

*Financial Statements and  
Other Financial Information*

***OSCEOLA MENTAL HEALTH, INC.***  
**d/b/a Park Place Behavioral Health Care**

*June 30, 2010 and 2009*

**OSCEOLA MENTAL HEALTH, INC.**  
d/b/a Park Place Behavioral Health Care

**Financial Statements and  
Other Financial Information**

**June 30, 2010 and 2009**

**(With Independent Auditors' Report Thereon)**

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

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## **Independent Auditors' Report**

To the Board of Directors  
Osceola Mental Health, Inc.  
d/b/a Park Place Behavioral Health Care

We have audited the accompanying statements of financial position of Osceola Mental Health, Inc. (d/b/a Park Place Behavioral Health Care) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Osceola Mental Health, Inc.'s (d/b/a Park Place Behavioral Health Care) management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Osceola Mental Health, Inc. (d/b/a Park Place Behavioral Health Care) as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 10, 2010 on our consideration of Osceola Mental Health, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Osceola Mental Health, Inc. (d/b/a Park Place Behavioral Health Care) taken as a whole. The accompanying supplemental information on pages 19 to 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditure of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and Section 215.97 of the Florida Statutes of the Florida Single Audit Act, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Schatz, Tschoy, Whitcomb, Mitchell & Shuler, LLP*

August 10, 2010  
Altamonte Springs, Florida

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Statements of Financial Position**

June 30, 2010 and 2009

Assets

	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 1,695,792	1,220,715
Patient accounts receivable (net of allowance for doubtful accounts of \$382,924 and \$525,003)	642,272	681,627
Other accounts receivable	976,588	1,054,320
Prepaid expenses and other	82,148	91,855
Total current assets	3,396,800	3,048,517
Property and equipment (notes 3 and 7):		
Land	1,541,076	1,541,076
Buildings and improvements	8,747,222	8,694,550
Furniture and equipment	1,134,803	1,033,472
Vehicles	302,395	270,350
	11,725,496	11,539,448
Less accumulated depreciation	3,138,992	2,652,495
Total property and equipment	8,586,504	8,886,953
Deferred interest expense (notes 5 and 7)	517,680	704,620
Other assets	42,662	46,173
Assets whose use is limited (note 2)	-	59,300
	\$ 12,543,646	12,745,563

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 110,692	205,325
Accrued expenses	1,209,726	1,076,302
Current installments of long-term debt (notes 3 and 7)	354,635	540,687
Total current liabilities	1,675,053	1,822,314
Long-term debt, excluding current installments (notes 3 and 7)	4,678,821	5,035,221
Total liabilities	6,353,874	6,857,535
Net assets:		
Unrestricted	5,461,358	4,958,157
Temporarily restricted (note 5)	728,414	929,871
Total net assets	6,189,772	5,888,028
	\$ 12,543,646	12,745,563

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Statement of Activities**

Year ended June 30, 2010

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Support and revenue:			
Federal and state assistance	\$ 3,870,047	-	3,870,047
Osceola County	1,660,910	197,142	1,858,052
Cities of Kissimmee and St. Cloud	43,176	14,392	57,568
Total governmental financial assistance	5,574,133	211,534	5,785,667
			-
Program service fees	6,552,687	-	6,552,687
Florida Health Partners	1,780,848	-	1,780,848
Family Services Revenue	1,232,275	-	1,232,275
Interest income	24,757	-	24,757
Contributions	53,203	-	53,203
Other income	182,767	-	182,767
Net assets released from restrictions (note 4)	412,991	(412,991)	-
Total support and revenue	15,813,661	(201,457)	15,612,204
Expenses:			
Program services:			
Alcohol, drug and mental health	6,716,228	-	6,716,228
Other mental health	6,157,183	-	6,157,183
Total program services	12,873,411	-	12,873,411
Management and general:			
General and administrative	2,437,049	-	2,437,049
Total expenses	15,310,460	-	15,310,460
Change in net assets	503,201	(201,457)	301,744
Net assets at beginning of year	4,958,157	929,871	5,888,028
Net assets at end of year	\$ 5,461,358	728,414	6,189,772

