

THE GROVE COUNSELING CENTER, INC.
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Grove Counseling Center, Inc.
Longwood, Florida

I have audited the accompanying statement of financial position of The Grove Counseling Center, Inc. as of June 30, 2010, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of The Grove Counseling Center, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

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

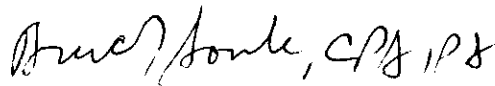
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Grove Counseling Center, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally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

In accordance with Government Auditing Standards, I have also issued my report dated October 15, 2010 on my consideration of The Grove Counseling Center, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Board of Directors
The Grove Counseling Center, Inc.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of The Grove Counseling 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 as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.650, Rules of the Auditor General, State of Florida and is not a required part of the basic financial statements. The Supplemental information on pages 26 to 28 as required by the Florida Department of Children and Families is provided for additional analysis and is not a required part of the basic financial statements of The Grove Counseling Center, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

BRUCE D. SOULE, CPA, P.A.

Handwritten signature of Bruce D. Soule, CPA, P.A. in cursive script.

Certified Public Accountant

October 15, 2010

THE GROVE COUNSELING CENTER, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 931,245		\$ 931,245
Accounts receivable	136,137	\$ 45,160	181,297
Prepaid expenses	30,745	-	30,745
TOTAL CURRENT ASSETS	<u>1,098,127</u>	<u>45,160</u>	<u>1,143,287</u>
LAND, BUILDINGS AND EQUIPMENT, net	<u>2,647,920</u>		<u>2,647,920</u>
IDLE FACILITIES, net	<u>782,000</u>		<u>782,000</u>
OTHER ASSETS:			
Other assets	12,428		12,428
Deposits	9,134		9,134
TOTAL OTHER ASSETS	<u>21,562</u>		<u>21,562</u>
TOTAL ASSETS	<u>\$ 4,549,609</u>	<u>\$ 45,160</u>	<u>\$ 4,594,769</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 48,082		\$ 48,082
Accrued expenses	60,735		60,735
Current portion of long term debt	21,373		21,373
TOTAL CURRENT LIABILITIES	<u>130,190</u>		<u>130,190</u>
LONG-TERM LIABILITIES:			
Long-term debt	<u>1,172,305</u>		<u>1,172,305</u>
NET ASSETS:			
Unrestricted	3,247,114		3,247,114
Temporarily restricted	-0-	\$ 45,160	45,160
Permanently restricted	-0-		-0-
TOTAL NET ASSETS	<u>3,247,114</u>	<u>45,160</u>	<u>3,292,274</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,549,609</u>	<u>\$ 45,160</u>	<u>\$ 4,594,769</u>

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

THE GROVE COUNSELING CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT:				
Government financial assistance	\$ 2,471,549	\$		\$ 2,471,549
Medicaid	90,331			90,331
Contributions and donations	10,376			10,376
Program service fees	407,195			407,195
Other income	70,348			70,348
United Way funding	-	45,160		45,160
Total support	<u>3,049,799</u>	<u>45,160</u>		<u>3,094,959</u>
 Net Assets Released From Donor Restrictions That Were Satisfied	<u>45,402</u>	<u>(45,402)</u>		<u>-</u>
 Total support and reclassifications	<u>3,095,201</u>	<u>(242)</u>		<u>3,094,959</u>
 EXPENSES:				
Program services:				
Residential level 2	1,444,755			1,444,755
Outpatient treatment	865,507			865,507
Prevention	509,738			509,738
Total program services	2,820,000			2,820,000
 Supporting services:				
General and administrative	286,426	-0-	-0-	286,426
Total expenses	<u>3,106,426</u>	<u>-0-</u>	<u>-0-</u>	<u>3,106,426</u>
 CHANGE IN NET ASSETS	(11,225)	(242)		(11,467)
 BEGINNING OF YEAR NET ASSETS	<u>3,258,339</u>	<u>45,402</u>	<u>-0-</u>	<u>3,303,741</u>
 END OF YEAR NET ASSETS	<u>\$ 3,247,114</u>	<u>\$ 45,160</u>	<u>\$ -0-</u>	<u>\$ 3,292,274</u>

