

**SOUTH COUNTY MENTAL
HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION
FOR MENTAL HEALTH, INC.**

**COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

June 30, 2010

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
June 30, 2010

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* The supplemental information and additional information on internal controls and compliance relate only to South County Mental Health Center, Inc.

FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Finance Committee
South County Mental Health Center, Inc.
and South County Foundation for Mental Health, Inc.
Delray Beach, Florida

We have audited the accompanying combined statement of financial position of South County Mental Health Center, Inc. (the "Center") and South County Foundation For Mental Health, Inc. (the "Foundation") (both not-for-profit organizations), and collectively referred to as the "Organization," as of June 30, 2010, and the related combined statements of activities, functional expenses and cash flows for the year then ended. These combined financial statements are the responsibility of the Center's and Foundation's respective managements. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 combined financial statements and, in our report dated December 21, 2009, we expressed an unqualified opinion on those combined financial statements.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of South County Mental Health Center, Inc. and South County Foundation For Mental Health, Inc. at June 30, 2010, and the combined changes in their net assets and their combined 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 December 21, 2010 on our consideration of South County Mental Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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.

South County Mental Health Center, Inc. and
South County Foundation For Mental Health, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements of South County Mental Health Center, Inc. and South County Foundation For Mental Health, Inc. taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required the Florida Single Audit Act, and is not a required part of the basic combined financial statements. Further, the schedules of program/cost center actual expenses and revenues, state earnings, and bed-day availability payments are also presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
December 21, 2010

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FINANCIAL POSITION**

June 30, 2010

(with comparative totals as of June 30, 2009)

A S S E T S

	The Center	The Foundation	2010	2009
ASSETS:				
Cash and cash equivalents (includes \$ 62,078 of Center's client funds)	\$ 165,640	\$ 630,855	\$ 796,495	\$ 1,027,950
Due from contracting agencies	1,069,859	-	1,069,859	436,591
Accounts receivable:				
Consumers (net of allowance for uncollectible accounts and charitable adjustments of \$ 3,511,305 for the Center)	-	-	-	-
Third parties (net of allowance for uncollectible accounts and contractual adjustments of \$ 988,690 for the Center)	678,061	-	678,061	579,729
Inventories	1,788,870	-	1,788,870	1,829,653
Prepaid expenses	405,459	11,400	416,859	362,854
Property and equipment, less accumulated depreciation of \$ 1,397,788 for the Center and \$ 2,257,246 for the Foundation	948,100	3,703,674	4,651,774	5,047,080
Deposits and other assets	3,400	22,404	25,804	43,876
Total assets	\$ 5,059,389	\$ 4,368,333	\$ 9,427,722	\$ 9,327,733

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2010
(with comparative totals as of June 30, 2009)

LIABILITIES AND NET ASSETS

	<u>The Center</u>	<u>The Foundation</u>	<u>2010</u>	<u>2009</u>
LIABILITIES:				
Accounts payable	\$ 424,137	\$ -	\$ 424,137	\$ 295,688
Accrued expenses	521,957	3,734	525,691	352,988
Accrued employee benefits	425,755	-	425,755	616,842
Debt	293,447	2,129,000	2,422,447	2,380,112
Intercompany loan balances	<u>2,352,332</u>	<u>(2,352,332)</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,017,628</u>	<u>(219,598)</u>	<u>3,798,030</u>	<u>3,645,630</u>
 COMMITMENTS AND CONTINGENCIES (Notes 3, 6, 10 and 11)				
	-	-	-	-
 NET ASSETS:				
Unrestricted - designated	-	4,587,931	4,587,931	4,533,763
Unrestricted - undesignated	<u>1,041,761</u>	<u>-</u>	<u>1,041,761</u>	<u>1,148,340</u>
Total net assets	<u>1,041,761</u>	<u>4,587,931</u>	<u>5,629,692</u>	<u>5,682,103</u>
Total liabilities and net assets	<u>\$ 5,059,389</u>	<u>\$ 4,368,333</u>	<u>\$ 9,427,722</u>	<u>\$ 9,327,733</u>

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

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.**
COMBINED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010
(with comparative totals for the year ended June 30, 2009)

	<u>The Center</u>	<u>The Foundation</u>	<u>2010</u>	<u>2009</u>
CHANGE IN UNRESTRICTED NET ASSETS:				
Operating revenues:				
Grants and contracts for				
Center operations	\$ 7,295,614	\$ -	\$ 7,295,614	\$ 7,851,454
Net consumer service revenue	5,549,199	-	5,549,199	5,787,897
Contributions of donated goods and services	1,922,383	-	1,922,383	2,154,691
Contributions, public support	-	90,738	90,738	403,941
Other operating revenues	96,358	-	96,358	34,469
	<u>14,863,554</u>	<u>90,738</u>	<u>14,954,292</u>	<u>16,232,452</u>
Total operating revenues				
Operating expenses:				
Operating expenses	14,255,547	10,472	14,266,019	14,651,361
Provision for depreciation	287,544	153,806	441,350	364,131
Interest expense	13,717	128,168	141,885	146,585
Donated services	146,151	-	146,151	24,625
Provision for amortization	-	14,512	14,512	14,512
	<u>14,702,959</u>	<u>306,958</u>	<u>15,009,917</u>	<u>15,201,214</u>
Total operating expenses				
Excess (deficiency) of operating revenues over operating expenses	<u>160,595</u>	<u>(216,220)</u>	<u>(55,625)</u>	<u>1,031,238</u>
Nonoperating revenues (expenses):				
Interest income	1,004	2,210	3,214	9,168
County reimbursements	-	-	-	10,000
Gain (loss) on disposition of property and equipment	-	-	-	(3,541)
Intercompany rental income (expense)	(268,178)	268,178	-	-
	<u>(267,174)</u>	<u>270,388</u>	<u>3,214</u>	<u>15,627</u>
Total nonoperating revenues (expenses)				
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>787,309</u>
Change in unrestricted net assets	<u>(106,579)</u>	<u>54,168</u>	<u>(52,411)</u>	<u>1,834,174</u>

