

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.**  
(An Affiliate of Miami Jewish Health Systems)

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**Years Ended June 30, 2010 and 2009**

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MOORE STEPHENS  
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Douglas Gardens Community Mental Health  
Center of Miami Beach, Inc.  
Miami, Florida

We have audited the accompanying balance sheets of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. (an affiliate of Miami Jewish Health Systems) (the "Center") as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2010. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Center's 2009 financial statements and in our report dated October 20, 2009, we expressed an unqualified opinion on those financial statements.

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 audits 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 the Center 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 October 29, 2010 on our consideration of the Center'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 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 audit.

*Moore Stephens Lovelace, P.A.*  
Certified Public Accountants

Miami Lakes, Florida  
October 29, 2010

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.**

(An Affiliate of Miami Jewish Health Systems)

**BALANCE SHEETS**

**June 30, 2010 and 2009**

**ASSETS**

	<b>2010</b>	<b>2009</b>
CURRENT ASSETS		
Cash	\$ <b>600</b>	\$       750
Accounts receivable, net of allowance for doubtful accounts of approximately \$9,100 as of June 30, 2010 and 2009	<b>538,847</b>	614,496
Prepaid expenses	<b>178,388</b>	156,587
Other current assets	<b>80,366</b>	6,551
TOTAL CURRENT ASSETS	<b>798,201</b>	778,384
PROPERTY AND EQUIPMENT, net	<b>2,678,635</b>	2,649,666
TOTAL ASSETS	<b>\$ 3,476,836</b>	\$ 3,428,050

**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ <b>693,631</b>	\$ 674,126
Revolving demand note	<b>334,597</b>	222,541
Current portion of note payable	<b>6,916</b>	9,000
Current portion of unfunded pension benefit obligation	<b>148,833</b>	119,234
Due to affiliate	<b>438,581</b>	141,714
Deferred revenue	<b>7,995</b>	11,422
TOTAL CURRENT LIABILITIES	<b>1,630,553</b>	1,178,037
NOTE PAYABLE, less current portion	-	6,916
UNFUNDED PENSION BENEFIT OBLIGATION, less current portion	<b>1,022,047</b>	1,000,477
OTHER LIABILITIES	<b>102,000</b>	204,000
TOTAL LIABILITIES	<b>2,754,600</b>	2,389,430
COMMITMENTS AND CONTINGENCIES		
FEDERAL HOME LOAN SUBSIDY	<b>155,459</b>	164,559
UNRESTRICTED NET ASSETS	<b>566,777</b>	874,061
TOTAL LIABILITIES AND NET ASSETS	<b>\$ 3,476,836</b>	\$ 3,428,050

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

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.**

(An Affiliate of Miami Jewish Health Systems)

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Years Ended June 30, 2010 and 2009**

	<b>2010</b>	2009
REVENUES, GAINS, AND OTHER SUPPORT		
Program service fees:		
Allocation GMJF/United Way	\$ 90,500	\$ 110,204
Government agencies	4,182,894	4,577,843
Client fees and other third party payors	3,372,648	3,500,656
Other revenue	119,109	116,810
Contributions	1,000	-
	<b>7,766,151</b>	8,305,513
TOTAL REVENUES, GAINS, AND OTHER SUPPORT		
EXPENSES		
Program services:		
Comprehensive Community Service Team (CCST)	1,683,244	1,394,272
Crisis support	225,777	205,475
Non SAMH services	552,852	718,160
Outpatient medical	2,084,789	2,144,979
Residential	2,481,185	2,569,201
	<b>7,027,847</b>	7,032,087
TOTAL PROGRAM EXPENSES		
Supporting services:		
General and administrative	1,085,407	1,051,076
	<b>8,113,254</b>	8,083,163
TOTAL EXPENSES		
(LOSS) INCOME BEFORE PENSION RELATED CHANGES	<b>(347,103)</b>	222,350
Pension related changes other than net periodic pension cost	<b>39,819</b>	(474,475)
CHANGE IN NET ASSETS	<b>(307,284)</b>	(252,125)
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<b>874,061</b>	1,126,186
UNRESTRICTED NET ASSETS AT END OF YEAR	<b>\$ 566,777</b>	\$ 874,061

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

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.**

(An Affiliate of Miami Jewish Health Systems)

**STATEMENTS OF CASH FLOWS**

**Years Ended June 30, 2010 and 2009**

	<b>2010</b>	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<b>\$ (307,284)</b>	\$ (252,125)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	<b>144,613</b>	128,027
Amortization of federal home loan subsidy	<b>(9,100)</b>	(9,100)
Change in minimum pension liability	<b>51,169</b>	450,312
Changes in operating assets and liabilities:		
Accounts receivable	<b>75,649</b>	218,294
Prepaid expenses	<b>(21,801)</b>	14,360
Other current assets	<b>(73,815)</b>	(1,466)
Accounts payable and accrued expenses	<b>19,505</b>	113,141
Deferred revenue	<b>(3,427)</b>	11,422
Other liabilities	<b>(102,000)</b>	(102,000)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<b>(226,491)</b>	570,865
 CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	<b>(173,582)</b>	(332,529)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Change in due to affiliate	<b>296,867</b>	(113,826)
Proceeds from revolving demand note	<b>4,957,056</b>	3,300,984
Payments on revolving demand note	<b>(4,845,000)</b>	(3,408,517)
Payments on long-term debt	<b>(9,000)</b>	(16,977)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<b>399,923</b>	(238,336)
 NET DECREASE IN CASH	<b>(150)</b>	-
 CASH - BEGINNING OF YEAR	<b>750</b>	750
 CASH - END OF YEAR	<b>\$ 600</b>	\$ 750