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

THE GROVE COUNSELING CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (11,467)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	194,356
Decrease in accounts receivable	22,876
Decrease in prepaid expenses	15,740
Increase in deposits	(9,135)
Increase in other assets	(1,219)
Decrease in restricted cash	56,679
Decrease in accounts payable	(12,833)
Decrease in accrued expenses	<u>(22,197)</u>
Net cash provided by operating activities	<u>232,800</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(26,017)</u>
Net cash flow provided by (used in) investing activity	<u>(26,017)</u>
CASH FLOW FROM FINANCING ACTIVITIES:	
Repayments of long-term debt	<u>(17,539)</u>
Net cash flow provided by (used in) financing activity	<u>(17,539)</u>
NET INCREASE (DECREASE) IN CASH	189,244
BEGINNING OF YEAR CASH	<u>742,001</u>
END OF YEAR CASH	<u>\$ 931,245</u>

Supplemental Cash Flow Information:

Interest and income taxes:

Cash paid during the fiscal year ended June 30, 2010 for interest was \$ 99,867.

No cash was paid for income taxes during the fiscal year.

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

THE GROVE COUNSELING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>PROGRAM SERVICES</u>		
	<u>RESIDENTIAL</u>	<u>OUTPATIENT</u>	<u>PREVENTION</u>
	<u>LEVEL 2</u>	<u>TREATMENT</u>	
Direct Expenses:			
Personnel expenses:			
Salaries	\$ 612,296	\$ 310,487	\$ 203,375
Fringe benefits	192,061	110,698	83,398
Total personnel expense	<u>804,357</u>	<u>421,185</u>	<u>286,773</u>
Operating expenses:			
Building occupancy	152,027	115,377	62,835
Professional services	92,843	165,941	45,228
Travel	1,986	1,542	87
Training and conferences	4,505	689	170
Equipment costs	27,021	14,205	17,102
Food services	121,315	-	-
Medical and pharmacy	27,353	26,082	3,130
Insurance	28,894	21,914	1,431
Postage	2,965	2,178	1,278
Printing	822	2,064	503
Office supplies	24,891	16,004	6,339
Advertising	4,560	7,669	5,400
Dues and subscriptions	7,034	7,781	677
Telephone	33,351	32,401	17,401
Loss on disposal of assets	-	8,334	-
Total operating expense	<u>529,567</u>	<u>422,181</u>	<u>161,581</u>
Depreciation expense	<u>110,831</u>	<u>22,141</u>	<u>61,384</u>
Total direct expense	<u>640,398</u>	<u>444,322</u>	<u>222,965</u>
TOTAL EXPENSES	<u>\$ 1,444,755</u>	<u>\$ 865,507</u>	<u>\$ 509,738</u>

<u>TOTAL PROGRAMS</u>	<u>SUPPORTING SERVICES MANAGE- MENT AND GENERAL</u>	<u>TOTAL</u>
\$ 1,126,158	\$ 183,111	\$ 1,309,269
386,157	75,703	461,860
<u>1,512,315</u>	<u>258,814</u>	<u>1,771,129</u>
330,239	-	330,239
304,012	-	304,012
3,615	12,835	16,450
5,364	10,199	15,563
58,328	-	58,328
121,315	-	121,315
56,565	-	56,565
52,239	-	52,239
6,421	-	6,421
3,389	-	3,389
47,234	3,760	50,994
17,629	-	17,629
15,492	-	15,492
83,153	818	83,971
8,334	-	8,334
<u>1,113,329</u>	<u>27,612</u>	<u>1,140,941</u>
194,356	-	194,356
<u>1,307,685</u>	<u>27,612</u>	<u>1,335,297</u>
<u>\$ 2,820,000</u>	<u>\$ 286,426</u>	<u>\$ 3,106,426</u>

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

THE GROVE COUNSELING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

NATURE OF ACTIVITIES

The Grove Counseling Center, Inc. (the Center) was established in 1971 to provide counseling assessment and evaluation for substance abusers. Over the years the Center has added programs for prevention and outpatient treatment as well as several residential programs that offer intensive treatment to build a foundation for long-term recovery. The Center offers the following programs:

Residential Level 2 – The Residential Level 2 program is designed to build a foundation for long-term recovery by addressing the physical, psychological, social and spiritual needs of adolescents who have a serious problem with alcohol and other drugs.

Outpatient Treatment – The Outpatient Treatment program is a group program for individuals who have been identified as substance abusers or chemically dependent. The program creates a treatment plan for each individual to help with their recovery needs.