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

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF ACTIVITIES**

(continued)

For the Year Ended June 30, 2010

(with comparative totals for the year ended June 30, 2009)

	<u>The Center</u>	<u>The Foundation</u>	<u>2010</u>	<u>2009</u>
TEMPORARILY RESTRICTED NET ASSETS:				
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>(787,309)</u>
Change in temporarily restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(787,309)</u>
Change in net assets	(106,579)	54,168	(52,411)	1,046,865
 NET ASSETS, July 1	 <u>1,148,340</u>	 <u>4,533,763</u>	 <u>5,682,103</u>	 <u>4,635,238</u>
NET ASSETS, June 30	\$ <u><u>1,041,761</u></u>	\$ <u><u>4,587,931</u></u>	\$ <u><u>5,629,692</u></u>	\$ <u><u>5,682,103</u></u>

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

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010
(with comparative totals for the year ended June 30, 2009)**

	Program Services				Supporting Services			Total Support Services (Credit)
	Adult Mental Health	Adult Substance Abuse	Children's Mental Health	Total Program Services	Pharmacy	Other Support (Credit)	Administration	
PERSONNEL EXPENSES:								
Salaries	\$ 4,689,891	\$ 25,692	\$ 501,655	\$ 5,217,238	\$ 173,913	\$ 879,529	\$ 775,724	\$ 1,829,166
Fringe benefits	<u>867,596</u>	<u>5,502</u>	<u>92,412</u>	<u>965,510</u>	<u>22,249</u>	<u>211,927</u>	<u>185,305</u>	<u>419,481</u>
Total personnel expenses	<u>5,557,487</u>	<u>31,194</u>	<u>594,067</u>	<u>6,182,748</u>	<u>196,162</u>	<u>1,091,456</u>	<u>961,029</u>	<u>2,248,647</u>
OTHER EXPENSES:								
Medical and pharmacy	1,522,725	-	-	1,522,725	2,241,651	-	-	2,241,651
Insurance	315,538	2,278	29,261	347,077	9,847	86,628	106,332	202,807
Professional services	276,106	113	18,539	294,758	19,986	7,039	141,397	168,422
Other, including provisions for depreciation and amortization	295,642	1,301	12,638	309,581	4,872	37,173	239,047	281,092
Building occupancy costs	263,318	1,065	12,468	276,851	4,445	143,729	88,192	236,366
Operating supplies and expenses	201,963	329	6,216	208,508	6,235	56,562	46,810	109,607
Food costs and allocation of food services	428,919	-	6,156	435,075	-	(237,266)	398	(236,868)
Interest expense	-	-	-	-	-	-	13,717	13,717
Equipment costs	48,245	233	2,447	50,925	885	12,075	12,033	24,993
Travel	<u>35,803</u>	<u>335</u>	<u>9,348</u>	<u>45,486</u>	<u>-</u>	<u>5,561</u>	<u>1,408</u>	<u>6,969</u>
Total other expenses	<u>3,388,259</u>	<u>5,654</u>	<u>97,073</u>	<u>3,490,986</u>	<u>2,287,921</u>	<u>111,501</u>	<u>649,334</u>	<u>3,048,756</u>
Total operating expenses before adjustments for intercompany transactions	<u>\$ 8,945,746</u>	<u>\$ 36,848</u>	<u>\$ 691,140</u>	<u>\$ 9,673,734</u>	<u>\$ 2,484,083</u>	<u>\$ 1,202,957</u>	<u>\$ 1,610,363</u>	<u>\$ 5,297,403</u>

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

(continued)

For the Year Ended June 30, 2010

(with comparative totals for the year ended June 30, 2009)