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Statement of Activities**

Year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Federal and state assistance	\$ 3,955,254	-	3,955,254
Osceola County	1,632,618	197,142	1,829,760
Cities of Kissimmee and St. Cloud	42,253	14,084	56,337
Total governmental financial assistance	5,630,125	211,226	5,841,351
			-
Program service fees	6,651,729	-	6,651,729
Florida Health Partners	1,225,934	-	1,225,934
Family Services Revenue	1,352,741	-	1,352,741
Interest income	10,623	-	10,623
Contributions	180,611	-	180,611
Other income	94,848	-	94,848
Net assets released from restrictions (note 4)	429,937	(429,937)	-
Total support and revenue	15,576,548	(218,711)	15,357,837
Expenses:			
Program services:			
Alcohol, drug and mental health	6,311,945	-	6,311,945
Other mental health	6,679,951	-	6,679,951
Total program services	12,991,896	-	12,991,896
Management and general:			
General and administrative	2,281,572	-	2,281,572
Total expenses	15,273,468	-	15,273,468
Change in net assets	303,080	(218,711)	84,369
Net assets at beginning of year	4,655,077	1,148,582	5,803,659
Net assets at end of year	\$ 4,958,157	929,871	5,888,028

See accompanying notes to financial statements.



OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

Statement of Functional Expenses

Year ended June 30, 2010

Item of Expense	Program Services			General and Admin	Total
	Alcohol, Drug and Mental Health	Other Mental Health	Total		
Personnel expenses:					
Salaries	\$ 4,492,735	3,738,694	8,231,429	1,544,401	9,775,830
Benefits	607,877	528,859	1,136,736	227,643	1,364,379
Total payroll and related expenses	<u>5,100,612</u>	<u>4,267,553</u>	<u>9,368,165</u>	<u>1,772,044</u>	<u>11,140,209</u>
Other expenses:					
Occupancy	467,173	614,159	1,081,332	238,316	1,319,648
Professional services	161,104	248,321	409,425	110,206	519,631
Travel	41,567	13,260	54,827	25,468	80,295
Equipment costs	108,008	274,715	382,723	45,997	428,720
Food services	38,480	247,962	286,442	18,375	304,817
Medical and pharmacy	207,558	17,055	224,613	1,113	225,726
Insurance	142,592	236,572	379,164	31,106	410,270
Interest	67,772	285,920	353,692	21,371	375,063
Operating supplies and expenses	219,451	342,419	561,870	105,810	667,680
Bad debts	(65,549)	(98,405)	(163,954)	-	(163,954)
Other	188	880	1,068	1,287	2,355
Food service allocation	227,272	(293,228)	(65,956)	65,956	-
Total other expenses	<u>1,615,616</u>	<u>1,889,630</u>	<u>3,505,246</u>	<u>665,005</u>	<u>4,170,251</u>
Total expenses	<u>\$ 6,716,228</u>	<u>6,157,183</u>	<u>12,873,411</u>	<u>2,437,049</u>	<u>15,310,460</u>

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

Statement of Functional Expenses

Year ended June 30, 2009

Item of Expense	Program Services			General and Admin	Total
	Alcohol, Drug and Mental Health	Other Mental Health	Total		
Personnel expenses:					
Salaries	\$ 4,107,984	4,025,221	8,133,205	1,462,947	9,596,152
Benefits	541,644	517,840	1,059,484	215,530	1,275,014
Total payroll and related expenses	<u>4,649,628</u>	<u>4,543,061</u>	<u>9,192,689</u>	<u>1,678,477</u>	<u>10,871,166</u>
Other expenses:					
Occupancy	391,734	592,874	984,608	205,044	1,189,652
Professional services	233,658	358,025	591,683	86,849	678,532
Travel	47,495	16,811	64,306	21,580	85,886
Equipment costs	91,779	230,046	321,825	38,730	360,555
Food services	33,499	293,387	326,886	14,466	341,352
Medical and pharmacy	191,030	4,055	195,085	865	195,950
Insurance	192,257	278,958	471,215	73,608	544,823
Interest	76,237	310,402	386,639	17,795	404,434
Operating supplies and expenses	207,796	299,782	507,578	70,601	578,179
Bad debts	6,264	(1,271)	4,993	-	4,993
Other	-	735	735	17,211	17,946
Food service allocation	190,568	(246,914)	(56,346)	56,346	-
Total other expenses	<u>1,662,317</u>	<u>2,136,890</u>	<u>3,799,207</u>	<u>603,095</u>	<u>4,402,302</u>
Total expenses	<u>\$ 6,311,945</u>	<u>6,679,951</u>	<u>12,991,896</u>	<u>2,281,572</u>	<u>15,273,468</u>