Prevention --The Prevention program is designed to interrupt the process of delinquency and substance abuse among Central Florida's youth.

BASIS OF PREPARATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under Statement of Financial Accounting Standards 117, Financial Statements of Not-For-Profit Organizations, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as temporarily restricted or unrestricted net assets.

CASH AND CASH EQUIVALENTS

The balance of cash consists of checking and money market accounts. The Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

THE GROVE COUNSELING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (CONTINUED)

CONTRIBUTIONS

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Restricted contributions received in the same year the donor's restriction is met are recorded as unrestricted contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value, using risk-free interest rates applicable to the years in which the promises are to be received.

USE OF ESTIMATES

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

LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are stated at cost, if purchased or at market value at date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	16-25 years
Furniture and equipment	2-7 years
Leasehold improvements	5-15 years
Vehicles	3-5 years
Land improvements	25 years

The cost of additions or improvements which substantially extend the useful life of a particular asset is capitalized. Repair and maintenance costs are charged to expense. Upon sale or other disposition, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in activities.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those restrictions must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are used as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

THE GROVE COUNSELING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (CONTINUED)

LAND, BUILDINGS AND EQUIPMENT (CONTINUED)

Land, buildings and equipment acquired through federal or state grants will revert to the Grantor if the assets are no longer used for the original purpose. Likewise, the proceeds from the sale of assets acquired through federal or state grants will go to the grantor agency if the assets are sold.

COMPENSATED ABSENCES

Vacation pay is accrued as earned by the employees. Unused accumulated vacation pay is paid upon an employee's termination.

SUPPORT AND REVENUE

The Center receives its grants and contract support primarily from the U. S. Department of Health and Human Services, the Florida Department of Children and Families and various other agencies.

The Center receives program service fees and Medicaid income for billable client services and recognizes these fees and income when earned. The Center also receives support and revenue from the United Way, various federal, state and local government services based grants and contracts, and contributions from the general public.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services as follows. Salaries and other expenses associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the number of full-time equivalent employees in a particular program and other methods of allocation such as floor space usage, as appropriate.

THE GROVE COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (CONTINUED)

CONTRIBUTED SERVICES AND FACILITIES

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.

Contributed services and facilities are recognized as support and expenses in the statement of activities at their estimated fair values at the date of donation.

INCOME TAXES

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as an other than private foundation within the meaning of Section 509(a) of the Internal Revenue Code. However, income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income. No provision for income taxes has been included in the accompanying financial statements.

NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 consist of an unconditional promise to give from the United Way's 2010-2011 contributions.

THE GROVE COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3 – ACCOUNTS RECEIVABLE

Substantially all receivables are from governmental agencies; therefore, management has deemed no allowance for doubtful accounts is required at June 30, 2010.

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment at cost at June 30, 2010 are as follows:

Land	\$533,000
Buildings and improvements	2,922,104
Furniture and equipment	556,714
Vehicles	44,049
Land improvements	<u>17,119</u>
Total at cost	4,072,986
Less accumulated depreciation	<u>1,425,066</u>
Net property and equipment	<u>\$2,647,920</u>

NOTE 5 – IDLE FACILITIES

Idle facilities consisted of the following atcost at June 30, 2010:

Land	\$98,232
Building and improvements	<u>1,132,158</u>
Total cost	1,230,390
Less accumulated depreciation	<u>448,390</u>
Net book value	<u>\$ 782,000</u>

THE GROVE COUNSELING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 5 – IDLE FACILITIES (CONTINUED)

Included in idle facilities is \$1,078,569 which was funded by a government contract from the Florida Department of Juvenile Justice ("FDJJ"). As part of the funding, the Center entered into a contract with FDJJ whereby the Center agreed to operate a 32-bed juvenile residential facility for 20 years. If, prior to the expiration of the 20-year term, the property is disposed of by the Center or if the Center ceases to operate a juvenile residential program with the facility, the pro-rata value of the contract at termination would be required to be repaid to FDJJ. This agreement expires in 2019. This facility has not been utilized as a juvenile residential facility since November 2007. The Center has offered a payment of \$25,000 to satisfy and set aside the 20 year contract and any liens so it can continue to negotiate a potential sale of the property.

This change in operating conditions may prohibit the Center from fully recovering the carrying value of the building. Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, requires that long-lived assets be tested for impairment. Management has considered this requirement by estimating the likelihood of future cash flow from the FDJJ should they decide to restart the program when the State of Florida has available funds; or with other suitable uses the State may approve.