	<u>The Center</u>	<u>The Foundation</u>	<u>Total 2010</u>	<u>Total 2009</u>
PERSONNEL EXPENSES:				
Salaries	\$ 7,046,404	\$ -	\$ 7,046,404	\$ 7,263,463
Fringe benefits	<u>1,384,991</u>	<u>-</u>	<u>1,384,991</u>	<u>1,417,619</u>
Total personnel expenses	<u>8,431,395</u>	<u>-</u>	<u>8,431,395</u>	<u>8,681,082</u>
OTHER EXPENSES:				
Medical and pharmacy	3,764,376	-	3,764,376	3,540,583
Insurance	549,884	-	549,884	684,114
Professional services	463,180	-	463,180	527,758
Other, including provisions for depreciation and amortization	590,673	178,790	769,463	621,663
Building occupancy costs	513,217	-	513,217	531,742
Operating supplies and expenses	318,115	-	318,115	337,976
Food costs and allocation of food services	198,207	-	198,207	200,026
Interest expense	13,717	128,168	141,885	146,585
Equipment costs	75,918	-	75,918	150,932
Travel	<u>52,455</u>	<u>-</u>	<u>52,455</u>	<u>44,838</u>
Total other expenses	<u>6,539,742</u>	<u>306,958</u>	<u>6,846,700</u>	<u>6,786,217</u>
Total operating expenses before adjustments for intercompany transactions	<u>\$ 14,971,137</u>	<u>\$ 306,958</u>	15,278,095	15,467,299
Less: Adjustment for intercompany rental income (expense)			<u>(268,178)</u>	<u>(266,085)</u>
Total expenses			<u>\$ 15,009,917</u>	<u>\$ 15,201,214</u>

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

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010
(with comparative totals for the year ended June 30, 2009)**

	<u>The Center</u>	<u>The Foundation</u>	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING AND NONOPERATING ACTIVITIES:				
Change in net assets	\$ (106,579)	\$ 54,168	\$ (52,411)	\$ 1,046,865
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating and nonoperating activities:				
Provision for depreciation	287,544	153,806	441,350	364,131
Provision for amortization	-	14,512	14,512	14,512
(Gain) loss on disposition of property and equipment	-	-	-	3,541
Changes in assets and liabilities:				
(Increase) decrease in due from contracting agencies	(633,268)	-	(633,268)	(9,971)
(Increase) decrease in accounts receivable	(98,332)	-	(98,332)	(34,739)
(Increase) decrease in inventories	40,783	-	40,783	(808,067)
(Increase) decrease in prepaid expenses	(42,605)	(11,400)	(54,005)	(33,502)
(Increase) decrease in deposits and other assets	3,560	-	3,560	47,616
Increase (decrease) in accounts payable	128,449	-	128,449	(65,840)
Increase (decrease) in accrued expenses	173,884	(1,181)	172,703	(20,374)
Increase (decrease) in accrued employee benefits	(191,087)	-	(191,087)	(58,521)
	<u>(437,651)</u>	<u>209,905</u>	<u>(227,746)</u>	<u>445,651</u>
Net cash provided by (used in) operating and nonoperating activities	<u>(437,651)</u>	<u>209,905</u>	<u>(227,746)</u>	<u>445,651</u>

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF CASH FLOWS
(continued)**

For the Year Ended June 30, 2010
(with comparative totals for the year ended June 30, 2009)

	<u>The Center</u>	<u>The Foundation</u>	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM				
INVESTING ACTIVITIES:				
Sale (purchase) of investments	-	-	-	427,917
Payments for purchases of property and equipment	<u>(45,178)</u>	<u>(866)</u>	<u>(46,044)</u>	<u>(1,220,417)</u>
Net cash used in investing activities	<u>(45,178)</u>	<u>(866)</u>	<u>(46,044)</u>	<u>(792,500)</u>
 CASH FLOWS FROM				
FINANCING ACTIVITIES:				
Proceeds from borrowing	384,329	984,439	1,368,768	618,636
Advances (to) from related party	149,424	(149,424)	-	-
Principal payments on debt	<u>(402,523)</u>	<u>(923,910)</u>	<u>(1,326,433)</u>	<u>(632,739)</u>
Net cash provided by (used in) financing activities	<u>131,230</u>	<u>(88,895)</u>	<u>42,335</u>	<u>(14,103)</u>
Net increase (decrease) in cash and cash equivalents	(351,599)	120,144	(231,455)	(360,952)
 CASH AND CASH				
EQUIVALENTS, July 1				
	<u>517,239</u>	<u>510,711</u>	<u>1,027,950</u>	<u>1,388,902</u>
 CASH AND CASH				
EQUIVALENTS, June 30				
	\$ <u>165,640</u>	\$ <u>630,855</u>	\$ <u>796,495</u>	\$ <u>1,027,950</u>

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

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 - ORGANIZATION AND OPERATIONS

South County Mental Health Center, Inc. (the "Center") is a not-for-profit, tax exempt organization which operates mental health and substance abuse facilities in the southern part of Palm Beach County, Florida. The Center charges fees based upon its consumers' ability to pay for clinical services and receives grants, contributions, and contracts from various governmental agencies and other sources for providing these services. South County Foundation For Mental Health, Inc. (the "Foundation") is a not-for-profit, tax exempt organization engaged in the solicitation of charitable funds mainly for the construction and/or acquisition and maintenance of mental health and substance abuse facilities to house the Center's operations. In tandem with the fundraising process, the Foundation carries out community mental health and substance abuse education.

The accompanying combined financial statements include the accounts of the Center and the Foundation. They are presented on a combined basis because the two organizations have the same management team, certain common board members and are financially interrelated. All balances and transactions are eliminated on a combined basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The combined financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*, formerly SFAS No. 117. Under ASC No. 958, the Center and the Foundation are required to report information regarding their financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Neither the Center nor the Foundation had any temporarily or permanently restricted net assets at June 30, 2010.