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Statements of Cash Flows**

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 301,744	84,369
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	486,497	461,873
Amortization of county debt	(400,000)	(400,000)
Cash provided by (used for) changes in assets and liabilities:		
Patient accounts receivable	39,355	297,281
Other accounts receivable	77,732	(103,161)
Prepaid expenses	9,707	25,210
Accounts payable	(94,633)	(118,195)
Accrued expenses	133,424	204,404
Deferred interest expense	186,940	215,700
Other assets	62,811	(42,544)
	<u>803,577</u>	<u>624,937</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	<u>(186,048)</u>	<u>(462,742)</u>
Net cash used in investing activities	<u>(186,048)</u>	<u>(462,742)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(142,452)	(2,082,791)
Proceeds from issuance of long-term debt	-	2,604,106
	<u>(142,452)</u>	<u>521,315</u>
Net cash provided by (used in) financing activities		
Net increase in cash and cash equivalents	475,077	683,510
Cash and cash equivalents, beginning of year	<u>1,220,715</u>	<u>537,205</u>
Cash and cash equivalents, end of year	<u>\$ 1,695,792</u>	<u>1,220,715</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 173,743</u>	<u>174,354</u>

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Notes to Financial Statements**

June 30, 2010 and 2009

**(1) Organization and Summary of Significant Accounting Policies**

**(a) Organization and Purpose**

Osceola Mental Health Inc., (d/b/a Park Place Behavioral Health Care) (the Organization) is a community mental health and substance abuse center, which provides services in the Osceola County, Florida area. The Organization was incorporated in 1976 and provides a complete continuum of care ranging from crisis support and stabilization to residential and day treatment programs to outpatient services for adults and children. The Organization's administrative and clinical facilities are located in Kissimmee and St. Cloud, Florida.

**(b) Basis of Accounting**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

The Organization has adopted the Financial Accounting Standards Board Statement No. 117, "Financial Statements of Not-for-Profit Organizations." This statement establishes standards for financial reporting by not-for-profit organizations. The statement requires financial statements to be prepared on an entity wide basis, to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted as follows:

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets as of or for the years ended June 30, 2010 and 2009.

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

**Unrestricted net assets** - Net assets not subject to donor-imposed stipulations. The Organization reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

(Continued)

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Notes to Financial Statements**

**(1) Organization and Summary of Significant Accounting Policies (Continued)**

**(b) Basis of Accounting (Continued)**

In addition, the Organization has adopted the provisions of the Financial Accounting Standards Board Statement No. 116 "Accounting for Contributions Received and Contributions Made" (FAS 116). Under generally accepted accounting principles, prior to FAS 116, pledges and contributions were permitted, but are not required to be recognized as assets or revenue in the period the pledge or contribution was made. Under FAS 116, contributions are generally recognized as revenue when the gift is made and are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the presence or absence and type of donor imposed restrictions or conditions.

**(c) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers highly liquid investments with a maturity of three months or less, demand deposit accounts and money market accounts to be cash equivalents.

**(d) Contributions**

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

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

(Continued)

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Notes to Financial Statements**

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(e) **Property and Equipment**

Property and equipment acquisitions are capitalized at cost when purchased or at the fair value at the date of gift when donated. Depreciation of buildings, improvements, vehicles and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 5 to 40 years. All property expenditures in excess of \$1,000 are capitalized; maintenance and renewals are charged to expense as incurred.

(f) **Bond Issuance Costs**

Bond issuance costs are amortized on a straight-line basis over the corresponding term of the indenture, which is 20 years.

(g) **Functional Allocation of Expenses**

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(h) **Income Taxes**

The Organization is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

(i) **Donated Materials and Facilities**

Donated materials that the Organization would be required to purchase to operate programs are reflected in the financial statements at their estimated fair values at date of their receipt.

(j) **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 amounts 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.

(Continued)

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Notes to Financial Statements**

**(1) Organization and Summary of Significant Accounting Policies (Continued)**

**(k) Patient and Other Accounts Receivable**

Patient and other accounts receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts using the reserve method based on its assessment of the current status of the individual receivables and after using reasonable collection efforts. As of June 30, 2010, the balance of the reserve recorded for uncollectible amounts amounted to approximately \$383,000.