NOTE 6 – OTHER ASSETS

Other assets consist of a contribution made by the Center to Community Foundation of Central Florida subject to Statement of Financial Accounting Standards No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Hold Contributions for Others (SAS 136). Under SAS 136, the contribution is recorded as an asset to the Center; however, the legal ownership of the contribution remains with the community foundation. At June 30, 2010, the Center has contributed \$12,428 to a community foundation. The fair market value of the contribution approximates its recorded value.

NOTE 7 – LONG-TERM DEBT

The Grove Counseling Center, Inc. has a mortgage obligation to Fairwinds Credit Union. The loan is payable in monthly installments of \$9,784 including interest at 8.14% through September 2012. Beginning October 2012, principal and interest is payable in monthly installments computed at a variable rate equal to the London Interbank Offered Rate (LIBOR) plus 3.5% computed using a 25 year amortization.

The mortgage is collateralized by real estate in Longwood, Florida and all furniture, equipment, machinery, fixtures, inventory, accounts, pledges, general intangibles, software and books and records in connection with the property located in Longwood, Florida and all proceeds and products and profits of any collateral.

THE GROVE COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Loan maturities for each of the next five years are as follows:

Year ending June 30, 2011	\$ 21,373
Year ending June 30, 2012	23,179
Year ending June 30, 2013	25,138
Year ending June 30, 2014	27,262
Year ending June 30, 2015	29,566
Thereafter	<u>1,067,160</u>
	<u>\$1,193,678</u>

The Center must maintain a global debt service coverage ratio of not less than 1.25:1 in accordance with the provisions of the Loan and Security Agreement with Fairwinds Credit Union. In addition, the Center must maintain a minimum capital surplus of \$3,000,000 at all times while the loan is outstanding. At June 30, 2010, the Center is in compliance with these covenants.

NOTE 8 – MATCHING REQUIREMENTS

The Center has a contract with the U.S. Department of Health and Human Services which required \$ 288,031 of local matching funds.

The Center included the following amounts as available for meeting local match requirements in conjunction with government grants and contracts

Contributions	\$ 10,376
Program service fees	407,195
Other income	<u>20,674</u>
Total match	<u>\$ 438,245</u>

NOTE 9 - COMMITMENTS

The Center leases office space to tenants, one under an operating lease on a month to month basis, and one under a one year lease that expires September 30, 2010. Rental income for the year ended June 30, 2010 was \$ 38,814.

THE GROVE COUNSELING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 9 – COMMITMENTS (CONTINUED)

The Center is obligated under non cancelable operating leases for certain facilities and equipment expiring through June 2012. All office space leases on facilities have been terminated and the operations have been consolidated in the administration building. Total rent expense for the year ended June 30, 2010 was \$121,737.

The total amounts of the commitments for the next five years areas follows:

<u>June 30,</u>	<u>Amount</u>
2011	\$ 89,241
2012	53,240
2013	-0-
2014	-0-
2015	-0-

NOTE 10 – BENEFITS PLAN

The Center established a cafeteria plan for the benefit of employees who have met certain age and length of service requirements which provides 25% of the salary of eligible employees into this plan. The employees then have the option of purchasing benefits such as health insurance, life insurance, disability insurance or a defined contribution retirement plan under Internal Revenue Code Section 401(k). During the current year the Center contributed \$ 313,563 to this plan.

NOTE 11– CONTINGENCIES

Included in buildings and improvements in Note 4 is \$497,109 which was funded by a government contract from the Florida Department of Juvenile Justice. As part of the funding, the Center entered into a ten year agreement with FDJJ whereby the Center utilizes the facility for operation of a program that is expressly approved by the FDJJ. If the Center discontinues providing approved program services in the building, the pro-rata value of the contract at termination would be required to be repaid to FDJJ. The agreement originally expired in July 2011. As of November 2007, the Center discontinued using the facility for a FDJJ program due to a cut in funding.

The FDJJ has approved the current use of the facility but extended the lease until February 18, 2012 which accounts for the short time that the property was vacant between 2007 and May 2008.

