

Mental Health Center of Jacksonville, Inc.

(a non-profit organization)

Jacksonville, Florida

Financial Statements

June 30, 2010

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mental Health Center of Jacksonville, Inc.
Jacksonville, Florida

We have audited the accompanying statement of financial position of Mental Health Center of Jacksonville, Inc. (a non-profit organization) as of June 30, 2010, and the related statements of activities, schedule of program/cost centers actual expenses and revenues and cash flows for the year then ended. These financial statements are the responsibility of Mental Health Center of Jacksonville, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2010, on our consideration of Mental Health Center of Jacksonville, Inc.'s internal control over financial reporting and a report dated September 27, 2010 on its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Mental Health Center of Jacksonville, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance; schedule of state earnings for alcohol, drug abuse and mental health services; schedule of revenues; schedule of bed-day availability payments; and schedule of related party transaction adjustments are presented for purposes of additional analysis or as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Chapter 10.650, *Rules of the Auditor General*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ralston & Company, PA

September 27, 2010

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Statement of Financial Position
June 30, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,560,658
Accounts receivable, net of allowance for uncollectible accounts and contractual allowances of \$4,939,224	241,271
Grants receivable	930,503
Prepaid expenses and other current assets	9,912
Assets limited as to use	<u>474,835</u>
Total Current Assets	4,217,179
Due from related organizations	2,053,115
Land, building and equipment, net	2,259,904
Bond issue costs, net of accumulated amortization of \$75,764	<u>166,024</u>
Total Assets	<u><u>\$ 8,696,222</u></u>

The accompanying notes are an integral part of this statement.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Statement of Financial Position
June 30, 2010

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 78,439
Accrued expenses	403,633
Due to related organizations	192,037
Bonds payable, current portion	<u>90,000</u>
Total Current Liabilities	<u>764,109</u>

OTHER LIABILITIES

Estimated liabilities to third-party payors	403,905
Bonds payable, less current portion	<u>3,565,000</u>
Total Other Liabilities	<u>3,968,905</u>

TOTAL LIABILITIES 4,733,014

UNRESTRICTED NET ASSETS 3,963,208

TOTAL LIABILITIES AND NET ASSETS \$ 8,696,222

The accompanying notes are an integral part of this statement.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Statement of Activities
For the year ended June 30, 2010

PUBLIC SUPPORT AND REVENUE

Public Support:	
Federal and state grants, net	\$ 3,694,927
City of Jacksonville	1,327,815
Contributions	<u>5,187</u>

Total Public Support	<u>5,027,929</u>
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Revenue:	
Client fees for services	6,248,579
Medicaid HMO/PSN	1,428,908
Interest	234
Other income	<u>85,504</u>

Total Revenue	<u>7,763,225</u>
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Total Support and Revenue	12,791,154
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TOTAL EXPENSES	<u>12,349,489</u>
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Change in Unrestricted Net Assets	441,665
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UNRESTRICTED NET ASSETS - Beginning of Year	<u>3,521,543</u>
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UNRESTRICTED NET ASSETS - End of Year	<u><u>\$ 3,963,208</u></u>
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The accompanying notes are an integral part of this statement.

Mental Health Center of Jacksonville, Inc.

(a non-profit organization)

Schedule of Expenses

For the year ended June 30, 2010

Salaries	\$ 3,431,711
Fringe benefits	967,855
Building occupancy	466,414
Professional services	261,313
Travel	151,242
Equipment costs	88,138
Food services	252,600
Medical and pharmacy	424,671
Insurance	103,463
Management fees	793,403
Interest	256,746
Operating supplies and expenses/other	174,502
Provision for uncollectible accounts	<u>4,977,431</u>
Total Expenses	<u><u>\$ 12,349,489</u></u>

The accompanying notes are an integral part of this statement.

**AUDIT SCHEDULE
SUBSTANCE ABUSE & MENTAL HEALTH SERVICES
PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE**

AGENCY: Mental Health Center of Jacksonville, Inc.

DATE PREPARED: 9/2/2010

CONTRACT #: DH669 (Funds passed through from Mental Health Resource Center, Inc.)