**(l) Financial Instruments Fair Value, Concentration of Business and Credit Risks**

The carrying amount reported in the statement of financial position for cash and cash equivalents, patient and other accounts receivable, accounts payable and accrued expenses approximates fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported in the accompanying statement of financial position for long-term debt approximates fair value because the actual interest rates do not significantly differ from current rates offered for instruments with similar characteristics.

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of patient and other accounts receivable which amount to approximately \$1,700,000. The Organization monitors the balance of individual patient accounts and generally does not require collateral. Grants and contracts receivable arise as a result of agreements with third parties to provide specified services. The grants and contracts are monitored on a monthly basis and are not collateralized. The Organization maintains its cash balances at certain financial institutions in which balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company's uninsured balances amount to approximately \$1,445,000 at June 30, 2010.

The Organization receives a large portion of its support from the Florida Department of Children and Families (DCF). The continued association with and support from DCF is significant to the operations of the Organization.

**(m) Subsequent Events**

In accordance with Statements of Financial Accounting Standards No. 165, Subsequent Events, the Organization has evaluated subsequent events through August 10, 2010. All subsequent events requiring recognition as of August 10, 2010 have been incorporated into the accompanying financial statements.

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Notes to Financial Statements**

**(2) Assets Whose Use Is Limited**

Assets whose use is limited has consisted of a reserve fund established in connection with a mortgage and loan agreement entered into with the Osceola County Industrial Development Authority under a Florida Community Pooled Loan Program in 1990. The proceeds of the loan amounted to \$608,000 payable over 20 years (see note 3).

Terms of the indenture provide that the reserve fund shall be used solely for the payment of principal and interest on the loan when payments are insufficient to meet debt service obligations when due, upon maturity or redemption prior to maturity. A portion of the reserve (25% or \$14,825) served to cross-collateralize obligations of other borrowers in the pool and will be refunded to the Organization provided that all loans in the pool are repaid.

In June, 2010, the Company received notice that the balance will be refunded in August 2010. Consequently, the balance has been reclassified in other accounts receivable at June 30, 2010.

**(3) Long-Term Debt**

Long-term debt as of June 30, 2010 and 2009, consists of the following:

	<u>2010</u>	<u>2009</u>
Pooled loan financing arrangement at variable interest rates ranging from 6.80% to 7.75%, collateralized by certain real estate, equipment and future revenues of the Organization, payable annually at amounts ranging from \$28,000 to \$80,000, due July 1, 2010.	\$ -	10,000
Note payable due in monthly installments of \$1,931 including interest at 8.5% through June 2011, secured by certain equipment.	22,137	42,159
Line of credit with a bank, with maximum borrowings of \$300,000. All principal is due in September, 2013. Interest of 5% is payable monthly.	4,106	4,106
Note payable to a bank in the original amount of \$2,300,000, collateralized by a mortgage on certain real estate. Principal and interest are due monthly in the amount of \$17,621. The note is due in September 2013, when all remaining principal and interest are due. Interest is fixed at 6.75%.	2,200,329	2,258,204

(Continued)



OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Notes to Financial Statements**

(3) **Long-Term Debt (Continued)**

	<u>2010</u>	<u>2009</u>
Note payable to Osceola County in the original amount of \$4,000,000 secured by a mortgage on real property. The note is non-interest bearing and principal is payable in ten equal annual installments of \$400,000 in January of each year. If certain conditions are met, the annual installments may be forgiven. (See note 7).	2,400,000	2,800,000
Note payable to a bank in monthly installments of principal and interest of \$5,954 with final payment due September, 2013. Secured by certain equipment. Interest is fixed at 7%.	206,884	261,439
Note payable to Osceola County, secured by a mortgage on certain real property. The note is non-interest bearing and principal is payable in December, 2011. The loan agreement is subject to total borrowings of \$200,000 for the renovation of certain real property. If certain conditions are met, the note will be forgiven in December, 2011.	200,000	200,000
Total long-term debt	5,033,456	5,575,908
Less current installments	354,635	540,687
Long-term debt, excluding current installments	<u>\$ 4,678,821</u>	<u>5,035,221</u>

(Continued)

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Notes to Financial Statements**

**(3) Long-Term Debt (Continued)**

Aggregate maturities of long-term debt for years subsequent to June 30, 2010 are as follows:

2011	\$ 543,635
2012	724,215
2013	536,478
2014	2,429,128
2015	400,000
Thereafter	<u>400,000</u>
	<u>\$ 5,033,456</u>

**(4) Net Assets Released from Restrictions**

During the years ended June 30, 2010 and 2009, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, expiration of certain time restrictions or by the occurrence of other events specified by donors.