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

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.**

(An Affiliate of Miami Jewish Health Systems)

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2010  
(With Comparative Totals for 2009)**

EXPENSES	PROGRAM SERVICES			
	CCST	CRISIS SUPPORT	NON SAMH SERVICES	OUTPATIENT MEDICAL
Salaries and temporary employment	\$ 756,802	\$ 115,164	\$ 88,666	\$ 419,632
Employee health and retirement benefits	181,930	34,117	19,289	66,571
Payroll taxes	56,802	8,492	10,736	27,612
TOTAL SALARIES AND RELATED EXPENSES	995,534	157,773	118,691	513,815
Conferences, conventions	1,283	-	85	-
Depreciation	3,309	-	-	-
Equipment rental	-	-	-	-
Local transportation	11,962	-	2,447	199
Occupancy	330,163	37,767	48,709	52,732
Organizational dues	800	-	75	-
Other expense*	39,570	12,893	12,135	36,333
Postage	-	-	-	-
Printing and publications	-	-	-	3,165
Professional fees and contract services	119,048	1,048	287,953	8,509
Supplies	181,575	16,296	82,757	1,470,036
Telephone	-	-	-	-
TOTAL EXPENSES	<u>\$ 1,683,244</u>	<u>\$ 225,777</u>	<u>\$ 552,852</u>	<u>\$ 2,084,789</u>

\*\$150,000 indirect cost has been allocated to all components based on cumulative cost.

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

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.**  
(An Affiliate of Miami Jewish Health Systems)

**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**

**Year Ended June 30, 2010  
(With Comparative Totals for 2009)**

	PROGRAM SERVICES (Continued)				SUPPORTING SERVICES GENERAL AND ADMINIS- TRATIVE	TOTAL	
	RESIDENTIAL			TOTAL PROGRAM SERVICES		2010	2009
	LEVEL 2	LEVEL 3	LEVEL 4				
EXPENSES							
Salaries, and temporary employment	\$ 248,590	\$ 519,933	\$ 201,932	\$ 2,350,719	\$ 556,912	<b>\$ 2,907,631</b>	\$ 3,015,217
Employee health and retirement benefits	61,273	107,849	49,517	520,546	151,392	<b>671,938</b>	420,116
Payroll taxes	28,952	33,258	21,772	187,624	33,489	<b>221,113</b>	219,627
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>338,815</b>	<b>661,040</b>	<b>273,221</b>	<b>3,058,889</b>	<b>741,793</b>	<b>3,800,682</b>	<b>3,654,960</b>
Conferences, conventions	-	120	-	1,488	5,126	<b>6,614</b>	13,087
Depreciation	26,358	43,144	65,212	138,023	6,590	<b>144,613</b>	128,027
Equipment rental	5,872	8,344	3,654	17,870	-	<b>17,870</b>	15,939
Local transportation	5,606	21,303	683	42,200	9,229	<b>51,429</b>	67,058
Occupancy	44,871	111,491	159,715	785,448	208,083	<b>993,531</b>	1,044,164
Organizational dues	-	-	-	875	2,999	<b>3,874</b>	2,796
Other expense*	17,057	27,592	13,304	158,884	24,471	<b>183,355</b>	173,454
Postage	6	49	8	63	65	<b>128</b>	1,475
Printing and publications	-	48	870	4,083	351	<b>4,434</b>	6,776
Professional fees and contract services	5,153	9,127	3,726	434,564	37,124	<b>471,688</b>	478,672
Supplies (including interest of \$8,372)	33,734	560,064	27,244	2,371,706	47,076	<b>2,418,782</b>	2,475,729
Telephone	4,249	5,991	3,514	13,754	2,500	<b>16,254</b>	21,026
<b>TOTAL EXPENSES</b>	<b>\$ 481,721</b>	<b>\$ 1,448,313</b>	<b>\$ 551,151</b>	<b>\$ 7,027,847</b>	<b>\$ 1,085,407</b>	<b>\$ 8,113,254</b>	<b>\$ 8,083,163</b>

\*\$150,000 indirect cost has been allocated to all components based on cumulative cost.

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



**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.  
(An Affiliate of Miami Jewish Health Systems)**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended June 30, 2010 and 2009**

**NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES**

**NATURE OF THE ORGANIZATION**

Douglas Gardens Community Mental Health Center Inc. (the “Center”) was incorporated in the State of Florida on April 18, 1978 to develop and operate a comprehensive, coordinated mental health care delivery system for the residents of Miami Beach, Surfside, Bay Harbor Islands, Bal Harbour, and North Bay Village, pursuant to the Community Health Centers Act of 1964 (as amended by Public Law 94-63). The Center administers a variety of services for all ages, including, but not limited to, inpatient, outpatient, emergency service, consultation and education, aftercare, drug and alcohol abuse, transitional service, screening, and residential and day care centers for the chronically mentally ill, both directly and in coordination with community institutions and agencies.

Additionally, the Center provides a wide range of mental health services, as well as limited substance abuse services. Services provided include: screening, assessment, psychological and psychiatric evaluation, psychiatric medication management, individual and group therapy, case management, homeless program, day treatment, and crisis residence and support.

The Residential Treatment System (“RTS”) program provides residential, day treatment and case management services to older adults (age 55 and older), who require intensive psychiatric rehabilitative services to avoid long-term inpatient psychiatric care. Services provided within the residential units are available in the Miami-Dade County area.