Summarized prior year information:

The combined financial statements include summarized comparative information from the prior year which is not presented by net asset type and functional expense classification and does not include sufficient detail to conform with generally accepted accounting principles. This information should be read in conjunction with the Center's and the Foundation's audited combined financial statements for the year ended June 30, 2009, from which the comparative information was extracted.

Use of estimates:

The preparation of the combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Noncash contributions are recorded at their fair value on the date received.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Neither the Center nor the Foundation had any unconditional or conditional promises to give at June 30, 2010.

Accounts receivable:

Accounts receivable are carried at amounts estimated to be realized based on past experience.

The Center has established an administrative formula whereby the consumers are expected to pay amounts based upon their individual financial ability. Based on past experience, the Center believes if these amounts are not collected at the time of service there is little likelihood of future collection. Accordingly, the full amount of accounts receivable from consumers has been reserved at June 30, 2010.

During the year ended June 30, 2010, the gross revenue from consumer service at established rates was \$ 18,449,024 for the Center. Consumer service revenue is presented net of a provision for uncollectible accounts, contractual adjustments and ability to pay adjustments in the accompanying combined financial statements.

Inventories:

Inventories consist of drugs and food. Donated drugs are stated at fair market value. Purchased drugs and food are stated at current replacement cost and the resulting carrying amounts are not significantly different from that which would result if the lower of cost (first-in, first-out method) or market were used.

Property and equipment:

Property and equipment are carried at cost if purchased or, if donated, at the fair value on the date of donation, less an allowance for depreciation. The Center and the Foundation provide for depreciation using the straight-line method over the following useful lives:

Buildings and improvements	5-40 years
Leasehold improvements	5-35 years
Furniture and equipment	4-20 years
Computer equipment and software	3-5 years
Vehicles	5 years

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Maintenance and repairs are charged to expense when incurred. Additions and major renewals are capitalized.

Donations of property and equipment to the Center and the Foundation are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long those donated assets must be maintained, the Center and the Foundation report expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time.

As of June 30, 2010, neither the Center nor the Foundation recorded donated property and equipment.

Amortization of loan costs:

Loan costs are amortized over the debt term on a straight-line basis.

Functional expenses:

The Center has a number of programs (cost centers) and maintains accounting records separately for each of them. Expenses incurred are charged to each program (cost centers) for direct expenditures incurred. All expenses not directly chargeable are allocated based on the program's (cost center's) proportionate share of total expenditures, as well as various other estimates developed by management.

Since the Foundation has only one major function, as described in Note 1, expenses are shown by type rather than by function in the accompanying combined statement of activities.

Grant and contract revenue:

Grant and contract revenue is recognized when the allowable costs as defined by the individual grants or contracts are incurred and/or the unit of service has been rendered. Due from contracting agencies at year end represents allowable expenditures incurred and/or units of service rendered which have not yet been reimbursed by the granting agency.

Donated goods and services:

The Center and the Foundation receive donated goods and services, paying for most services requiring specific expertise. A number of volunteers have donated their time in various Center program service areas and in the Foundation's efforts to solicit charitable contributions. When the value of donated services requires specific expertise, they are recorded in the combined financial statements as revenues and expenses. For the year ended June 30, 2010, the Center recorded \$ 139,658 in donated services which related to various clinical and other program related costs and \$ 6,493 in donated professional services (administrative). Donated goods are recorded as contributions and a corresponding expense at their estimated fair value at the date of donation. For the year ended June 30, 2010, the Center recorded approximately \$ 1,776,000 in such donations, consisting principally of drugs which are included in inventories or in medical and pharmacy expense in various Center programs.

As of June 30, 2010, the Foundation did not receive or record any donated goods or services.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents:

The Center and the Foundation consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Center and the Foundation routinely maintain cash balances at a financial institution which exceeds Federally insured amounts.

Deferred revenue:

Grant and contract revenue that is not recognized because the allowable costs as defined by the individual contract have not been incurred is considered deferred revenue.

Investments:

Investments are carried at their fair value based on quoted market prices. Unrealized gains and losses in their fair value are recognized.

Date of management review:

Subsequent events are evaluated through December 21, 2010, which is the date the financial statements were available to be issued.

NOTE 3 - GRANTS AND CONTRACTS FOR CENTER OPERATIONS

Funding agreements for services to be provided are entered into on an annual basis. The release of funds is subject to monies being made available by the Federal government, the State of Florida, Palm Beach County and certain other agencies. Certain of these agreements may be terminated by either party upon thirty days written notice. However, such an event would be unlikely if contract performance continues to be satisfactory.

Certain funding arrangements require the Center to provide additional services on a specified matching basis. In all such contract arrangements, the Center has met its matching requirements.