	<u>2010</u>	<u>2009</u>
Purpose restrictions accomplished:		
Program services	<u>\$ 412,991</u>	<u>429,937</u>

Of the amounts released during the year ended June 30, 2010, \$211,226 and \$193,940 were associated with Osceola County and the cities of Kissimmee/St. Cloud, respectively.

**(5) Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Osceola County programs (see note 7)	\$ 714,022	900,962
Cities of Kissimmee and St. Cloud	14,392	14,084
Refundable portion of reserve fund	<u>-</u>	<u>14,825</u>
	<u>\$ 728,414</u>	<u>929,871</u>

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Notes to Financial Statements**

**(6) Defined Contribution Pension Plan**

The Organization sponsors a defined contribution pension plan (Plan) under Internal Revenue Code Section 401(k). The Plan is available to substantially all employees with one year service. Contributions by the employee are made at the discretion of the employee. The Organization makes contributions equal to ½ the employee contribution, with a maximum contribution of 2% of eligible wages. The Organization contributed approximately \$79,000 and \$73,000 to the plan for the years ending June 30, 2010 and 2009, respectively.

**(7) Acquisition of Land and Building**

In January, 2006, the Organization acquired land and several buildings in St. Cloud, Florida. The purchase price was \$4,795,000. The purchase was financed by borrowing \$795,000 from a bank and \$4,000,000 from Osceola County. The \$4,000,000 loan is non-interest bearing and is payable in installments of \$400,000 each January beginning January, 2007. In exchange for this loan, the Organization agreed to provide Youth Services Programs for the County beginning prior to July 1, 2006. Among other things, if the Organization provides these programs for the twelve months immediately preceding the required debt payment in January, then the subsequent debt payment is forgiven and will be treated as a program service fee from the County. The Youth Services Programs were commenced prior to July 1, 2006. The loan has been presented in the accompanying financial statements as an obligation with annual maturities of \$400,000. Consequently, \$400,000 has been included in current installments of long-term debt.

Should the Organization cease to provide the required programs, it would be required to make any unamortized debt payments on the regularly scheduled January due dates. The obligation is secured by a mortgage on the property. On the date of acquisition, the fair market value of the land and buildings associated with the acquisition was estimated to be \$623,376 and \$4,171,824, respectively.

In connection with the non-interest bearing loan discussed herein, the Organization has recorded foregone interest amounting to \$1,581,000 associated with this obligation as an in-kind contribution from the County in 2006. This contribution has been included as temporary restricted revenue and will be released and recognized as unrestricted revenue over the term of the related loan agreement. The Organization has also correspondingly recorded deferred interest expense associated with this transaction which is being amortized and recognized as interest expense over the term of the obligation. Accordingly, the Organization has recognized (released from restriction) \$186,940 and \$215,700 as unrestricted revenue and corresponding interest expense in the accompanying statement of activities for the years ended June 30, 2010 and 2009, respectively.

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Schedule of Expenditure of Federal Awards and State Financial Assistance**

Year ended June 30, 2010

<u>Federal Awards</u>	<u>CFDA/ CSFA</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services			
Passed through Florida Department of	93.150	GHJ28	\$ 82,839
Children and Families	93.959	GHJ28	289,022
Alcohol, drug abuse and mental health services	93.958	GHJ28	132,612
	97.032	GHJ54	220,590
	93.982	GHJ54	402,964
			<u>\$ 1,128,027</u>
<u>State Financial Assistance</u>			
Florida Department of Children and Families			
Alcohol, drug abuse and mental health services	60.053	GHJ28	\$ 636,468
	60.039	GHJ28	5,747
	60.054	GHJ28	402,359
	60.006	GHJ28	753,150
	60.057	GHJ28	184,893
	60.001	GHJ28	97,823
	60.033	GHJ28	207,916
	60.114	GHJ28	192,385
	-	GHJ28	54,062
	-	LH922	193,650
			<u>\$ 2,728,453</u>

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of Osceola Mental Health, Inc. d/b/a Park Place Behavioral Health Care, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*.