The Comprehensive Community Service Team (“CCST”) was developed by the Florida Department of Children and Families (the “Agency”) to provide more integrated and comprehensive services to individuals with major mental illness. The CCST team is an integral part of the Department’s resiliency and recovery initiative. The CCST model combines case management, social rehabilitation, supportive employment, supportive housing, and outpatient services into a seamless and transparent service provided by a multiple disciplined team of mental health professionals. Individuals served by the CCST team are provided a full range of services based on a comprehensive assessment rather than the services provided by the agency.

The Center is a Medicare-certified provider, and participates in the State of Florida’s Mental Health Clinic Option and Florida’s Medicaid Plan. In addition, the residential treatment facilities are licensed and certified for participation in the Optional State Supplement Program (“OSS”).

**NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Center contracts administrative and financial and management services from Miami Jewish Health Systems ("MJHS").

**Liquidity**

The Center has a working capital deficit of approximately \$832,000 and \$400,000 at June 30, 2010 and 2009, respectively. Management of the Center has taken financial measures in 2010 to address the liquidity situation. The Center has eliminated a program, has reduced specific programs personnel, and has amended its employee benefit plan to reduce its pension cost. In addition, the Center is in the process of selling two of its existing properties and plans to utilize the sales proceeds to improve the current financial liquidity of the Center.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Property and Equipment**

Property and equipment acquisitions with a useful life in excess of one year are recorded at cost if purchased or at fair value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. Expenditures that improve or extend the life of property and equipment are capitalized. The cost of maintenance, repairs and recurring replacements are charged to operations as incurred.

**Revenue Recognition**

Donations

Gifts of long-lived assets, such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

For the fiscal year ended June 30, 2010, all contributions received by the Center were unrestricted. For the fiscal year ended June 30, 2009, there were no contributions received by the Center.

Service Fees

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net client service revenue is reported at the estimated net realizable amounts from clients, third-party payors, and others for services rendered, including estimated retroactive adjustments under

**NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Service Fees (continued)

reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Client service revenue is derived primarily from self-pay clients, the Medicaid program, the Medicaid Drug program, and the Medicare program.

The Center provides care to clients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue (see Note 7).

**Net Asset Classifications**

Unrestricted - Unrestricted net assets result from operating revenues of the Center and contributions received which have no restrictions placed by donors as to their use or have donor restrictions which are met within the same fiscal year as received.

Temporarily Restricted - Temporarily restricted net assets result from contributions of cash, long-lived assets, and other assets, which are restricted in use by the donors. When a donor restriction expires due to passage of time or accomplishment of purpose, the contributions become unrestricted net assets and are recorded as “net assets released from restrictions” in the statements of activities. Expiration of donor restrictions is also reported when donated or acquired long-lived assets are used for their intended purpose. There were no temporarily restricted net assets as of June 30, 2010 and 2009.

Permanently Restricted - Permanently restricted net assets result from contributions and other receipts of assets whose use is limited by donor restrictions that do not expire by either passage of time or by actions of the organization. There were no permanently restricted net assets as of June 30, 2010 and 2009.

**Income Taxes**

The Center is a nonprofit organization exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described under Section 501(c)(3) of the Internal Revenue Code. The Center believes it continues to qualify and operate as designated. Accordingly, the financial statements include no provision or liability for income taxes.

As of June 30, 2010, with few exceptions, the Center is no longer subject to income tax examinations by the United States federal tax authority for any years before the tax year ended June 30, 2007.

**NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

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

**Functional Expenses**

Functional expenses in program services are derived by both direct expense and allocation of expenses. Allocation methodology has been developed by the Center and is consistently applied. Classifications used for program services are based on the contract with entities providing funding.

**Evaluation of Subsequent Events**

The Center's management has evaluated subsequent events through October 29, 2010, which is the date the financial statements are available to be issued.

**NOTE 2 - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 702,786	\$ 702,786
Building	3,450,999	3,345,413
Building improvements	485,363	485,363
Equipment	1,621,085	1,399,185
Construction in progress	<u>153,472</u>	<u>286,676</u>
	6,413,705	6,219,420
Less accumulated depreciation	<u>(3,735,070)</u>	<u>(3,569,754)</u>
	<u>\$ 2,678,635</u>	<u>\$ 2,649,666</u>

Depreciation expense for the years ended June 30, 2010 and 2009, amounted to \$144,613 and \$128,027, respectively.

### **NOTE 3 - DUE TO AFFILIATE**

The due to affiliate as of June 30, 2010 and 2009 approximated \$439,000 and \$142,000, respectively. The amounts accrue no interest and are repaid periodically as cash is available. Liabilities for funds advanced by MJHS to the Center and receivables from MJHS are shown net at fiscal year end for financial statement presentation. For each of the fiscal years ended June 30, 2010 and 2009, the Center was charged by MJHS for administrative overhead and management services at a cost of \$150,000.

### **NOTE 4 - REVOLVING DEMAND NOTE**

The Center has available a revolving demand note from a financial institution which provides for borrowings up to \$650,000. As of June 30, 2010 and 2009, amounts borrowed against the unsecured revolving demand note were approximately \$335,000 and \$223,000, respectively. This note, used for operating purposes, bears interest at 1% over the 30-day LIBOR rate, which is payable monthly. On June 30, 2010, the effective rate was 1.35%. The revolving demand note is renewable each year on March 1st, at which time the bank may, at its discretion, require principal repayment. This demand note is guaranteed by MJHS.

Cash paid for interest on all debt agreements for the years ended June 30, 2010 and 2009, was approximately \$8,000 and \$5,100, respectively.