BUDGET PERIOD: FROM 07/01/2009 TO 06/30/2010

PART I: ACTUAL FUNDING SOURCES & REVENUES

FUNDING SOURCES & REVENUES A	STATE-DESIGNATED SAMH COST CENTERS											Non-SAMH Cost Center G	Total Funding (F+G) H
	STATE SAMH-FUNDED COST CENTERS							Total for State SAMH-Funded Cost Centers (C ₁ +...+C _x) D	Total for Non-State-Funded SAMH Cost Centers E	Tot. for All State-Designated SAMH Cost Centers (D+E) F			
	Adult Mental Health												
	Case Management B _{1-a}	Crisis Stabilization B _{1-b}	Crisis Support/ Emergency B _{1-c}	Intensive Case Management B _{1-d}	Medical Services B _{1-e}	Incidental Expenses B _{1-f}	Total for Adult Mental Health (B _{1-a} +...+B _{1-x}) C ₁						
IA. STATE SAMH FUNDING													
(1) DH669 (subrecipient)	\$ 231,364	\$ 2,676,625	\$ 442,826	\$ 23,721	\$ 278,988	\$ 10,074	\$ 3,663,598	\$ 3,663,598	XXXXXXXXXX	\$ 3,663,598	XXXXXXXXXX	\$ 3,663,598	
(2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	XXXXXXXXXX	\$ -	XXXXXXXXXX	\$ -	
(3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	XXXXXXXXXX	\$ -	XXXXXXXXXX	\$ -	
(4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	XXXXXXXXXX	\$ -	XXXXXXXXXX	\$ -	
(5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	XXXXXXXXXX	\$ -	XXXXXXXXXX	\$ -	
(6) From Other Districts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	XXXXXXXXXX	\$ -	XXXXXXXXXX	\$ -	
TOTAL STATE SAMH FUNDING =	\$ 231,364	\$ 2,676,625	\$ 442,826	\$ 23,721	\$ 278,988	\$ 10,074	\$ 3,663,598	\$ 3,663,598		\$ 3,663,598	XXXXXXXXXX	\$ 3,663,598	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	
IB. OTHER GOVT. FUNDING													
(1) Other State Agency Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
(2) Medicaid	\$ 154,695	\$ (3,550)	\$ -	\$ 140,215	\$ 78,411	\$ -	\$ 369,771	\$ 369,771	\$ 263,972	\$ 633,743	\$ -	\$ 633,743	
(3) Local Government	\$ 61,332	\$ 462,589	\$ 301,766	\$ -	\$ 405,631	\$ -	\$ 1,231,298	\$ 1,231,298	\$ 96,517	\$ 1,327,815	\$ -	\$ 1,327,815	
(4) Federal Grants and Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,329	\$ 31,329	\$ -	\$ 31,329	
(5) In-kind from local govt. only	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TOT. OTHER GOVT. FUNDING =	\$ 216,027	\$ 459,019	\$ 301,766	\$ 140,215	\$ 484,042	\$ -	\$ 1,601,069	\$ 1,601,069	\$ 391,818	\$ 1,992,887	\$ -	\$ 1,992,887	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	
IC. ALL OTHER REVENUES													
(1) 1st & 2nd Party Payments	\$ 12,174	\$ 4,787,646	\$ 540	\$ 7,504	\$ 30,764	\$ -	\$ 4,838,628	\$ 4,838,628	\$ 11,308	\$ 4,849,936	\$ -	\$ 4,849,936	
(2) 3rd Party Payments (except Medicare)	\$ 258,925	\$ 1,077,185	\$ -	\$ 168,158	\$ 326,115	\$ -	\$ 1,830,383	\$ 1,830,383	\$ 239,742	\$ 2,070,125	\$ -	\$ 2,070,125	
(3) Medicare	\$ -	\$ 21,365	\$ 300	\$ -	\$ 55,418	\$ -	\$ 77,083	\$ 77,083	\$ -	\$ 77,083	\$ -	\$ 77,083	
(4) Contributions and Donations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,187	\$ 4,187	\$ -	\$ 4,187	
(5) Other (Admin)	\$ 6,461	\$ 33,930	\$ 4,010	\$ 2,010	\$ 9,183	\$ -	\$ 55,594	\$ 55,594	\$ 51,706	\$ 107,300	\$ 26,038	\$ 133,338	
(6) In-kind	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TOT. ALL OTHER REVENUES =	\$ 277,560	\$ 5,920,126	\$ 4,850	\$ 177,672	\$ 421,480	\$ -	\$ 6,801,688	\$ 6,801,688	\$ 306,943	\$ 7,108,631	\$ 26,038	\$ 7,134,669	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	
TOTAL FUNDING =	\$ 724,951	\$ 9,055,770	\$ 749,442	\$ 341,608	\$ 1,184,510	\$ 10,074	\$ 12,066,355	\$ 12,066,355	\$ 698,761	\$ 12,765,116	\$ 26,038	\$ 12,791,154	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	

**AUDIT SCHEDULE
SUBSTANCE ABUSE & MENTAL HEALTH SERVICES
PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE**

AGENCY: Mental Health Center of Jacksonville, Inc.

DATE PREPARED: 9/2/2010

CONTRACT #: DH669 (Funds passed through from Mental Health Resource Center, Inc.)