THE GROVE COUNSELING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 12 – CONCENTRATION OF CREDIT RISK

Financial instruments which potentially expose the Center to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts with bank balances in excess of amounts insured by the Federal Deposit Insurance Corporation and accounts receivable. The amount of cash in excess of the FDIC amount that is insured is \$ 401,676 at June 30, 2010. Management evaluates the financial stability of its depositories and considers the risk of loss to be remote. Substantially all accounts receivable are from government agencies and management considers the risk of loss to be remote.

NOTE 13 – ECONOMIC DEPENDENCE

The Center received approximately 26% and 46% of its government financial assistance from federal and state governments, respectively, in fiscal year ended June 30, 2010. Since the Center receives a substantial amount of its support from grants and contracts, a significant reduction in the level of this support, if it were to occur, may have an effect on the Center's activities.

Grants and contracts require the fulfillment of certain conditions set forth in the agreements. Failure to fulfill or comply with the conditions could result in the return of funds to the grantee. Although it is a possibility, the Board considers the contingency remote, since by accepting the grants; it has accommodated the objectives of the Center to the provisions of the grant.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been considered through the date of the report

THE GROVE COUNSELING CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2010

Federal/ State Agency, Pass-Through Entity <u>Federal Program/State Project</u>	CFDA/ CSFA <u>Number</u>	Contract/ Grant <u>Number</u>	<u>EXpenditures</u>
Federal Agency Name:			
U.S. Department of Health and Human Services			
Passed through Florida Department of			
Children and Families:			
Block Grants for Prevention and			
Treatment of Substance Abuse			
	93.959	* GDK09	** \$ <u>536,365</u>
U.S. Department of Health and Human Services			
Substance Abuse and Mental Health			
Services Administration			
Seminole County			
Seminole County Adult Treatment			
Drug Court Program			
	93.243	NONE	<u>13,891</u>
Block Grants for Community Mental			
Health Services			
	93.958	NONE	<u>338</u>
Foster Care - Title IV-E			
	93.658	NONE	158,438
Social Services Block Grant			
	93.667	NONE	146,575
Childrens Justice Grants			
	14.257	NONE	<u>2,506</u>
			<u>307,519</u>
U.S. Department of Education:			
Passed through Florida Department of Law			
Enforcement			
Drug Free Communities			
	84.186	NONE	<u>19,208</u>
U.S. Department of Agriculture:			
Passed through Florida Department of			
Children and Families:			
SNAP (Food Stamp) Program			
	10.561	NONE	<u>19,506</u>
Passed through Florida Department of Education			
School Breakfast Program			
	10.553	01-0370	16,429
National School Lunch Program			
	10.555	01-0370	<u>24,224</u>
			<u>40,653</u>
Total expenditures of federal awards			\$ <u>937,480</u>

* Denotes major program/project

** This contract required local matching funds of \$ 288,031. The Center met this requirement.

THE GROVE COUNSELING CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
(CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal/ State Agency, Pass-Through Entity Federal Program/State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>
State Agency Name:			
Direct Projects:			
State of Florida, Department of Children and Families:			
Substance Abuse Prevention Services for Children	60.029	GDK09	\$ 228,033
Substance Abuse Treatment and Aftercare Services for Children	60.030	* GDK09	959,333
Substance Abuse Treatment and Aftercare Services for Adults	60.033	GDK09	124,905
Community Based Care Supports	60.094	NONE	127,557
			<u>1,439,828</u>
State of Florida, Department of Corrections:			
Drug Court Substance Abuse Treatment	70.016	C2337	17,571
Outpatient Substance Abuse Treatment	70.016	C2403	11,862
			<u>29,433</u>
Total expenditures of state financial assistance			<u>\$ 1,469,261</u>

* Denotes major program/project

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REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT

Board of Directors
The Grove Counseling Center, Inc.
Longwood, Florida

Compliance

I have audited the compliance of The Grove Counseling Center, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major federal programs and state financial assistance projects for the year ended June 30, 2010. The Grove Counseling Center, Inc.'s major federal programs and state financial assistance projects are identified in the summary of auditor's results sections 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 financial assistance projects is the responsibility of The Grove Counseling Center, Inc.'s management. My responsibility is to express an opinion on The Grove Counseling Center, Inc.'s compliance based on my audit.

I have conducted my audit in accordance with generally accepted auditing standards; 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 Chapter 10.650 Rules of the Auditor General require that I 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 award program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about The Grove Counseling Center, Inc. compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on The Grove Counseling Center, Inc.'s compliance with those requirements.