### **NOTE 5 - NOTE PAYABLE**

The Center has a note payable to a financial institution at 6%, with monthly principal payments of \$750, plus interest; maturing on March 31, 2011; collateralized by property at 7100 Rue Granville, Miami Beach, Florida. The note principal was \$6,916 and \$15,916 at June 30, 2010 and 2009, respectively.

### **NOTE 6 - EMPLOYEE BENEFIT PROGRAMS**

#### **Defined Benefit Pension Plan**

The Center and MJHS have a joint defined benefit pension plan (The "Plan"), providing retirement, death, and disability benefits to eligible employees of the Center and MJHS over the age of 21 with at least one year of service. The annual retirement benefits, paid to employees with five or more years of service when they reach normal retirement age, are based upon credited service and earnings, as defined by the Plan. The assets and corresponding liabilities of the Plan are not included in the Center's financial statements since they are held in trust for the benefit of the employees and are not owned by the Center.

Effective July 1, 2010, The Center and MJHS's management adopted a change in the Plan's benefit structure. The rate of accrual for service after June 30, 2010 is 0.5% times career-average compensation. In addition, accrued benefits as of June 30, 2010 are preserved for participants on that date, but will not reflect post June 30, 2010 compensation. As a result of this change, the June 30, 2010 pension benefit obligation has decreased by approximately \$5,140,000, which also reduces other components of the pension cost.

**NOTE 6 - EMPLOYEE BENEFIT PROGRAMS (Continued)****Defined Benefit Pension Plan (Continued)**

The net periodic pension cost of the Plan for the years ended June 30, 2010 and 2009 was determined as follows:

	<u>2010</u>	<u>2009</u>
Service cost	\$ 2,104,287	\$ 2,278,383
Interest cost	3,320,992	3,158,215
Expected return on plan assets	(3,189,328)	(3,343,877)
Amortization of net actuarial loss	<u>1,523,164</u>	<u>1,156,789</u>
Net period pension cost	<u>\$ 3,759,115</u>	<u>\$ 3,249,510</u>

The following assumptions were used to determine the net periodic pension cost:

	<u>2010</u>	<u>2009</u>
Discount rate	6.25%	6.25%
Expected long-term rate of return on assets	8.00%	8.00%
Rate of increase in salary levels	3% to 5%	3% to 5%

For 2010 and 2009, the discount rate for obligations was developed with a current settlement rate of inflation of 2.25% per annum; the long-term rate of investment return includes an underlying long-term rate of inflation assumption of 3.5% per annum; and the salary increase rate includes a higher initial rate, gradually decreasing to lower ultimate rate.

The following table reconciles the changes in the Plan's projected benefit obligation during each of the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Projected benefit obligation at beginning of year	\$ 56,113,499	\$ 50,037,544
Service cost	2,104,287	2,278,383
Interest cost	3,320,992	3,158,215
Actuarial loss	4,596,825	2,497,431
Benefits paid	(2,119,107)	(1,858,074)
Plan amendment	<u>(5,140,464)</u>	<u>-</u>
Projected benefit obligation at end of year	<u>\$ 58,876,032</u>	<u>\$ 56,113,499</u>

Changes in plan assets during the years ended June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Fair value of plan assets at beginning of year	\$37,451,641	\$38,807,962
Actual return on plan assets	1,744,702	(3,223,402)
Employer contributions	3,523,293	3,725,155
Benefits paid	<u>(2,119,107)</u>	<u>(1,858,074)</u>
Fair value of plan assets at end of year	<u>\$40,600,529</u>	<u>\$37,451,641</u>

**NOTE 6 - EMPLOYEE BENEFIT PROGRAMS (Continued)****Defined Benefit Pension Plan (Continued)**

The Plan's weighted-average asset allocations at June 30, 2010 and 2009, by asset category, were as follows:

	<u>2010</u>	<u>2009</u>
Equity securities	<b>56%</b>	22%
Fixed income securities	<b>34%</b>	35%
Cash and cash equivalents	<b>7%</b>	36%
Mutual Funds	<b>0%</b>	5%
Other	<b>3%</b>	2%
Total	<b><u>100%</u></b>	<b><u>100%</u></b>

The overall objective of the Plan's investment policy is to achieve a rate of return which equals or exceeds the expected long-term rate of return assumed for measuring the Plan's projected obligations. The investment policy provides for an asset allocation of no more than 65% of the Plan's assets invested in equity securities; and no more than 25% in other asset classes defined as hedge funds, fund of funds and other similar investments, without express prior permission from the Investment Committee of the Plan. However, no less than 35% of the total plan assets must be invested in fixed income securities and cash equivalents combined. A wide variety of investments vehicles can be purchased as authorized in the Plan's investment policy. Quarterly performance of the equity portfolio is measured against the S&P 500 Index, while the fixed income portfolio is measured against the Barclays Intermediate Government/Credit index. Risk-adjusted returns are compared with other risk-adjusted returns for similar portfolios. The total Portfolio will be compared against a benchmark portfolio utilizing the Standard & Poor's 500 index, the Barclays Intermediate Government/Credit Index, and 90 day T bills.