BUDGET PERIOD: FROM 07/01/2009 TO 06/30/2010

PART II: ACTUAL EXPENSES

EXPENSE CATEGORIES A	STATE-DESIGNATED SAMH COST CENTERS										Non-SAMH Cost Center G	Other Support Costs (optional) H	Administration I	Total Expenses (F+G+H*+I) J
	STATE SAMH-FUNDED COST CENTERS							Total for State SAMH-Funded Cost Centers (C ₁ +...+C _x) D	Total for Non-State-Funded SAMH Cost Centers E	Tot. for All State-Designed SAMH Cost Centers (D+E) F				
	Adult Mental Health													
	Case Management B _{1-a}	Crisis Stabilization B _{1-b}	Crisis Support/Emergency B _{1-c}	Intensive Case Management B _{1-d}	Medical Services B _{1-e}	Incidental Expenses B _{1-f}	Total for Adult Mental Health (B _{1-a} +...+B _{1-x}) C ₁							
IIA. PERSONNEL EXPENSES														
(1) Salaries	\$ 370,647	\$ 1,661,752	\$ 226,592	\$ 132,755	\$ 411,285	\$ -	\$ 2,803,031	\$ 2,803,031	\$ 214,472	\$ 3,017,503	\$ -	\$ 395,211	\$ 18,997	\$ 3,431,711
(2) Fringe Benefits	\$ 128,319	\$ 432,933	\$ 59,447	\$ 39,209	\$ 101,488	\$ -	\$ 761,396	\$ 761,396	\$ 63,023	\$ 824,419	\$ 1,310	\$ 133,454	\$ 8,672	\$ 967,855
TOTAL PERSONNEL EXPENSES =	\$ 498,966	\$ 2,094,685	\$ 286,039	\$ 171,964	\$ 512,773	\$ -	\$ 3,564,427	\$ 3,564,427	\$ 277,495	\$ 3,841,922	\$ 1,310	\$ 528,665	\$ 27,669	\$ 4,399,566
IIB. OTHER EXPENSES														
(1) Building Occupancy	\$ 12,119	\$ 285,576	\$ 14,328	\$ 1,861	\$ 19,880	\$ -	\$ 333,764	\$ 333,764	\$ 81,612	\$ 415,376	\$ -	\$ 44,885	\$ 6,153	\$ 466,414
(2) Professional Services	\$ 494	\$ 161,709	\$ 786	\$ 540	\$ 58,656	\$ -	\$ 222,185	\$ 222,185	\$ 4,721	\$ 226,906	\$ -	\$ 20,157	\$ 14,250	\$ 261,313
(3) Travel	\$ 54,817	\$ 18,281	\$ 44,463	\$ 15,584	\$ 3,084	\$ -	\$ 136,229	\$ 136,229	\$ 13,016	\$ 149,245	\$ -	\$ 1,997	\$ -	\$ 151,242
(4) Equipment	\$ 3,872	\$ 40,456	\$ 4,988	\$ 415	\$ 5,167	\$ -	\$ 54,898	\$ 54,898	\$ 22,374	\$ 77,272	\$ -	\$ 9,240	\$ 1,626	\$ 88,138
(5) Food Services	\$ 49	\$ 185,215	\$ 26,521	\$ 3	\$ 1,180	\$ -	\$ 212,968	\$ 212,968	\$ 39,560	\$ 252,528	\$ -	\$ -	\$ 72	\$ 252,600
(6) Medical and Pharmacy	\$ 1,569	\$ 349,314	\$ 282	\$ 278	\$ 53,327	\$ 10,074	\$ 414,844	\$ 414,844	\$ 8,698	\$ 423,542	\$ -	\$ 1,129	\$ -	\$ 424,671
(7) Subcontracted Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(8) Insurance	\$ 5,010	\$ 47,861	\$ 5,533	\$ 1,379	\$ 6,602	\$ -	\$ 66,385	\$ 66,385	\$ 11,986	\$ 78,371	\$ -	\$ 22,073	\$ 3,019	\$ 103,463
(9) Interest Paid	\$ 14,641	\$ 208,381	\$ 12,310	\$ 4,737	\$ 16,677	\$ -	\$ 256,746	\$ 256,746	\$ -	\$ 256,746	\$ -	\$ -	\$ -	\$ 256,746
(10) Operating Supplies & Expenses	\$ 7,743	\$ 85,753	\$ 7,053	\$ 971	\$ 7,131	\$ -	\$ 108,651	\$ 108,651	\$ 10,049	\$ 118,700	\$ -	\$ 12,862	\$ 11,727	\$ 143,289
(11) Other	\$ 46,574	\$ 4,760,754	\$ 781	\$ 37,205	\$ 65,190	\$ -	\$ 4,910,504	\$ 4,910,504	\$ 74,149	\$ 4,984,653	\$ 2,613	\$ 1,343	\$ 813,438	\$ 5,802,047
(12) Donated Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL OTHER EXPENSES =	\$ 146,888	\$ 6,143,300	\$ 117,045	\$ 62,973	\$ 236,894	\$ 10,074	\$ 6,717,174	\$ 6,717,174	\$ 266,165	\$ 6,983,339	\$ 2,613	\$ 113,686	\$ 850,285	\$ 7,949,923
TOT. PERSONNEL & OTH. EXP. =	\$ 645,854	\$ 8,237,985	\$ 403,084	\$ 234,937	\$ 749,667	\$ 10,074	\$ 10,281,601	\$ 10,281,601	\$ 543,660	\$ 10,825,261	\$ 3,923	\$ 642,351	\$ 877,954	\$ 12,349,489
IIC. DISTRIBUTED INDIRECT COSTS														
(a) Other Support Costs (Optional)	\$ 23,502	\$ 449,454	\$ 78,395	\$ 7,157	\$ 40,706	\$ -	\$ 599,214	\$ 599,214	\$ 43,136	\$ 642,350	\$ -	\$ -	\$ -	\$ -
(b) Administration	\$ 93,684	\$ 492,128	\$ 58,154	\$ 29,153	\$ 133,175	\$ -	\$ 806,294	\$ 806,294	\$ 71,660	\$ 877,954	\$ -	\$ 0.00	\$ -	\$ -
TOT. DISTR'D INDIRECT COSTS =	\$ 117,186	\$ 941,582	\$ 136,549	\$ 36,310	\$ 173,881	\$ -	\$ 1,405,508	\$ 1,405,508	\$ 114,796	\$ 1,520,304	\$ -	\$ XXXXXXXXXXXX	\$ XXXXXXXXXXXX	\$ -
TOTAL ACTUAL OPER. EXPENSES =	\$ 763,040	\$ 9,179,567	\$ 539,633	\$ 271,247	\$ 923,548	\$ 10,074	\$ 11,687,109	\$ 11,687,109	\$ 658,456	\$ 12,345,565	\$ 3,923	\$ 0.00	\$ 0.00	\$ 12,349,490
IID. UNALLOWABLE COSTS														
	\$ 45,914	\$ 4,755,124	\$ 630	\$ 37,169	\$ 64,782	\$ -	\$ 4,903,619	\$ 4,903,619	\$ 73,811	\$ 4,977,430	\$ 3,923	\$ XXXXXXXXXXXX	\$ XXXXXXXXXXXX	\$ 4,981,353
TOT. ALLOWABLE OPER. EXP. =	\$ 717,126	\$ 4,755,124	\$ 539,003	\$ 234,078	\$ 858,766	\$ 10,074	\$ 6,783,490	\$ 6,783,490	\$ 584,645	\$ 7,368,135	\$ 0	\$ XXXXXXXXXXXX	\$ XXXXXXXXXXXX	\$ 7,368,137
IIIE. CAPITAL EXPENDITURES														
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Statement of Cash Flows
For the year ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES AND GAINS

