilities. The purchase was subject to a \$240,000 mortgage more particularly described in Footnote F.

	<u>Life</u>	<u>2010</u>	<u>2009</u>
Land	-	\$ 204,891	\$ 204,891
Building and building improvements	15 to 30 yrs.	2,112,642	1,870,432
Furniture and fixtures	5 yrs.	153,558	153,558
Equipment	5 yrs.	906,669	890,322
Leasehold improvement	15 yrs.	<u>2,665</u>	<u>2,665</u>
		3,380,425	3,121,868
Accumulated depreciation		<u>(1,607,012)</u>	<u>(1,540,721)</u>
		<u>\$ 1,773,413</u>	<u>\$ 1,581,147</u>

D. Restricted Cash:

As part of the financing agreement more fully described in Footnote F, a portion of the loan proceeds were held in escrow by the bank to complete capital projects underway or planned in the immediate future. The balance of the escrow was \$-0- and \$35,479 at June 30, 2010 and 2009, respectively.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009
-continued-

E. Line of Credit:

The Center secured a bank line of credit to provide for working capital needs. The line of credit is for \$400,000, priced at LIBOR + 2.25%, and is reviewed annually. There was no principal balance on the line at June 30, 2010 and at June 30, 2009.

F. Long-Term Debt:

In May, 2006 the Center refinanced the mortgage debt by assigning the County Road 220 and Knight Boxx Road properties to the Clay County Development Authority subject to financing and leaseback from the funding bank. The financing agreement was for \$1,300,000 with the County Road 220 property subject to an \$800,000 note with monthly principal and interest payments of \$5,395, priced at a fixed rate of 5.26% with a twenty year amortization and ten year balloon payment. The Knight Boxx Road property was subject to a \$500,000 note with monthly principal and interest payments of \$3,400, priced at a fixed rate of 5.36% with a twenty year amortization and ten year balloon payment. The total balance at June 30, 2010 and 2009 was \$863,969 and \$959,207, respectively.

The Center purchased a quadplex on April 30, 1999 subject to a \$94,500 mortgage, priced at 7.90%, payable monthly over 15 years for \$525 monthly, plus accrued interest. The principal balance was \$24,675 and \$30,975 at June 30, 2010 and 2009. The future principal maturities of long-term debt as of June 30, 2010 are as follows:

2011	\$ 106,690
2012	112,120
2013	117,843
2014	123,350
2015	428,641
Thereafter	<u>-0-</u>
Total	888,644
Less current portion	<u>106,690</u>
Long term portion	<u>\$ 781,954</u>

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009
-continued-

G. Related Entities:

Clay Behavioral Health Center, Inc. and Clay & Baker Kids Net, Inc. are controlled by the Institute for Growth & Development, Inc. through board of directors' appointments and management agreements. The Center had accounts receivable of \$36,673 and \$13,174 due from Clay & Baker Kids Net, Inc. and accounts payable of \$11,853 and \$8,500 due to the Institute for Growth & Development, Inc. at June 30, 2010 and 2009, respectively. The Center paid the Institute for Growth & Development, Inc. \$300,290 and \$315,423 for management services during the year ending June 30, 2010 and 2009.

H. Support from the State of Florida which Required Match:

The Center had fixed price and/or unit of service contracts that required cost sharing or match. Clay Behavioral Health Center, Inc. met the matching requirements of these contracts as shown below:

Total Expenses		\$ 5,340,345
Less nonmatching revenues:		
Medicaid	1,359,285	
Medicare	<u>105,545</u>	<u>1,464,830</u>
		3,875,515
Less nonreimbursable expenses:		
Bad debts	212,458	
Depreciation	76,495	
Unallowable costs	<u>24,996</u>	<u>313,949</u>
Reimbursable expenses		3,561,566
Alcohol, Drug Abuse, and Mental Health Program DH605		
Amount received or receivable requiring match	1,392,813	
Match required – 25%:75%	<u>464,271</u>	<u>1,857,084</u>
Excess Match Available		<u>\$ 1,704,482</u>

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

-continued-

I. Pension Plan:

The Center participates in a deferred compensation plan for full time employees with more than one year of continuous service. The Center also contributes to each employee's account depending on the length of credited service. The contribution ranges from 1 to 6% of the employee's annual salary. The plan was terminated with the last contribution made in April, 2009. For the years ending June 30, 2010 and 2009 the employer contribution totaled \$-0- and \$69,806, respectively.

J. Operating Leases:

The Center leases office suites on Kingsley Avenue in Orange Park, Florida. The Center also leases a copier and a security system. Lease expense was \$26,075 and \$27,723 and for the years ending June 30, 2010 and 2009.

K. Concentration of Credit Risk:

The Center maintains a bank account with FDIC insured banks and exceeded depository insurance limits. The uninsured exposure at June 30, 2010 and 2009 was \$378,604 and \$106,411, representing 55% and 28% of the total cash and cash equivalents, respectively.

L. Fair Value of Financial Instruments:

The following methods and assumptions were used by the Center in estimating the fair value of its financial instruments:

Cash: The carrying amount reported in the Statements of Financial Position for cash approximates its fair value.

Investments: The carrying amount reported in the Statements of Financial Position for investments approximates the fair value.

Accounts payable and accrued expenses: The carrying amount reported in the Statements of Financial Position for accounts payable and accrued expenses approximates the fair value.

Estimated third-party payer settlements: The carrying amount reported in the Statements of Financial Position for estimated third-party payer settlements approximates the fair value.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009
-continued-

L. Fair Value of Financial Instruments: continued,

Long-term debt: The Center's debt is not publicly traded and its level of borrowing is not sufficient to estimate a fair value based on cash flow analysis. See note F for a summary of the Center's long-term debt.