The Plan's unfunded pension benefit obligation at June 30, 2010 and 2009 was calculated as follows:

	<u>2010</u>	<u>2009</u>
Projected benefit obligation	<b>\$ 58,876,032</b>	\$ 56,113,499
Less: plan assets at fair value	<b>(40,600,529)</b>	(37,451,641)
Funded status:		
Unfunded pension benefit obligation	<b><u>\$ 18,275,503</u></b>	<b><u>\$ 18,661,858</u></b>

The Plan's unfunded pension benefit obligation at June 30, 2010 and 2009 is classified as follows:

	<u>2010</u>	<u>2009</u>
Current liabilities	<b>\$ 2,323,038</b>	\$ 1,987,241
Noncurrent liabilities	<b><u>15,952,465</u></b>	<u>16,674,617</u>
Unfunded pension benefit obligation	<b><u>\$18,275,503</u></b>	<b><u>\$18,661,858</u></b>

**NOTE 6 - EMPLOYEE BENEFIT PROGRAMS (Continued)**

**Defined Benefit Pension Plan (Continued)**

Other changes in Plan assets and benefit obligations recognized in unrestricted net assets are as follows:

	<u>2010</u>	<u>2009</u>
Prior service cost	\$ 5,140,464	\$ -
Net loss	(6,041,451)	(9,064,710)
Amortization of net gain	<u>1,523,164</u>	<u>1,156,789</u>
Total recognized in unrestricted net assets	<u>\$ 622,177</u>	<u>\$(7,907,921)</u>

MJHS and the Center expect to jointly contribute approximately \$2,800,000 to the pension plan in the year ended June 30, 2011. The June 30, 2010 and 2009 allocations of the Center's and MJHS's respective share of the required unfunded pension liability, net periodic pension cost and other pension cost and other pension related changes are illustrated in the following table:

	<u>June 30, 2010</u>		
	<u>MJHS</u>	<u>The Center</u>	<u>Total</u>
<b>Unfunded pension liability</b>			
Current liabilities	\$ 2,174,205	\$ 148,833	\$ 2,323,038
Noncurrent liabilities	<u>14,930,418</u>	<u>1,022,047</u>	<u>15,952,465</u>
Total unfunded liability	<u>\$ 17,104,623</u>	<u>\$ 1,170,880</u>	<u>\$ 18,275,503</u>
<b>Net periodic pension cost</b>			
Net periodic pension cost	<u>\$ 3,517,369</u>	<u>\$ 241,746</u>	<u>\$ 3,759,115</u>
<b>Other pension related changes</b>			
Net gain	<u>\$ 582,358</u>	<u>\$ 39,819</u>	<u>\$ 622,177</u>
	<u>June 30, 2009</u>		
	<u>MJHS</u>	<u>The Center</u>	<u>Total</u>
<b>Unfunded pension liability</b>			
Current liabilities	\$ 1,868,007	\$ 119,234	\$ 1,987,241
Noncurrent liabilities	<u>15,674,140</u>	<u>1,000,477</u>	<u>16,674,617</u>
Total unfunded liability	<u>\$ 17,542,147</u>	<u>\$ 1,119,711</u>	<u>\$ 18,661,858</u>
<b>Net periodic pension cost</b>			
Net periodic pension cost	<u>\$ 3,045,001</u>	<u>\$ 204,509</u>	<u>\$ 3,249,510</u>
<b>Other pension related changes</b>			
Net (loss)	<u>\$ (7,433,446)</u>	<u>\$ (474,475)</u>	<u>\$ (7,907,921)</u>



**NOTE 6 - EMPLOYEE BENEFIT PROGRAMS (Continued)**

**Defined Benefit Pension Plan (Continued)**

The following benefit payments are projected to be made by the Plan for each of the years ending June 30:

<u>Year</u>	<u>Amount</u>
2011	\$ 2,323,038
2012	2,447,435
2013	2,730,348
2014	2,978,344
2015	3,159,208
Thereafter	<u>20,100,757</u>
	<u>\$ 33,739,130</u>

**Defined Contribution Pension Plan**

On July 1, 2010, the Center and MJHS established a qualified defined contribution employee benefit plan (the "403b Plan") as allowed under section 403(b) of the Internal Revenue Code (the "Code"). All The Center and MJHS employees are eligible to make elective contributions. Employees who have completed 12 months of service, are 21 years old and work at least twenty hours per week are eligible to received employer contributions in the 403b Plan.

The 403b Plan permits participant contributions up to a limit set by the Code. The Center, matches 100% of employee's elective contributions up to 3% of the annual compensation, plus 50% of the employee's contribution in excess of 3% of the annual compensation. Employees become immediately vested in the Center's matching portion of the contribution.

**NOTE 7 - CHARITY CARE**

Certain behavioral health services are provided by the Center to individuals who are not covered by any third-party insurance plans and who fall below the Federal Poverty Guidelines and are, therefore, unable to pay. The amount of charges foregone for services and supplies furnished under the Center's charity care policy aggregated approximately \$882,000 and \$973,000 in 2010 and 2009, respectively.

**NOTE 8 - COMMITMENT AND CONTINGENCIES**

**Federal Home Loan Subsidy**

In 1997 the Center received a Federal Home Loan Subsidy to subsidize the purchase the Mayfair Hotel and establish an affordable housing program. Annual principal reductions of \$9,167 are forgiven subject to certain compliance requirements with the terms of the subsidy. Management believes all compliance requirements related to the subsidy have been met. As of June 30, 2010 and 2009, the unamortized Federal Home Loan Subsidy balance approximated \$155,000 and \$165,000, respectively.

**NOTE 8 - COMMITMENT AND CONTINGENCIES (Continued)**

**Operating Lease**

On September 9, 2009, the Center entered into an operating lease agreement to lease office space from an unrelated third party. The lease obligation calls for annual payments of approximately \$444,152 during the first year. Thereafter, payments will be adjusted annually as per lease agreement. The lease term is for ten years beginning on the date the premises are occupied. Management of the Center expects to occupy the premises by November 2010.