Change in unrestricted net assets	\$ 441,665
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Depreciation and amortization	150,473
Increase in accounts and grants receivable, net	(127,075)
Decrease in prepaid expenses and other current assets	3,717
Decrease in other assets	8,416
Decrease in accounts payable, and accrued expenses	(11,431)
Increase in amounts due to related organizations	49,479
Increase in amounts due from related organizations	<u>(2,367)</u>
 Net Cash Provided By Operating Activities	 <u>512,877</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in investments and assets limited as to use	(17,199)
Capital expenditures	<u>(218,222)</u>
 Net Cash Used In Investing Activities	 <u>(235,421)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on long-term debt	<u>(65,000)</u>
 Net Cash Used in Financing Activities	 <u>(65,000)</u>
 Net Increase in Cash and Cash Equivalents	 212,456

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

2,348,202

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 2,560,658

Supplemental Disclosures:

Interest paid	<u>\$ 258,073</u>
Income taxes paid	<u>N/A</u>

The accompanying notes are an integral part of this statement.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
For the year ended June 30, 2010

1. ORGANIZATION

Mental Health Center of Jacksonville, Inc. (the Center) located in Jacksonville, Florida is a non-profit, comprehensive community mental health care corporation organized to provide quality mental health care to all individuals requesting assistance, regardless of their ability to pay. The Center is governed by a Board of Directors consisting of volunteers from the community. The Center was incorporated in Florida in 1959.

Effective March 1, 1997, Mental Health Center of Jacksonville, Inc. formed an affiliation with Renaissance Behavioral Health Systems, Inc. (RBHS) in which the Center became a controlled affiliate of RBHS.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Center as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Center reports the support as unrestricted. At June 30, 2010, all net assets of the Center are unrestricted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The costs related to the administration of the Center's programs are summarized in the statement of activities. Personnel and operating expenses which are associated with a specific program are charged directly to that program. Personnel and operating expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided.

Use of Estimates

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

Public Support

Public support revenue from government grants is recorded based upon the terms of the grantor allotment which generally provides that revenues are earned when the allowable costs of the specific grant provisions have been incurred or the performance of services rendered. Such revenues are subject to audit by the grantor and, if the examination results in a deficiency of allowable expenses or services, the Center will be required to refund any deficiencies. Management believes that any potential disallowed costs in the statement of financial awards would be insignificant as of June 30, 2010.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
For the year ended June 30, 2010

Client Service Fees

Fees for client services are recorded at standard rates or net realizable value per contractual agreements which are reduced by allowances based upon the client's financial capabilities and by amounts estimated by management to be non-reimbursable by third-party payors and state programs under the provisions of applicable program payment arrangements. Final determination of amounts earned is subject to third party payor audit. Management believes that adequate reserves have been established for potential losses resulting from such audits.

Charity Care

The Center provides services to clients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Center also provides services to indigent clients under contract with the State of Florida Department of Children and Families. The Center provided charity care and services to indigent clients of \$8,889,498 based on established rates for the fiscal year ended June 30, 2010.

Tax Status

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income and sales taxes.

Cash and Cash Equivalents

The Center considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Center routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government obligations.

In-Kind Donations

The value of any donated goods or services is reported at fair market value. Only services meeting the criteria of FASB 116 are reported.