Matching requirements fulfilled were as follows:

<u>Grantor</u>	<u>Year</u>	<u>Contract Number</u>	<u>Matching Requirement</u>
State of Florida Department of Children and Families	2010	IH-584	\$ 1,344,546
State of Florida Department of Transportation	2010	AL-065 (09/10)	<u>2,821</u>
			<u>\$ 1,347,367</u>

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2010**

NOTE 3 - GRANTS AND CONTRACTS FOR CENTER OPERATIONS (continued)

The Center receives financial assistance from Federal, state and local governmental agencies in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. As a result of such audits, the grantor agency may require that amounts be returned. In certain instances, the grantor agency may increase its grant of funds to the Center to offset amounts which would otherwise be repayable based on audits. As of June 30, 2010, the Organization had no amounts required to be returned as a result of such audits.

In accordance with the Federal OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Florida Single Audit Act, the Center is required to perform "single audits" when the required threshold of \$ 500,000 in grant expenditures from either source is exceeded. The Center has grant revenue for the year ended June 30, 2010 from the following governmental agencies that was not subject to the single audit requirements:

<u>Grantor</u>	<u>Contract Number</u>	<u>CFDA/CSFA Number</u>	<u>Amount</u>
LOCAL FINANCIAL ASSISTANCE:			
Palm Beach County:			
Financially Assisted Agency Program	R2009-1869	-	\$ 1,001,186
	R2008-2144	-	<u>538,345</u>
Total expenditures of local financial assistance			<u>\$ 1,539,531</u>
FEDERAL AWARDS:			
Department of Health and Human Services:			
Passed through the State of Florida Department of Children and Families			
Alcohol, Drug Abuse and Mental Health Services	IH-584	93.958	\$ 72,350
Department of Agriculture:			
Passed through the State of Florida Department of Elder Affairs			
Child and Adult Care Food Program	Y-0036	10.558	43,093
	Y-9036	10.558	14,558
Department of Transportation:			
Passed through the State of Florida Department of Transportation			
Capital Assistance Program	AL-065 (09/10)	20.513	<u>28,208</u>
Total expenditures of Federal awards			<u>\$ 158,209</u>

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2010**

NOTE 3 - GRANTS AND CONTRACTS FOR CENTER OPERATIONS (continued)

<u>Grantor</u>	<u>Contract Number</u>	<u>CFDA/CSFA Number</u>	<u>Amount</u>
OTHER STATE FUNDING:			
Department of Transportation:			
State of Florida			
Capital Assistance Program	AL-065 (09/10)	-	\$ <u>2,821</u>
Total expenditures of other state funding			\$ <u><u>2,821</u></u>

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>The Center</u>	<u>The Foundation</u>	<u>Total</u>
Building and improvements	\$ -	\$ 4,900,494	\$ 4,900,494
Leasehold improvements	1,114,579	-	1,114,579
Furniture and equipment, including a Center's capital lease of \$ 77,181 (Note 7)	566,945	82,796	649,741
Computer equipment and software	402,375	56,953	459,328
Vehicles	261,989	22,580	284,569
	<u>2,345,888</u>	<u>5,062,823</u>	<u>7,408,711</u>
Less accumulated depreciation	<u>1,397,788</u>	<u>2,257,246</u>	<u>3,655,034</u>
	948,100	2,805,577	3,753,677
Land	-	898,097	898,097
	<u>\$ 948,100</u>	<u>\$ 3,703,674</u>	<u>\$ 4,651,774</u>

NOTE 5 - EMPLOYEE BENEFIT PLAN

The Center's has an employee savings plan with a cash or deferred arrangement under the Internal Revenue Code §401(k). This plan covers all qualified employees who are age eighteen or older and have one year of service (1,000 hours). Under the plan, eligible participants are permitted to contribute up to \$ 16,500 of their compensation, subject to certain statutory limitations. Eligible participants over 50 years of age may contribute up to an additional \$ 5,500. Additionally, the plan provides for discretionary matching contributions to be determined annually by the Center's Board of Directors. The employee savings plan expense for the year ended June 30, 2010 was approximately \$ 162,200.

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2010**

NOTE 6 - COMMITMENTS

Lease agreements:

The Center leases certain office equipment under an operating agreement which expires in April 2011. The total monthly lease payment is \$ 230. Total rent expense in connection with this agreement, and other expired arrangements, amounted to approximately \$ 5,900, including miscellaneous charges, as of June 30, 2010.

Future minimum lease payments under the current lease arrangements are expected to be approximately as follows:

<u>Year ending June 30</u>	<u>The Center</u>	<u>The Foundation</u>	<u>Total</u>
2011	\$ 2,300	\$ -	\$ 2,300
Thereafter	\$ NONE	\$ NONE	\$ NONE

The Center leases its facilities from a related party, South County Foundation For Mental Health, Inc. (the Foundation). The lease has a forty year term and provides for monthly rent totaling an amount equal to the costs of ownership less depreciation, plus all amounts due under the terms of the outstanding debt of the Foundation (Notes 7 and 13). During the year, the Center paid the Foundation approximately \$ 268,200. Details of this intercompany lease have not been presented in the above schedule because they are eliminated on a combined basis.

Employment contract:

The Center has an employment agreement with its Chief Executive Officer. This agreement may be extended for an additional year on the contract anniversary date of each year unless either party gives the other written notice of termination as provided under its terms.