In my opinion The Grove Counseling Center, Inc. complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state financial assistance projects for the year ended June 30, 2010.

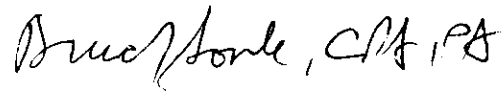
Internal Control Over Compliance

The management of The Grove Counseling Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal awards programs and state financial assistance projects. In planning and performing my audit, I considered The Grove Counseling Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal award program or state financial assistance project in order to determine my auditing procedures for the purpose of expressing my 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.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal awards program or state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the management, others within the organization 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.

BRUCE D. SOULE, CPA ,P.A.



Certified Public Accountant

October 15, 2010

BRUCE D. SOULE, CPA, P.A.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
The Grove Counseling Center, Inc.
Longwood, Florida

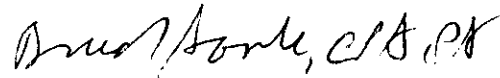
I have audited the financial statements of The Grove Counseling Center, Inc. as of and for the year ended June 30, 2010, and have issued my report thereon dated October 15, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE - As part of obtaining reasonable assurance about whether The Grove Counseling Center, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING - In planning and performing my audit, I considered The Grove Counseling Center, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, others within the organization 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.

BRUCE D. SOULE, CPA ,P.A.

A handwritten signature in black ink, appearing to read "Bruce D. Soule, CPA, P.A.", written in a cursive style.

Certified Public Accountant

October 15, 2010

THE GROVE COUNSELING CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL
ASSISTANCE 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 weaknesses identified?	___ Yes	<u> x </u> No
Reportable conditions identified not considered to be material weaknesses?	___ Yes	<u> x </u> None Reported
Noncompliance material to financial statements noted?	___ Yes	<u> x </u> No

Federal Awards and State Financial Assistance Projects:

Internal control over major programs:		
Material weaknesses identified?	___ Yes	<u> x </u> No
Reportable conditions identified not considered to be material weaknesses?	___ Yes	<u> x </u> None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the Federal and Florida Single Audit Acts?	___ Yes	<u> x </u> No
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Identification of Major Programs/Projects:

Federal CFDA
Number

Federal Programs

U.S. Department of Health and Human Services
Block Grants for Prevention and Treatment of
Substance Abuse

93.959

Passed through/

N/A

THE GROVE COUNSELING CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS–
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL
ASSISTANCE PROJECTS
Year Ended June 30, 2010

State Projects	State CSFA
State Department of Children and Families:	<u>Number</u>
Substance Abuse Treatment and Aftercare	
Services for Children	60.030

	<u>Federal</u>	<u>State</u>
Dollar threshold used to distinguish between Types A Type B programs	<u>\$ 300 000</u>	<u>\$ 300 000</u>
Auditee qualified as low-risk auditee pursuant to OMB circular A-133	<u>X</u> Yes	<u> </u> No

SECTION II – Financial Statement Findings

There are no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

Section III – Major Federal Award Findings and Questioned Costs

There are no reportable conditions, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with circular A-133.

Section IV – Major State Financial Assistance Projects Findings and Questioned Costs

There are no reportable conditions, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Florida Single Audit Act.

THE GROVE COUNSELING CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL
ASSISTANCE PROJECTS
Year Ended June 30, 2010

Other Issues

The Summary Schedule of Prior Audit Findings is not included in the report because there were no prior audit findings related to federal awards programs or state financial assistance projects.

A Corrective Action Plan is not required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.

BRUCE D. SOULE, CPA, P.A.

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Board of Directors
The Grove Counseling Center, Inc.
Longwood, Florida

I have audited the financial statements of The Grove Counseling Center, Inc. as of and for the fiscal year ended June 30, 2010 and have issued my report thereon dated October 15, 2010.

I conducted my audit 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*. I have issued my Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questions Costs. Disclosures in those reports and schedule, which are dated October 15, 2010, should be considered in conjunction with this management letter.

Additionally, my audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In addition, for matters that are inconsequential, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. There are no violations or deficiencies to report.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require me to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Bruce D. Soule, CPA, P.A.



October 15, 2010

THE GROVE COUNSELING CENTER, INC.