Assets Limited as to Use

The Center deposits funds monthly into a sinking fund maintained by the bond trustee. Funds are invested in cash, money market accounts and government securities and are stated at fair value. Gains and losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in unrestricted net assets unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from revenue in excess of expenses unless the investments are traded securities.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
For the year ended June 30, 2010

Bond Issue Costs

Bond issue costs relate primarily to costs associated with the issuance of the Health Facilities Revenue Bonds (note 6). These costs are being amortized on a straight-line basis over the period the bonds are outstanding. Amortization expense relating to the bond issue costs for the year ended June 30, 2010 was \$5,929.

Allocation of Expenses

Administrative expenses in the Schedule of Program/Cost Centers Actual Expenses and Revenues are allocated based on a weighted average percentage of budgeted expenses. Other support is allocated primarily based on utilization.

Land, Building and Equipment

Land, building and equipment are recorded at historical cost or in the case of contributed property and equipment, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the various assets. The State of Florida is entitled to the proceeds from the disposal of certain equipment, if such equipment is acquired with state contract funds.

3. LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of:

Land	\$ 219,780
Building and leasehold improvements	4,122,752
Furniture and equipment	637,373
Vehicles	5,123
	<u>4,985,028</u>
Less accumulated depreciation	<u>(2,725,124)</u>
	<u><u>\$ 2,259,904</u></u>

Depreciation expense was \$144,544 for the year ended June 30, 2010.

Included in building and leasehold improvements was \$77,288 construction in progress.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
For the year ended June 30, 2010

4. ASSETS LIMITED AS TO USE

Assets limited as to use are funds held by the bond trustee for the Center representing assets held by the bond trustee under the terms of the trust indenture related to the Center's Health Facility Revenue Bonds - Series 1999A and 1999B (note 6). The Center is required to fund interest and principal monthly. Interest is payable on October 15 and April 15 of each year, and principal is payable on October 15 of each year.

The composition of assets limited as to use at for the year ended June 30, 2010 is as follows:

Money market accounts	<u>\$ 474,835</u>
-----------------------	-------------------

5. RETIREMENT PLAN

The Center adopted a Discretionary Profit Sharing-Thrift Plan (Plan) effective July 1, 1998. The Plan covers full-time and part-time employees who have completed one year of service with at least 1,000 hours of service during the year as of the Plan's effective date. Both basic and matching Center contributions to the plan are discretionary and are determined on an annual basis by the Center's Board of Directors. Employee contributions to the Plan are voluntary. The Center's retirement expense was \$155,369 for the year ended June 30, 2010, and is included in fringe benefits expense in the statement of activities.

6. BONDS PAYABLE

The Center is obligated under a bond obligation at June 30, 2010 as follows:

Health Facilities Revenue Bonds - Series 1999A (\$3,940,000) and 1999B (\$145,000), bearing interest at 7% and 10%, respectively, interest payable semi-annually on October 15 and April 15, secured through a security interest in the net revenues of the Center as well as substantially all of the assets of the Center, annual principal payments are made in various amounts through October 1, 2029, and began on October 1, 2001. 1999B matured October 2009, at which time the remaining balance of \$25,000 was paid in full.	\$ 3,655,000
Less current portion	<u>90,000</u>
Long-term portion	<u>\$ 3,565,000</u>

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
For the year ended June 30, 2010

Maturities of long-term bonds payable are as follows:

Year ending June 30, 2010

2011	\$ 90,000
2012	95,000
2013	100,000
2014	110,000
2015	115,000
Thereafter	<u>3,145,000</u>
	<u>\$ 3,655,000</u>

In October 1999, the Jacksonville Health Facilities Authority issued series 1999A and series 1999B bonds on behalf of the Center to fund \$3,960,000 in aggregate principal amount of the Jacksonville Health Facilities Authority Revenue Bonds, series 1989 (Mental Health Center of Jacksonville, Inc. Project). The series 1999A bonds of \$3,940,000 bear interest at 7% and the series 1999B bonds of \$145,000 bore interest at 10%. Series 1999B fully matured and was paid in October, 2009. Series 1989 were issued by the Jacksonville Health Facilities Authority to provide financing for the Center's purchase of the facilities located at 3333 West 20th Street, Jacksonville, Florida 32205. A trust indenture requires that certain funds be maintained by an independent trustee to be used for payment of bond principal and interest (Note 4). The West 20th Street facility serves as collateral for the series 1999A bonds.

Sinking fund principal and interest payments are required to be made monthly to the bond trustee. The interest payment required is reduced by the interest earned on investments held in the fund.

The Health Facilities Revenue Bonds contain covenants, one of which requires maintenance of a debt service coverage ratio. The Center is in compliance with the debt service coverage as of June 30, 2010.

Interest expense for the year ended June 30, 2010 was \$256,747.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
For the year ended June 30, 2010

7. LEASE OBLIGATIONS

The Center leases real property and equipment under operating leases expiring from 2010-2013. The Center's future minimum lease payments, by year, for building and equipment consist of the following at June 30, 2010:

2011	\$ 9,509
2012	9,509
2013	<u>1,585</u>
	<u>\$ 20,603</u>

The Center incurred total rental expense of \$94,615 during the year ended June 30, 2010, which is included in building occupancy in the accompanying statement of activities.

8. TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

Management fee expense is incurred to RBHS for services rendered for management, accounting, data processing and support. Amounts due to related organizations primarily relate to unpaid amounts related to these services. Management fees paid to RBHS for the year ended June 30, 2010 were \$793,403.

Due to RBHS was \$131,983 at June 30, 2010. Due to another affiliated organization managed by RBHS was \$60,054.

Due from the affiliated organization managed by RBHS was \$2,052,457. Due from RBHS was \$658.

During the year ended June 30, 2010, Mental Health Resource Center (MHRC), an affiliated organization was engaged in a subcontract agreement with the Organization, to provide support from the State of Florida to the Organization as discussed in Note 9.

9. SUPPORT FROM THE STATE OF FLORIDA

The Center received a substantial portion of its support in 2010 as a subcontract agreement under grant contract number DH669 from the State of Florida through the Department of Children and Families Substance Abuse and Mental Health Program. Total state funding for the year ending June 30, 2010 was \$3,417,488.

A significant reduction in the level of future support would have a substantial effect on the Center's programs and activities. The contracts are renegotiated periodically. Certain contract funds require a twenty-five percent (25%) local match for community mental health services. The Center required \$1,043,335 in local matching funds in order to be in compliance with the aforementioned contract provisions for the year ended June 30, 2010. The Center exceeded its local match requirements for the year ended June 30, 2010.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
For the year ended June 30, 2010

10. CONCENTRATION OF CREDIT RISK

The Center grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements including Medicaid, Medicare, and other third party payors.

The Center had one Treasury Money Market Fund of \$1,556,359, which is by nature uninsured. However, the funds are invested in a conservative and stable Institutional 100% Treasury Money Market Fund. The Center also had an additional \$742,295 in its bank account in excess of the \$250,000 federally insured amount.

11. COMMITMENTS AND CONTINGENCIES

The Center is periodically involved in litigation and routine monitoring by regulatory agencies arising from the ordinary course of business. In the opinion of the Center's management, after consultation with legal counsel, such matters will be resolved without a material adverse effect on the financial position or results of operation of the Center.

The Center has professional liability insurance through RBHS, the parent company, which covers \$3,000,000 in aggregate and \$1,000,000 per occurrence, to insure against potential malpractice claims.

The Center receives a substantial portion of its client service revenues from Medicaid and Medicare. The Center bills Medicaid and Medicare for eligible services it renders. Medicaid and Medicare have oversight agencies which periodically audit claims submitted to these programs. To the extent services are billed to Medicaid or Medicare and are not properly documented by the Center, the claims may be denied and reimbursement from the Center may be required. Accordingly, the Center has established a liability for estimated denied claims based on historical experience.

12. FUNDRAISING EXPENSES

The Center had \$0 fund raising expenses.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
For the year ended June 30, 2010

13. CITY OF JACKSONVILLE GRANTS

Oupatient and Baker Act
Contract 7347-22 10/1/09 to 10/1/10
Total Award \$1,304,866
Remaining \$314,763

Cash received \$ 883,598

Expenditures - Mental health outpatient
programs, emergency evaluation
and crisis stabilization beds \$ 990,103

Oupatient and Baker Act
Contract 7347-21 10/1/08 to 10/1/09
Total Award \$1,304,866
Remaining \$0

Cash received \$ 452,316

Expenditures - Mental health outpatient
programs, emergency evaluation
and crisis stabilization beds \$ 337,712

14. SEPARATE CASH ACCOUNTS OR ACCOUNTING

All grant requirements to have separate cash accounts or accounting were met.

15. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 26, 2010, the date the financial statements were available for release.

SUPPLEMENTARY INFORMATION

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended June 30, 2010

BASIS OF PRESENTATION

The schedule of expenditures of federal awards and state projects includes the federal grant activity and state projects of Mental Health Center of Jacksonville, Inc. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements which are presented on the accrual basis of accounting.

Mental Health Center Of Jacksonville, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2010