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Supplemental Information**

Years ended June 30, 2010 and 2009

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Schedules of Revenue**

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Government funding:		
Adult and children mental health and substance abuse (Federal and state)	\$ 3,676,227	3,755,086
Department of Juvenile Justice	118,585	138,751
Osceola County	1,858,052	1,829,760
Department of Elder Affairs (Food Program)	75,235	61,417
Cities of Kissimmee and St. Cloud	57,568	56,337
Total government funding	5,785,667	5,841,351
Patient services:		
Medicaid	4,715,228	4,139,927
Family Services Revenue	1,232,275	1,352,741
Florida Health Partners	1,780,848	1,225,934
First and third party fees	1,701,187	2,412,629
Medicare	136,272	99,173
Total patient services	9,565,810	9,230,404
Other income:		
Contributions	53,203	180,611
Interest	24,757	10,623
Other	182,767	94,848
Total other income	260,727	286,082
Total support and revenue	\$ 15,612,204	15,357,837

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

**Schedule of State Earnings**

Year ended June 30, 2010

Total Expenditures	\$ 15,310,460
Less Other State and Federal Funds	(4,715,228)
Less Non-Match ADM Funds	(1,173,756)
Less Unallowable Costs Per 65E-14, FAC	(98,301)
Less Unallowable Patient Fees	<u>(10,074)</u>
Total Allowable Expenditures	<u>\$ 9,313,101</u>
Maximum Available Earnings	\$ 6,984,825
State Funds Received	<u>2,504,535</u>
Amount Due to Department	<u>\$ -</u>

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.  
d/b/a Park Place Behavioral Health Care

Cost Center Funding Source and Revenues Schedule

Year Ended June 30, 2010

	Mental Health Crisis Support - 1400			Mental Health Crisis Stabilization - Children - 1550			Mental Health Crisis Stabilization - Adult - 1500			Substance Abuse Residential Level 1 - 3321		
	Budget	Actual	Diff.	Budget	Actual	Diff.	Budget	Actual	Diff.	Budget	Actual	Diff.
Other Government Funding												
Other state funding	-	-	-	-	-	-	-	-	-	-	-	-
Medicaid	15	8,177	8,162	413,100	390,389	(22,711)	626,050	679,097	53,047	-	-	-
Federal grants and contracts	-	-	-	-	-	-	-	-	-	-	-	-
In-Kind	-	-	-	-	-	-	-	-	-	-	-	-
All Other Funding and Revenue												
Patient fees	-	2	2	3,490	4,313	823	4,380	9,520	5,140	35,880	20,661	(15,219)
Medicare, third party fees	-	16	16	150,931	132,931	(18,000)	365,214	338,999	(26,215)	43,300	100,653	57,353
Contributions and donations	-	-	-	-	-	-	-	-	-	-	-	-
Other	40,000	40,000	-	64,104	62,500	(1,604)	300,000	300,000	-	65,819	83,941	18,122
In-Kind	-	-	-	-	-	-	-	-	-	-	-	-

	Mental Health Residential Level 2 - 6200			Substance Abuse Residential Level 4 - 3323			Mental Health Case Management - 5100			Mental Health Fellowship House - 6220		
	Budget	Actual	Diff.	Budget	Actual	Diff.	Budget	Actual	Diff.	Budget	Actual	Diff.
Other Government Funding												
Other state funding	-	-	-	-	-	-	-	-	-	-	-	-
Medicaid	162,121	108,542	(53,579)	-	-	-	457,724	537,040	79,316	-	-	-
Federal grants and contracts	-	-	-	-	-	-	-	-	-	-	-	-
In-Kind	-	-	-	-	-	-	-	-	-	-	-	-
All Other Funding and Revenue												
Patient fees	65,698	73,880	8,182	13,228	13,813	585	-	-	-	39,680	45,175	5,495
Medicare, third party fees	-	-	-	-	-	-	-	-	-	-	-	-
Contributions and donations	100	100	-	-	-	-	-	500	500	-	-	-
Other	-	1	1	-	3,708	3,708	107,987	106,284	(1,703)	48,600	48,600	-
In-Kind	-	-	-	-	2,500	2,500	-	-	-	-	2,750	2,750

	Mental Health Outpatient Medical - 3910			Total Difference
	Budget	Actual	Diff.	
Other Government Funding				
Other state funding	-	-	-	-
Medicaid	502,027	553,707	51,680	115,915
Federal grants and contracts	-	-	-	-
In-Kind	-	-	-	-
All Other Funding and Revenue				
Patient fees	41,694	72,932	31,238	36,246
Medicare, third party fees	144,856	156,617	11,761	24,915
Contributions and donations	-	241	241	741
Other	180,665	180,481	(184)	18,340
In-Kind	-	80	80	5,330