NOTE 7 - DEBT

Debt at June 30, 2010 is as follows:

	<u>The Center</u>	<u>The Foundation</u>	<u>Total</u>
<p>Mortgage note payable to a bank in monthly installments of \$ 11,593 including interest at a fixed rate of 6.96% through August 2011, at which time the remaining principal balance of approximately \$ 1,297,000 plus accrued interest will be due. This obligation has been guaranteed by the Center and is collateralized by all property and equipment currently owned and subsequently acquired by the Foundation and the Center. Further, this mortgage note is cross-collateralized and cross-defaulted with the note payable and revolving line of credit discussed on the next page. This note was refinanced subsequent to year-end as discussed in Note 13.</p>	\$ -	\$ 1,357,720	\$ 1,357,720

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 - DEBT (continued)

	The Center	The Foundation	Total
<p>Note payable to a bank in monthly installments of \$ 9,915 including interest at a fixed rate of 6.96% through September 2012. This obligation has been guaranteed by the Center and is collateralized by all property and equipment currently owned and subsequently acquired by the Foundation and the Center. Further, this note payable is cross-collateralized and cross-defaulted with the mortgage note payable discussed on the previous page and revolving line of credit below. This note was refinanced subsequent to year-end as discussed in Note 13.</p>	-	246,841	246,841
<p>\$ 750,000 revolving line of credit payable to a bank in interest only installments at a variable prime rate (3.25% at June 30, 2010) through September 2010, at which time the then outstanding principal balance and accrued interest is due. This line of credit has been guaranteed by the Center and is collateralized by all property and equipment currently owned and subsequently acquired by the Foundation and the Center. Further, this revolving facility is cross-collateralized and cross-defaulted with the mortgage note discussed on the previous page and the note payable above. This facility was renewed subsequent to year-end as discussed in Note 13.</p>	-	524,439	524,439
<p>Installment loan in connection with insurance premiums, payable in monthly installments of \$ 39,408 including interest at a fixed rate of 5.50% through February 2011. This obligation is collateralized by unexpired insurance premiums.</p>	270,870	-	270,870

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2010**

NOTE 7 - DEBT (continued)

	The Center	The Foundation	Total
Capital lease arrangement payable to a finance company, in monthly installments of \$ 1,595 including interest at a fixed rate of 8.81% through October 2011. This obligation is collateralized by equipment with a carrying value of approximately \$ 19,300 (Note 4).	<u>22,577</u>	<u>-</u>	<u>22,577</u>
	<u>\$ 293,447</u>	<u>\$ 2,129,000</u>	<u>\$ 2,422,447</u>

Future debt principal payments in the aggregate are approximately as follows:

Year ending June 30	The Center	The Foundation	Total
2011	\$ 287,100	\$ 676,100	\$ 963,200
2012	6,300	1,424,000	1,430,300
2013	-	28,900	28,900
Thereafter	NONE	NONE	NONE
	<u>\$ 293,400</u>	<u>\$ 2,129,000</u>	<u>\$ 2,422,400</u>

The loan agreements relating to the financial arrangements discussed on the two previous pages (Foundation) establish certain restrictive covenants including, but not limited to, the following: \$ 750,000 minimum liquidity, continuation of a Center's third party accreditation, financial reporting and on-going grant agreements between the Center and both the State of Florida Department of Children and Families and Palm Beach County. At June 30, 2010, both the Center (as guarantor) and the Foundation were in compliance with all requirements.

NOTE 8 - RESTRICTED AND DESIGNATED UNRESTRICTED NET ASSETS

The unrestricted net assets of the Foundation, totaling \$ 4,587,931, have been designated by the Foundation's governing board for the construction and/or acquisition and maintenance of mental health and substance abuse facilities.

NOTE 9 - INCOME TAXES

The Center and the Foundation are both not-for-profit organizations, exempt from tax under Internal Revenue Code Section 501(c)(3), therefore, no tax provision has been made in the accompanying combined financial statements.

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2010**

NOTE 10 - CONTINGENCIES

The Center is involved in certain litigation which arose in the normal course of operations. The Center's management and legal counsel believe that the amount of liability resulting from any pending or unasserted claims is not reasonable determinable at this time but should be within the Center's insurance coverage limits.

The Center has workers compensation policies, retrospective rating plan incurred loss, in which the Center may be liable for claims up to certain amounts. At June 30, 2010, there were outstanding claims, of which additional expenses may be incurred by the Center. Management has estimated and accrued approximately \$ 23,200 for open outstanding claims as of June 30, 2010. During the year ended June 30, 2010, the Center changed their plan from a retrospective rating plan incurred loss to a guaranteed cost plan. This revised plan limits the exposure of the Center to a predetermined amount and thus does not require any additional accruals.

NOTE 11 - CONCENTRATION IN OPERATIONS

Approximately 37% of the Center's total operating revenue recognized during the year ended June 30, 2010 is derived from contracts with the State of Florida Department of Children and Families. A significant funding policy change at this agency could have an adverse effect on the Center's operations.

NOTE 12 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Other Cash Flow Information:

	The Center		The Foundation		Total
Cash received during the year for - Interest income	\$ 1,004	\$	2,210	\$	\$ 3,214
Cash paid during the year for - Interest expense	\$ 13,717	\$	127,842	\$	\$ 141,559

NOTE 13 - SUBSEQUENT EVENTS

South County Foundation for Mental Health, Inc.