SCHEDULE OF STATE EARNINGS

FOR THE YEAR ENDED JUNE 30, 2010

1	Total expenditures	\$	3,106,426
2	Less other state and federal funds		-
3	Less non-match SAMH funds		(536,365)
4	Less unallowable cost (65E-14, F.A.C.)		<u>-</u>
5	Net allowable expenditures (Sum of lines 1, 2, 3, and 4)	\$	<u>2,570,061</u>
6	Maximum available earnings (Line 5 times 75%)	\$	1,927,546
7	Amount of state funds requiring match		<u>1,312,271</u>
8	Amount due to department (Subtract line 6 from line 7. (If negative, the amount of the difference is due the department up to the amount of line 7)	\$	<u>615,275</u>

THE GROVE COUNSELING CENTER, INC.

DCF/COST CENTER REVENUE SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Residential Level 2</u>	<u>Outpatient Treatment</u>	<u>Prevention</u>	<u>Total Funding</u>
State SAMH Funding	\$ <u>1,028,827</u>	\$ <u>353,301</u>	\$ <u>466,509</u>	\$ <u>1,848,637</u>
Other Government Funding:				
Other state agency fundings	446,519	62,532	-	509,051
Medicaid	-	90,331	-	90,331
Local government	36,664	84	-	36,748
Federal grants and contracts	<u>40,653</u>	<u>16,954</u>	-	<u>57,607</u>
Total other government funding	<u>523,836</u>	<u>169,901</u>	-	<u>693,737</u>
All Other Revenues:				
Contributions and donations	6,125	3,151	43,229	52,505
Other	193,817	306,505	-	500,322
Gifts in-kind	-	-	-	-
Total all other revenues	<u>199,942</u>	<u>309,656</u>	<u>43,229</u>	<u>552,827</u>
Total funding	\$ <u><u>1,752,605</u></u>	\$ <u><u>832,858</u></u>	\$ <u><u>509,738</u></u>	\$ <u><u>3,095,201</u></u>

THE GROVE COUNSELING CENTER, INC.

PROGRAM COST CENTER ACTUAL EXPENSES SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	<u>PROGRAM SERVICES</u>		
	<u>RESIDENTIAL LEVEL 2</u>	<u>OUTPATIENT TREATMENT</u>	<u>PREVENTION</u>
Personnel expenses:			
Salaries	\$ 612,296	\$ 310,487	\$ 203,375
Fringe benefits	192,061	110,698	83,398
Total personnel expenses	<u>804,357</u>	<u>421,185</u>	<u>286,773</u>
Other expenses:			
Building occupancy	232,778	116,945	124,219
Professional services	92,843	165,941	45,228
Travel	6,491	2,231	257
Equipment costs	57,103	34,778	17,102
Food services	121,315	-	-
Medical and pharmacy	27,352	26,082	3,130
Insurance	28,894	21,914	1,431
Operating supplies and expenses	73,623	76,430	31,598
Total other expenses	<u>640,399</u>	<u>444,321</u>	<u>222,965</u>
Total personnel and other expenses	1,444,756	865,506	509,738
Distributed Indirect Costs:			
Administration	<u>-</u>	<u>-</u>	<u>-</u>
Total actual operating expenses	1,444,756	865,506	509,738
Unallowable Costs	<u>-</u>	<u>-</u>	<u>-</u>
Total allowable operating expenses	<u>\$ 1,444,756</u>	<u>\$ 865,506</u>	<u>\$ 509,738</u>
Capital Expenditures	<u>\$ 16,049</u>	<u>\$ 14,524</u>	<u>\$ -</u>

<u>TOTAL PROGRAMS</u>	<u>SUPPORTING SERVICES MANAGE- MENT AND GENERAL</u>	<u>TOTAL</u>
\$ 1,126,158	\$ 183,111	\$ 1,309,269
386,157	75,703	461,860
<u>1,512,315</u>	<u>258,814</u>	<u>1,771,129</u>
473,942	-	473,942
304,012	-	304,012
8,979	23,034	32,013
108,982	-	108,982
121,315	-	121,315
56,564	-	56,564
52,239	-	52,239
181,652	4,578	186,230
<u>1,307,685</u>	<u>27,612</u>	<u>1,335,297</u>
2,820,000	286,426	3,106,426
-	-	-
2,820,000	286,426	3,106,426
-	-	-
<u>\$ 2,820,000</u>	<u>\$ 286,426</u>	<u>\$ 3,106,426</u>
<u>\$ 30,574</u>	<u>\$ 3,484</u>	<u>\$ 34,057</u>