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## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Directors  
Osceola Mental Health, Inc.  
d/b/a Park Place Behavioral Health Care

We have audited the financial statements of Osceola Mental Health, Inc., d/b/a Park Place Behavioral Health Care (the "Organization") as of and for the year ended June 30, 2010, and have issued our report thereon dated August 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Osceola Mental Health, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Osceola Mental Health, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, Board of Directors, management, others within the Organization, 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.

*Schatz, Tschagg, Whitcomb, Mitchell & Shuilen, LLP*

August 10, 2010  
Altamonte Springs, Florida

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## **Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Single Audit Act**

To the Board of Directors  
Osceola Mental Health, Inc.  
d/b/a Park Place Behavioral Health Care

### Compliance

We have audited the compliance of Osceola Mental Health, Inc., d/b/a Park Place Behavioral Health Care (the Organization), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and in the State of Florida, *State Projects Compliance Supplement* that are applicable to each of its major federal programs and state projects for the year ended June 30, 2010. Osceola Mental Health, Inc.'s major federal programs and state projects are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of Osceola Mental Health, Inc.'s management. Our responsibility is to express an opinion on Osceola Mental Health, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* and Section 215.97 of the Florida Statutes of the Florida Single Audit Act. Those standards, OMB Circular A-133, and the Florida Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Osceola Mental Health, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Osceola Mental Health, Inc.'s compliance with those requirements.

In our opinion, Osceola Mental Health, Inc., d/b/a Park Place Behavioral Health Care complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended June 30, 2010.

#### Internal Control Over Compliance

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

A control deficiency in an organization'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 federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project 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 material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the organization'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 audit committee, Board of Directors, management, others within the Organization, 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.

*Schaefer, Tschoy, Whitcomb, Mitchell & Shulman, LLP*

August 10, 2010  
Altamonte Springs, Florida

**Osceola Mental Health, Inc.**  
**d/b/a Park Place Behavioral Health Care**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2010**

**A. Summary of the Audit Results**

1. The Auditors' report expresses an unqualified opinion on the financial statements of Osceola Mental Health, Inc., d/b/a/ Park Place Behavioral Health Care.
2. No significant deficiencies were disclosed during the audit of the financial statements as reported in the Independent Auditors' Report on Internal Control Over Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Osceola Mental Health, Inc. d/b/a Park Place Behavioral Health Care were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs and state projects were disclosed during the audit in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Single Audit Act.
5. The auditors' report on compliance for major federal award programs and state projects for Osceola Mental Health, Inc., d/b/a/ Park Place Behavioral Health Care expresses an unqualified opinion.
6. There are no audit findings relative to major federal award programs and state projects for Osceola Mental Health, Inc., d/b/a/ Park Place Behavioral Health Care required to be reported in accordance with Section 510(a) of OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General (See AG Rule 10.654(a)(h)(4)).
7. The programs tested as major programs were as follows:

<b>Program Type</b>	<b>Program Name</b>	<b>Identifying Number</b>
Federal	Substance Abuse Prevention and Treatment (SAPT) Block Grant	93.959/93.958/ 93.150
State	Department of Children and Families - Baker Act	GHJ28
State	Department of Children and Families - Adult Community Mental Health Emergency Stabilization	GHJ28

**Osceola Mental Health, Inc.**  
**d/b/a Park Place Behavioral Health Care**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2010**

**A. Summary of the Audit Results (Continued)**

- 8. The threshold for distinguishing Types A and B programs was \$300,000.
- 9. The Auditee did qualify as a low-risk auditee.

**B. Findings – Financial Statements**

None

**C. Findings and Questioned Costs – Major Federal Programs**

None

**D. Findings and Questioned Costs – Major State Projects**

None

**E. Other Issues**

No Summary Schedule of Prior Audit Findings (See AG Rules 10.557(3)(d)5. and 10.656(3)(d)5.) is required because there were no prior audit findings related to Federal programs or State projects; no Corrective Action Plan (See AG Rules 10.557(3)(d)6. and 10.656(3)(d)6.) is required because there were no findings required to be reported under the Federal and Florida Single Audit Acts.