In July 2010, the Foundation refinanced its existing mortgage note payable and note payable (Note 7), which had an outstanding balance of \$ 1,357,720 and \$ 246,841, respectively, at the time of the refinancing transaction. The two notes are consolidated into a new mortgage note payable for the amount of \$ 1,680,000. This new mortgage note is due in monthly installments of \$ 10,886, including interest at a fixed rate of 6.06%, commencing in August 2010 and through July 2025, at which time the remaining principal balance of approximately \$ 984,000 plus accrued interest will be due. This mortgage note is subject to prepayment penalties during its first five years.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2010

NOTE 13 – SUBSEQUENT EVENTS (continued)

In addition, the existing line of credit was renewed in July 2010. The principal amount remained at \$ 750,000 and is due on-demand. This facility now bears interest at a variable rate per annum equal to the greater of (1) the prime rate of the lender or (2) the “minimum interest rate” which is defined as 200 basis points in excess of the one-month LIBOR rate. The revolving line of credit is an uncommitted line of credit. All advances are at the lender’s sole discretion and lender, at its option and without notice, may decline to make an advance under this credit facility.

This mortgage note and revolving line of credit are guaranteed by the Center and continue to be collateralized by real property located in Delray Beach, Florida and an assignment of its rents/leases. In addition, the bank retains a first priority security interest in substantially all assets now owned and subsequently acquired by the Center and the Foundation. These credit facilities are cross-collateralized and cross-defaulted; and establish certain modified restrictive covenants (on a combined basis of the Center and the Foundation), including but not limited to, the following: \$ 500,000 minimum liquidity, maintaining a ratio of (i) net income from operations plus depreciation and interest expense, to (ii) total interest expense and current maturities of long-term debt of at least 1.25 to 1.00, continuation of the Center’s third party accreditation, financial reporting, on-going grant agreements between the Center and the State of Florida Department of Children and Families and Palm Beach County and the holding of their primary demand deposit accounts with the lender.

After the refinancing transaction, future debt principal payments of the Foundation, including the \$ 524,439 outstanding balance on the revolving line of credit at June 30, 2010, are approximately as follows:

Year ending <u>June 30</u>	<u>2010</u>
2011	\$ 551,500
2012	31,300
2013	33,300
2014	35,300
2015	37,600
Thereafter	<u>1,515,400</u>
	\$ <u><u>2,204,400</u></u>

SUPPLEMENTAL INFORMATION

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2010

State Agency, Pass-through Entity, State Project	CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
STATE AGENCY NAME				
Direct Project:				
State of Florida, Department of Children and Families -				
Alcohol, Drug Abuse and Mental Health Service				
**	60.006	IH-584	\$ 1,940,232	\$ -
**	60.053	IH-584	1,878,960	-
	60.054	IH-584	1,070,064	-
	60.001	IH-584	425,224	-
	60.055	IH-584	82,702	-
	60.033	IH-584	45,000	-
	60.039	IH-584	27,080	-
	60.114	IH-584	24,000	-
	60.114	---	5,615	-
Total State Agency			<u>5,498,877</u>	<u>-</u>
Total Expenditures of State Financial Assistance			\$ <u><u>5,498,877</u></u>	\$ <u><u>-</u></u>

** denotes a major project

NOTE: This schedule was prepared on the accrual basis of accounting.

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
For the Year Ended June 30, 2010

Funding Sources and Revenues	Adult Mental Health									Total for Adult Mental Health
	Case Management	Intensive Case Management	Outreach	Room and Board With Supervision Level 2	Residential Level 2	Crisis Support / Emergency	Crisis Stabilization	Medical Services	Incidental Expenses	
STATE SAMH FUNDING:										
From the District funding these contracts (District 9)	\$ 306,451	\$ 287,402	\$ 112,628	\$ 289,673	\$ 523,872	\$ 638,037	\$ 2,434,609	\$ 468,821	\$ 38,791	\$ 5,100,284
Total State SAMH funding	<u>306,451</u>	<u>287,402</u>	<u>112,628</u>	<u>289,673</u>	<u>523,872</u>	<u>638,037</u>	<u>2,434,609</u>	<u>468,821</u>	<u>38,791</u>	<u>5,100,284</u>
OTHER GOVERNMENT FUNDING:										
Medicaid	285,869	144,568	-	11,063	7,743	-	738,357	302,866	-	1,490,466
Local government	-	-	-	-	-	307,429	803,604	426,568	-	1,537,601
Federal grants and contracts	<u>12,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,693</u>	<u>-</u>	<u>-</u>	<u>25,387</u>
Total other government funding	<u>298,563</u>	<u>144,568</u>	<u>-</u>	<u>11,063</u>	<u>7,743</u>	<u>307,429</u>	<u>1,554,654</u>	<u>729,434</u>	<u>-</u>	<u>3,053,454</u>
ALL OTHER REVENUES:										
Contributions and donations	-	-	-	-	-	-	-	-	-	-
Third party payments (except Medicare)	-	-	-	-	-	-	288,086	5,141	-	293,227
Medicare	-	-	-	-	-	-	-	56,078	-	56,078
First and second party payments	21,303	25	-	82,481	124,529	-	5,486	93,328	-	327,152
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,662</u>	<u>-</u>	<u>78,662</u>
Total all other revenue	<u>21,303</u>	<u>25</u>	<u>-</u>	<u>82,481</u>	<u>124,529</u>	<u>-</u>	<u>293,572</u>	<u>233,209</u>	<u>-</u>	<u>755,119</u>
Total funding	<u>\$ 626,317</u>	<u>\$ 431,995</u>	<u>\$ 112,628</u>	<u>\$ 383,217</u>	<u>\$ 656,144</u>	<u>\$ 945,466</u>	<u>\$ 4,282,835</u>	<u>\$ 1,431,464</u>	<u>\$ 38,791</u>	<u>\$ 8,908,857</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)
 For the Year Ended June 30, 2010