The following is a schedule by years of the expected future minimum lease payments required under the lease as of June 30, 2010.

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 309,837
2012	464,755
2013	464,755
2014	464,755
2015	464,755
Thereafter	<u>2,478,695</u>
	<u>\$4,647,552</u>

**Government Review Risk**

Federal and State of Florida grants, as well as Medicaid services are subject to audits by the federal and state agencies to determine if activities comply with conditions of the grant or service provided. In the event that expenditures would be disallowed or services deemed ineligible, repayment could be required.

**Credit Risk**

Concentrations of credit risk consist principally of cash, which, at times, may exceed federally-insured limits, and accounts receivable. Management believes that it is not exposed to any significant credit risk on cash. Management believes that credit risk with respect to accounts receivable is limited since a substantial portion of the accounts receivable is due from state and federal government programs.

## **SUPPLEMENTAL INFORMATION**



MOORE STEPHENS  
LOVELACE, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON SUPPLEMENTAL INFORMATION

Board of Directors  
Douglas Gardens Community Mental Health  
Center of Miami Beach, Inc.  
Miami, Florida

We have audited the financial statements of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 29, 2010, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules appearing on pages 18 through 24 are 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*, Chapter 10.650, the Rules of the Auditor General, and the State of Florida, Department of Children and Families, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 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.

*Moore Stephens Lovelace, P.A.*  
Certified Public Accountants

Miami Lakes, Florida  
October 29, 2010

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.  
(An Affiliate of Miami Jewish Health Systems)**

**SCHEDULE OF STATE EARNINGS**

**Year Ended June 30, 2010**

<b>1</b>	Total expenditures	\$ 8,113,254
<b>2</b>	Less other State Funds	(2,965,087)
	Less other Federal Funds	(865,733)
<b>3</b>	Less Medicaid Funds	(2,532,188)
	Less Medicare Funds	(46,273)
<b>4</b>	Less Unallowable Costs per 65E-14, F.A.C.	<u>-</u>
<b>5</b>	Total Allowable Expenditures (Sum of lines 1, 2, 3, and 4)	1,703,973
<b>6</b>	Maximum Available Earnings (Line 5 times 75%)	1,277,980
<b>7</b>	Amount of State Funds Requiring Match	<u>120,913</u>
<b>8</b>	Amount Due to Department (Subtract line 7 from line 6. If negative, the amount of difference is due to the Department up to the amount on line 7)	<u><u>\$ 1,157,067</u></u>

See Report of Independent Certified Public Accountants  
on Supplemental Information.

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.  
(An Affiliate of Miami Jewish Health Systems)**

**PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUE SCHEDULE**

**Year Ended June 30, 2010**

	MEDICAL OUTPAT.	RESIDENTIAL			CRISIS SUPPORT	CCST	TOTAL FOR	NON-SAMH COST CENTERS	ADMINIS- TRATION	TOTAL
		LEVEL 2	LEVEL 3	LEVEL 4			ALL STATE- DESIGNATED SAMH COST CENTERS			
STATE SAMH FUNDING										
DCF District 11	\$ 458,519	\$ 285,863	\$ 977,901	\$ 474,743	\$ 200,001	\$ 832,130	\$ 3,229,157	\$ -	\$ -	\$ 3,229,157
TOTAL STATE SAMH FUNDING	458,519	285,863	977,901	474,743	200,001	832,130	3,229,157	-	-	3,229,157
OTHER GOVT. FUNDING										
Medicaid	1,591,385	-	380,935	7,910	13,397	538,561	2,532,188	-	-	2,532,188
Local Government	-	-	-	74,636	-	155,907	230,543	256,477	20,700	507,720
Federal Grants and Contracts	-	-	84,921	-	-	-	84,921	314,721	-	399,642
In-kind from Local Govt. Only	81,905	-	21,592	9,100	-	37,273	149,870	-	-	149,870
TOTAL OTHER GOVT. FUNDING	1,673,290	-	487,448	91,646	13,397	731,741	2,997,522	571,198	20,700	3,589,420
ALL OTHER REVENUES										
1st & 2nd Party Payments	33,619	31,117	359,810	42,395	4,821	29,370	501,132	81,575	-	582,707
3rd Party Payments (except Medicare)	31,184	-	-	41,291	3,366	32,144	107,985	-	-	107,985
Medicare	46,273	-	-	-	-	-	46,273	-	-	46,273
Contributions and Donations	-	-	-	-	-	26,806	26,806	64,694	-	91,500
Other	-	-	-	-	-	14,376	14,376	102,007	2,726	119,109
TOTAL ALL OTHER REVENUES	111,076	31,117	359,810	83,686	8,187	102,696	696,572	248,276	2,726	947,574
TOTAL FUNDING	\$ 2,242,885	\$ 316,980	\$ 1,825,159	\$ 650,075	\$ 221,585	\$ 1,666,567	\$ 6,923,251	\$ 819,474	\$ 23,426	\$ 7,766,151

See Report of Independent Certified Public Accountants  
on Supplemental Information.