<u>Grantor/Program Title</u>	<u>CFDA CSFA No</u>	<u>Contract Grant Number</u>	<u>Program or Award Amount</u>	<u>Accrued Revenue at June 30, 2009</u>	<u>Cash Received</u>	<u>Total Expenditures</u>	<u>Accrued Revenue at June 30, 2010</u>	<u>Federal or State Portion of Reimbursable Expenditures</u>	<u>Transfer to Subrecipients</u>
<u>U.S. Department of Health and Human Services</u>									
<u>Dept of Children & Families SAMH Program</u>									
<u>Pass through funds from Mental Health Resource Center, Inc.</u>									
Block Grants for Community Mental Health Services	93.958	DH669	\$ 94,647	\$ -	\$ -	\$ 94,647	\$ 94,647	\$ 94,647	\$ -
<u>U. S. Department of Agriculture</u>									
<u>FI Dept of Education</u>									
Child and Adult Care Food Program FFY 2010	10.558	Y0054	\$ 45,423	\$ -	\$ 20,677	\$ 20,677	\$ -	\$ 20,677	
Child and Adult Care Food Program FFY 2009	10.558	Y9054	\$ 46,000	\$ 3,534	\$ 14,185	\$ 10,651	\$ -	\$ 10,651	
Total Federal Awards			\$ 186,070	\$ 3,534	\$ 34,863	\$ 125,976	\$ 94,647	\$ 125,976	\$ -
<u>State Financial Assistance</u>									
<u>Dept of Children & Families SAMH</u>									
<u>Pass through funds from Mental Health Resource Center, Inc.</u>									
Adult Community Mental Health Community Support Services 09/10	60.053	n/a	\$ 368,514	\$ -	\$ 358,541	\$ 368,514	\$ 9,973	\$ 368,514	\$ -
Indigent Psychiatric Outpatient Services 09/10	60.039	n/a	\$ 29,047	\$ -	\$ 26,626	\$ 29,047	\$ 2,421	\$ 29,047	\$ -
Adult Community Mental Health Emergency Stabilization 09/10	60.054	n/a	\$ 469,347	\$ -	\$ 469,347	\$ 469,347	\$ -	\$ 469,347	\$ -
Baker Act 09/10	60.006	n/a	\$ 2,412,933	\$ -	\$ 2,312,933	\$ 2,412,933	\$ 100,000	\$ 2,412,933	\$ -
Community Forensic Beds 09/10	60.114	n/a	\$ 43,000	\$ -	\$ 39,417	\$ 43,000	\$ 3,583	\$ 43,000	\$ -
Adult Community Mental Health Community Support Services 08/09	60.053	n/a	\$ 369,839	\$ 52,822	\$ 52,822	\$ -	\$ -	\$ -	\$ -
Indigent Psychiatric Outpatient Services 08/09	60.039	n/a	\$ 29,047	\$ 2,421	\$ 2,421	\$ -	\$ -	\$ -	\$ -
Adult Community Mental Health Emergency Stabilization 08/09	60.054	n/a	\$ 654,347	\$ 30,126	\$ 30,126	\$ -	\$ -	\$ -	\$ -
Baker Act 08/09	60.006	n/a	\$ 2,312,933	\$ 386,731	\$ 386,731	\$ -	\$ -	\$ -	\$ -
Community Forensic Beds	60.114	n/a	\$ 43,000	\$ 3,583	\$ 3,583	\$ -	\$ -	\$ -	\$ -
Total State Financial Assistance			\$ 6,732,007	\$ 475,683	\$ 3,682,547	\$ 3,322,841	\$ 115,977	\$ 3,322,841	\$ -
<u>Other State Financial Assistance</u>									
<u>Dept of Children & Families ADA & MHS</u>									
IDP Allocation 2010	n/a	n/a	\$ 246,110	\$ -	\$ -	\$ 246,110	\$ -	\$ 246,110	\$ -
Total Other State Financial Assistance			\$ 246,110	\$ -	\$ -	\$ 246,110	\$ -	\$ 246,110	\$ -
Total Federal Awards and State Financial Assistance			\$ 7,164,187	\$ 479,217	\$ 3,717,410	\$ 3,694,927	\$ 210,624	\$ 3,694,927	\$ -
<u>Local Contract & Grants</u>									
<u>City of Jacksonville</u>									
Outpatient and Baker Act 2009/10	n/a	7347-22	\$ 1,304,866	\$ -	\$ 883,598	\$ 990,103	\$ 106,505	\$ -	\$ -
Outpatient and Baker Act 2008/09	n/a	7347-21	\$ 1,304,866	\$ 114,604	\$ 452,316	\$ 337,712	\$ -	\$ -	\$ -
Total Local Contract and Grants			\$ 2,609,732	\$ 114,604	\$ 1,335,914	\$ 1,327,815	\$ 106,505	\$ -	\$ -
Total grants and contracts			\$ 9,773,919	\$ 593,821	\$ 5,053,324	\$ 5,022,742	\$ 317,129	\$ 3,694,927	\$ -

Mental Health Center of Jacksonville, Inc.

(a non-profit organization)

Schedule of State Earnings for Alcohol, Drug Abuse and Mental Health Service

For the year ended June 30, 2010

Total expenditures	\$ 12,349,490
Less:	
Other state and federal funds	(665,072)
Non-match SAMH funds	(533,593)
Unallowable costs (per 65E-14, F.A.C.)	<u>(4,981,353)</u>
Net allowable expenditures	<u>\$ 6,169,472</u>
Maximum available earnings	<u>\$ 4,627,104</u>
Amount of State funds requiring match	<u>\$ 3,130,005</u>
Excess match	<u>\$ 1,497,099</u>

Mental Health Center of Jacksonville, Inc.