M. Contingencies:

Revenue from the Medicaid program was 25% and 26% of total public support and revenue in the years ending June 30, 2010 and 2009. Laws and regulations governing the Medicaid program are complex and subject to interpretation. The Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the Medicaid program.

N. Subsequent Events:

In preparing this financial statement, the Center evaluated events and transactions for potential recognition or disclosure through September 10, 2010, the date the financial statement was available to be issued.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through State of Florida				
Department of Children and Families:				
Community Mental Health Services	93.958	DH666	\$ 122,135	\$ -
Temporary Assistance for Needy Families	93.558	DH666	56,653	-
Prevention and Treatment of Substance Abuse	93.959	DH666	673,816	-
Prevention and Treatment of Substance Abuse	93.959	DDZ02	61,000	-
U. S. DEPARTMENT OF EDUCATION				
Passed Through State of Florida				
Department of Education:				
Vocational Rehabilitation Services (ARRA)	84.390	VJ-268	46,605	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 960,209</u>	<u>\$ -</u>
STATE OF FLORIDA				
Direct Projects of Department of Children and Families				
Substance Abuse Treatment and Aftercare Services for Children	60.030	DH666	\$ 272,880	\$ -
Substance Abuse Detoxification Services for Adults	60.031	DH666	4,423	-
Substance Abuse Treatment and Aftercare Services for Adults	60.033	DH666	142,604	-
Indigent Psychiatric Medication Services	60.039	DH666	5,810	-
Adult Community Mental Health Community Support Services	60.053	DH666	904,288	-
Adult Community Mental Health Emergency Stabilization	60.054	DH666	89,690	-
Children's Mental Health Community Support Services	60.055	DH666	74,005	-
Children's Mental Health Emergency Stabilization	60.057	DH666	29,746	-
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 1,523,446</u>	<u>\$ -</u>

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2010

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state activity of Clay Behavioral Health Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, "Rules of the Auditor General." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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Margaret Dodson, C.P.A.

Peter F. Carroll, C.P.A.

MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

**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***

Board of Directors
Clay Behavioral Health Center, Inc.
Orange Park, Florida

We have audited the financial statements of Clay Behavioral Health Center, Inc. (a nonprofit corporation) as of and for the year ended June 30, 2010, and have issued our report thereon dated August 6, 2010. 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 Clay Behavioral Health Center, Inc.'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 the Clay Behavioral Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness Clay Behavioral Health Center, Inc.'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 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other matters

As part of obtaining reasonable assurance about whether Clay Behavioral Health Center, Inc.'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 matters that we have reported to management of Clay Behavioral Health Center, Inc. in a separate letter dated August 6, 2010.

This report is intended solely for the information and use of the audit committee, management and 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.

James Knutzen & Associates

James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
August 6, 2010

JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.

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MEMBER OF
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE PROJECTS COMPLIANCE SUPPLEMENT

Board of Directors
Clay Behavioral Health Center, Inc.
Orange Park, Florida

Compliance

We have audited the compliance of Clay Behavioral Health Center, Inc. (a nonprofit organization) 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 Department of Financial Services' State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended June 30, 2010. Clay Behavioral Health Center, Inc.'s major federal programs and state projects are identified in the summary of auditors' 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 Clay Behavioral Health Center, Inc.'s management. Our responsibility is to express an opinion on Clay Behavioral Health Center, Inc.'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 Clay Behavioral Health Center, Inc.'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 Clay Behavioral Health Center's compliance with those requirements.

In our opinion, Clay Behavioral Health Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable each of its major federal programs and state projects for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Clay Behavioral Health Center, Inc. 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 Clay Behavioral Health Center, Inc.'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 our 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 and Chapter 10.650, Rules of the Auditor General, 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 Clay Behavioral Health Center, Inc.'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 or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to 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 the board of directors, management and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.



James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
August 6, 2010

CLAY BEHAVIORAL HEALTH CENTER
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS

Year Ended June 30, 2010

Section I--Summary of Auditors' Results

Financial Statements:

Unqualified auditors' report issued

Internal control over financial reporting:

Material weakness(es) identified?	_____	YES	_____ X _____	NO
Significant deficiency(ies) identified?	_____	YES	_____ X _____	NO
Noncompliance material to financial statements noted?	_____	YES	_____ X _____	NO

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	_____	YES	_____ X _____	NO
Significant deficiency(ies) identified?	_____	YES	_____ X _____	NO

Unqualified auditors' report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____	YES	_____ X _____	NO
--	-------	-----	---------------	----

Identification of major programs:

	<u>CFDA #'s</u>	<u>Name of Federal Program and State Project or Cluster</u>
Prevention and Treatment of Substance Abuse	93.959	N/A
	<u>CSFA #'s</u>	
Adult Community Mental Health Community Support Services	60.053	N/A

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

\$300,000

Auditee qualified as low risk auditee?	_____ X _____	YES	_____	NO
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Section II--Financial Statement Findings

None

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS

Year Ended June 30, 2010

Section III--Federal Award Findings and Questioned Costs

Major Federal Award Programs/Major State Projects Audit:

None

Section IV--Summary Schedule of Prior Audit Findings

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal Programs or State Projects.

Section V--Corrective Action Plan

No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Act.

Section VI--Management Letter

No management letter as defined in State of Florida, Rules of the Auditor General 10.656(3)(e) is required because there were no findings related to State Financial Assistance required to be reported.