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.**  
(An Affiliate of Miami Jewish Health Systems)

**PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUE SCHEDULE (Continued)**

**Year Ended June 30, 2010**

EXPENSES LINE ITEM	MEDICAL OUTPAT.	RESIDENTIAL			CRISIS SUPPORT	CCST	TOTAL FOR	NON-SAMH COST CENTERS	ADMINIS- TRATION	TOTAL EXPENSES
		LEVEL 2	LEVEL 3	LEVEL 4			DESIGNATED SAMH COST CENTERS			
<b>I) PERSONNEL SERVICES</b>										
a) Salaries	\$ 419,632	\$ 248,590	\$ 519,933	\$ 201,932	\$ 115,164	\$ 756,802	\$ 2,262,053	\$ 88,666	\$ 556,912	\$ 2,907,631
b) Fringes	94,363	90,225	141,107	71,289	42,609	238,732	678,325	30,025	184,701	893,051
<b>TOTAL PERSONNEL</b>	<b>513,995</b>	<b>338,815</b>	<b>661,040</b>	<b>273,221</b>	<b>157,773</b>	<b>995,534</b>	<b>2,940,378</b>	<b>118,691</b>	<b>741,613</b>	<b>3,800,682</b>
<b>II) EXPENSES</b>										
a) Building occupancy	39,755	55,897	136,172	211,134	32,636	309,946	785,540	45,383	190,341	1,021,264
b) Professional serv.	8,509	3,870	5,322	2,873	1,048	8,320	29,942	2,468	37,124	69,534
c) Travel	199	3,454	6,999	683	-	9,736	21,071	2,532	14,356	37,959
d) Equipment costs	-	5,872	8,344	3,654	-	-	17,870	-	-	17,870
e) Food services	78	29,655	186,488	8,433	-	5,355	230,009	56,854	1,100	287,963
f) Medical & pharmacy	1,459,796	3,110	357,538	8,840	13,961	123,799	1,967,044	20,126	6	1,987,176
g) Insurance	12,977	17,426	32,556	13,094	5,131	27,035	108,219	3,325	24,334	135,878
h) Interest	-	57	329	702	-	-	1,088	-	-	1,088
i) Operating supp. & exp.	14,147	9,224	33,513	17,474	11,455	169,579	255,392	292,722	53,546	601,660
k) Other	-	-	-	-	-	2,180	2,180	-	-	2,180
<b>TOTAL EXPENSES</b>	<b>1,535,461</b>	<b>128,565</b>	<b>767,261</b>	<b>266,887</b>	<b>64,231</b>	<b>655,950</b>	<b>3,418,355</b>	<b>423,410</b>	<b>320,807</b>	<b>4,162,572</b>
<b>TOTAL PERSONNEL AND EXPENSES</b>	<b>2,049,456</b>	<b>467,380</b>	<b>1,428,301</b>	<b>540,108</b>	<b>222,004</b>	<b>1,651,484</b>	<b>6,358,733</b>	<b>542,101</b>	<b>1,062,420</b>	<b>7,963,254</b>
<b>III. DISTRIBUTED COSTS</b>										
(a) Indirect costs	42,284	15,926	24,857	12,875	4,526	37,362	137,830	12,170	-	150,000
(b) Administration	315,505	71,951	219,881	83,147	34,177	254,239	978,900	83,520	(1,062,420)	-
<b>GRAND TOTAL</b>	<b>\$ 2,407,245</b>	<b>\$ 555,257</b>	<b>\$ 1,673,039</b>	<b>\$ 636,130</b>	<b>\$ 260,707</b>	<b>\$ 1,943,085</b>	<b>\$ 7,475,463</b>	<b>\$ 637,791</b>	<b>\$ -</b>	<b>\$ 8,113,254</b>

See Report of Independent Certified Public Accountants  
on Supplemental Information.

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.  
(An Affiliate of Miami Jewish Health Systems)**

**SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS**

**Year Ended June 30, 2010**

Program	Cost Center	State Contracted Rate	Total Units of Service Provided	Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies	Maximum # of Units Eligible for Payment by Department	Amount Paid for Services by the Department	Maximum \$ Value of Units in Column F	Amount Owed to Department  (G-H or \$0, whichever is greater)
<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>(D-E) F</u>	<u>G</u>	<u>(F x C) H</u>	<u>I</u>
Adult MH	Crisis Stabilization Unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Amount Owed to Department								<u>\$ -</u>

See Report of Independent Certified Public Accountants  
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**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.**  
(An Affiliate of Miami Jewish Health Systems)

**SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS**

**Year Ended June 30, 2010**

	Related Party	Allocation of Related Party Transactions Adjustment										
		State-Designated Cost Centers										
		Outpatient	Medical Outpatient	Supportive Employment	Day Night	Case Management	CCST	Residential Level 2	Residential Level 3	Residential Level 4	Crisis Support	Total
Revenues From Grantee												
Rent												
Services												
Interest												
Other												
Total Revenue From Grantee												
Expenses Associated with Grantee Transactions												
Personnel Services												
Depreciation												
Interest												
Other - Indirect Administrative Costs	Miami Jewish Home & Hospital											
Total Associated Expenses		\$ -	\$ 45,830	\$ -	\$ -	\$ -	\$ 29,650	\$ 11,063	\$ 30,363	\$ 13,387	\$ 4,382	<u>\$ 134,675</u>
Related Party Transaction Adjustment												

See Report of Independent Certified Public Accountants  
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**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.**

(An Affiliate of Miami Jewish Health Systems)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**