(a non-profit organization)

Schedule of Revenues

For the year ended June 30, 2010

State SAMH Grants:	
Baker Act Services	\$ 2,412,933
Community Mental Health Services - Adult	975,508
Indigent Drug Program	<u>275,157</u>
Total State SAMH Grants	<u>3,663,598</u>
Other Government Funding:	
Local government	1,327,815
Other federal grants and contracts	<u>31,329</u>
Total Other Government Funding	<u>1,359,144</u>
All Other Funding and Revenues:	
Medicaid	633,742
Medicaid HMO/PSN	1,428,908
Medicare	77,084
Client fees for services, net	5,537,753
Interest income	234
Contributions	5,187
Other	<u>85,504</u>
Total Non-Government Funding	<u>7,768,412</u>
Total All Funding and Revenues	<u><u>\$ 12,791,154</u></u>

AUDIT SCHEDULE

**Schedule of Bed-Day Availability Payments
For Fiscal Year Ending 06/30/2010**

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)
A	B	C	D	E	(D-E) F	G	(F x C) H	I
Children's MH	Crisis Stabilization Unit				0		\$0.00	\$0.00
Adult MH	Crisis Stabilization Unit	\$291.24	21,900	3,523	18,377	\$2,676,625.00	\$5,352,037.60	\$0.00
Children's SA	Substance Abuse Detox				0		\$0.00	\$0.00
Adult SA	Substance Abuse Detox				0		\$0.00	\$0.00
Adult MH	Short-term Residential Treatment				0		\$0.00	\$0.00
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
Total Amount Owed to Department =								\$0.00

AUDIT SCHEDULE
Mental Health Center of Jacksonville, Inc.
Schedule of Related Party Transaction Adjustments
for the Fiscal Year Ending June 30, 2010

		Allocation of Related Party Transactions Adjustment									
		State-Designated Cost Centers									
	Related Party	Case Management	Crisis Stabilization	Crisis Support/ Emergency	Intensive Case Management	Medical Services	Total for Non-State-Funded	Non-SAMH Cost Center	Other Support Costs	Administration	Total
Revenues From Grantee											
Rent	RBHS	-	-	-	-	-	-	-	-	475	475
Rent	MHRC	-	-	-	-	-	-	-	-	3,787	3,787
Total Revenue From Grantee		-	-	-	-	-	-	-	-	4,262	4,262
Expenses Associated with Grantee Transactions											
Personnel Services	RBHS	-	21,735	3,759	-	10,117	-	-	2,900	-	38,511
Personnel Services	MHRC	1,705	8,578	-	755	2,217	1,258	-	1,860	-	16,373
Depreciation											-
Interest											-
Other	RBHS	675	2,711	457	-	1,356	-	-	1,275	86,998	93,472
Other	MHRC	112	171	125	107	42,545	6	344	230	40	43,680
Total Associated Expenses		2,492	33,195	4,341	862	56,235	1,264	344	6,265	87,038	192,036
Related Party Transaction Adjustment		<u>2,492</u>	<u>33,195</u>	<u>4,341</u>	<u>862</u>	<u>56,235</u>	<u>1,264</u>	<u>344</u>	<u>6,265</u>	<u>82,776</u>	<u>187,774</u>

RBHS - Renaissance Behavioral Health Systems, Inc.

MHRC - Mental Health Resource Center, Inc.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the organization.
2. No material weaknesses or reportable conditions were identified during the audit of the financial statements.
3. Instances of noncompliance material to financial statements of the organization: none.
4. No material weaknesses or reportable conditions were identified during the audit of state projects.
5. The auditor's report on compliance for state projects expressed an unqualified opinion.
6. There were no audit findings required to be reported under the Rules of the Auditor General Section 10.656.

7. Major programs:

<u>Federal</u>	<u>None</u>
<u>State Projects</u>	CSFA No.
Adult Community Mental Health - Emergency Stabilization	60.054
Baker Act	60.006
Adult Community Mental Health - Community Support	60.053

8. Dollar threshold used to distinguish between Type A and Type B state projects was \$300,000.
9. As there were no prior year audit findings related to federal programs or state projects, no Summary of Prior Audit Findings is required.
10. No Corrective Action Plan is required because there were no findings to be reported.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

FINDINGS - FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS AUDIT.

None.

OTHER ISSUES

No management letter was issued because the audit disclosed no matters required to be reported in a management letter.

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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
Mental Health Center of Jacksonville, Inc.
Jacksonville, Florida

We have audited the financial statements of Mental Health Center of Jacksonville, Inc. (a non-profit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 27, 2010. We conducted our audit in accordance with audit 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 Mental Health Center of Jacksonville, 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 Mental Health Center of Jacksonville, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mental Health Center of Jacksonville, 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 that are required to be reported under *Government Auditing Standards*.

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

Ralston & Company, PA

September 27, 2010

RALSTON & COMPANY, P.A.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER COMPLIANCE APPLICABLE TO EACH MAJOR STATE PROJECT**

To the Board of Directors
Mental Health Center of Jacksonville, Inc.
Jacksonville, Florida

Compliance

We have audited the compliance of Mental Health Center of Jacksonville, Inc. (the "Organization") with the types of compliance requirements described in the *Department of Financial Services State Projects Compliance Supplement*, that are applicable to each of its major projects for the year ended June 30, 2010. The Organization's major 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 state financial assistance projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization'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 Chapter 10.650, *Rules of the Auditor General*. Those standards, Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization has complied, in all material respects, with the requirements referred to above that are applicable to each of its major state projects for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state financial assistance projects. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mental Health Center of Jacksonville, Inc.'s internal control over compliance.

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A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state financial assistance project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state financial assistance project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state financial assistance project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state financial assistance project will not be prevented or detected by the entity's internal control.

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

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

Ralston + Company, PA

September 27, 2010