**Year Ended June 30, 2010**

Federal/State Agency Pass-Through Grantor Program Title	CFDA/CSFA Number	Contract Pass-Through Award Number	Expenditures Recognized
U.S. Department of Housing and Urban Development:			
Pass-through Miami Dade County Homeless Trust -			
Successful Investments	14.235	FL0235B4D00080	\$ 147,823
Shelter Plus Care - Scattered Site	14.238	FL0183B4D00080	29,463
Pass-through Miami Dade Housing Authority -			
Shelter Plus Care HUD Subcontract	14.238	FL0209C4000801	137,435
Community Development Block Grant/Entitlement Grants	14.218	CD534D02C1	70,160
Department of Health and Human Services:			
Pass-through State of Florida Department of Children & Families ADAMH Block Grant Funds -			
Adult Mental Health	93.958	KH-200	466,092
U. S. Department of Transportation:			
Pass-through Florida Department of Transportation			
Elderly and Persons with Disabilities	20.513	071-000-09-1	<u>14,760</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 865,733</u></u>
State of Florida Department of Children and Families			
Mental Health Alcohol & Substance Abuse			
Indigent Psychiatric Outpatient Services	60.039	KH-200	\$ 13,293
Adult Community Mental Health Support Services	60.053	KH-200	2,214,772
Adult Community Mental Health Emergency Stabilization	60.054	KH-200	200,000
Community Forensic Beds	60.114	KH-200	20,000
Adult Mental Health Special Projects Community Support Services	60.063	KH-200	315,000
State of Florida Department of Elder Affairs			
Aging and Alzheimer Disease Initiative funds:			
In Home Respite	65.004	KZ-995	<u>202,022</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 2,965,087</u></u>

See Report of Certified Public Accountants  
on Supplemental Information.

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.  
(An Affiliate of Miami Jewish Health Systems)**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND STATE FINANCIAL ASSISTANCE**

**Year Ended June 30, 2010**

**(1) General**

The schedule of expenditures of federal awards and state financial assistance (the "Schedule") presents the activity of all federal programs and state projects of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. (the "Center") for the year ended June 30, 2010. All federal and state financial assistance expended from federal and state agencies are included in the Schedule.

**(2) Basis of Accounting**

The schedule is presented on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized as amounts are expended by the Center and become reimbursable from the granting agency. Expenditures are recognized in the period liabilities are incurred.



MOORE STEPHENS  
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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  
Douglas Gardens Community Mental Health  
Center of Miami Beach, Inc.  
Miami, Florida

We have audited the financial statements of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issue our report thereon dated October 29, 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 the Douglas Gardens Community Mental Health Center of Miami Beach, 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 Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Douglas Gardens Community Mental Health Center of Miami Beach, 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.

Board of Directors  
Douglas Gardens Community Mental  
Health Center of Miami Beach, Inc.  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Douglas Gardens Community Mental Health Center of Miami Beach, 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 reported to management of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. in a separate letter dated October 29, 2010.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal, state, and local awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Moore Stephens Luelace, P.A.*  
Certified Public Accountants

Miami Lakes, Florida  
October 29, 2010



MOORE STEPHENS  
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors  
Douglas Gardens Community Mental Health  
Center of Miami Beach, Inc.  
Miami, Florida

Compliance

We have audited the compliance of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. with the types of compliance requirements described in the 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. Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'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 Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s management. Our responsibility is to express an opinion on Douglas Gardens Community Mental Health Center of Miami Beach, 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; and 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 rules 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 Douglas Gardens Community Mental Health Center of Miami Beach, 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 of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s compliance with those requirements.

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

#### Internal Control Over Compliance

Management of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control over compliance with the 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 and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplements, 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 Douglas Gardens Community Mental Health Center of Miami Beach, 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 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 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 management, the Board of Directors, others within the entity, and federal, state, and local awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

  
Certified Public Accountants

Miami Lakes, Florida  
October 29, 2010

**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.**  
(An Affiliate of Miami Jewish Health Systems)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS AND STATE PROJECTS**

**Year Ended June 30, 2010**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of Auditor's report issued	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	Yes <u>    X    </u>	No
Significant deficiencies identified?	_____	Yes <u>    X    </u>	None Reported
Noncompliance material to financial statements noted	_____	Yes <u>    X    </u>	No

Federal Awards & State Financial Assistance

Internal control over major federal programs and/or state projects:			
Material weakness(es) identified?	_____	Yes <u>    X    </u>	No
Significant deficiencies identified?	_____	Yes <u>    X    </u>	None Reported
Type of auditor's report issued on compliance for major federal programs and/or state projects:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section.510(a) and/or 10.656?	_____	Yes <u>    X    </u>	No

Identification of major federal programs  
and state projects:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Department of Health and Human Services	
Block Grants for Community Mental Health Services	93.958

See Report of Certified Public Accountants  
on Supplemental Information



**DOUGLAS GARDENS COMMUNITY MENTAL  
HEALTH CENTER OF MIAMI BEACH, INC.  
(An Affiliate of Miami Jewish Health Systems)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL PROGRAMS AND STATE PROJECTS (Continued)**

**Year Ended June 30, 2010**

Name of State Project	CSFA Number(s)	
State of Florida Department of Children and Families ADAMH Block Grant Contract # KH200 Adult Community Mental Health Support Services Adult Mental Health - Special Projects - Community Support Services	60.053 60.063	
Dollar threshold used to distinguish between Type A and Type B programs for federal awards:		\$ 300,000
Dollar threshold used to distinguish between Type A and Type B projects for major state financial assistance:		\$ 300,000
Auditee qualified as low-risk auditee pursuant to OMB Circular A-133	<u>  X  </u> Yes	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings were reported.

**SECTION III - FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No findings were reported.

**SECTION IV - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
SUMMARY OF PRIOR AUDIT FINDINGS**

No findings were reported.

See Report of Certified Public Accountants  
on Supplemental Information