<u>Funding Sources and Revenues</u>	Adult Substance Abuse			Children's Mental Health				
	Case Management	Outreach	Total for Adult Substance Abuse	Crisis Support / Emergency	Assessment	Case Management	Medical Services	Total for Children's Mental Health
STATE SAMH FUNDING:								
From the District funding these contracts (District 9)	\$ 27,813	\$ 17,187	\$ 45,000	\$ 425,224	\$ 9,991	\$ 68,257	\$ 19,454	\$ 522,926
Total State SAMH funding	27,813	17,187	45,000	425,224	9,991	68,257	19,454	522,926
OTHER GOVERNMENT FUNDING:								
Medicaid	-	-	-	-	-	82,005	28,896	110,901
Local government	-	-	-	-	-	-	-	-
Federal grants and contracts	-	-	-	-	-	-	-	-
Total other government funding	-	-	-	-	-	82,005	28,896	110,901
ALL OTHER REVENUES:								
Contributions and donations	-	-	-	-	-	-	-	-
Third party payments (except Medicare)	-	-	-	-	-	-	491	491
Medicare	-	-	-	-	-	-	-	-
First and second party payments	-	-	-	-	-	-	8,904	8,904
Other	-	-	-	-	-	-	-	-
Total all other revenue	-	-	-	-	-	-	9,395	9,395
Total funding	\$ 27,813	\$ 17,187	\$ 45,000	\$ 425,224	\$ 9,991	\$ 150,262	\$ 57,745	\$ 643,222

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)
 For the Year Ended June 30, 2010

<u>Funding Sources and Revenues</u>	<u>Total for State SAMH-Funded Cost Centers</u>	<u>Total for Non-State Funded SAMH Cost Centers</u>	<u>Total for All-State Designated SAMH Cost Centers</u>	<u>Non-SAMH Cost Center (Pharmacy)</u>	<u>Total Funding</u>
STATE SAMH FUNDING:					
From the District funding these contracts (District 9)	\$ 5,668,210	\$ -	\$ 5,668,210	\$ -	\$ 5,668,210
Total State SAMH funding	<u>5,668,210</u>	<u>-</u>	<u>5,668,210</u>	<u>-</u>	<u>5,668,210</u>
OTHER GOVERNMENT FUNDING:					
Medicaid	1,601,367	742,099	2,343,466	680,866	3,024,332
Local government	1,537,601	8,078	1,545,679	8,082	1,553,761
Federal grants and contracts	<u>25,387</u>	<u>121,180</u>	<u>146,567</u>	<u>-</u>	<u>146,567</u>
Total other government funding	<u>3,164,355</u>	<u>871,357</u>	<u>4,035,712</u>	<u>688,948</u>	<u>4,724,660</u>
ALL OTHER REVENUES:					
Contributions and donations	-	146,345	146,345	1,776,038	1,922,383
Third party payments (except Medicare)	293,718	4,101	297,819	227,768	525,587
Medicare	56,078	166,739	222,817	767,718	990,535
First and second party payments	336,056	426,429	762,485	181,414	943,899
Other	<u>78,662</u>	<u>10,622</u>	<u>89,284</u>	<u>-</u>	<u>89,284</u>
Total all other revenue	<u>764,514</u>	<u>754,236</u>	<u>1,518,750</u>	<u>2,952,938</u>	<u>4,471,688</u>
Total funding	<u>\$ 9,597,079</u>	<u>\$ 1,625,593</u>	<u>\$ 11,222,672</u>	<u>\$ 3,641,886</u>	<u>\$ 14,864,558</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)
 For the Year Ended June 30, 2010

Expense Categories	Adult Mental Health									Total for Adult Mental Health
	Case Management	Intensive Case Management	Outreach	Room and Board With Supervision Level 2	Residential Level 2	Crisis Support / Emergency	Crisis Stabilization	Medical Services	Incidental Expenses	
PERSONNEL EXPENSES:										
Salaries	\$ 313,363	\$ 259,547	\$ 74,475	\$ 153,119	\$ 211,582	\$ 616,548	\$ 1,684,580	\$ 812,677	\$ -	\$ 4,125,891
Fringe benefits	67,109	56,738	16,125	37,311	40,638	106,230	308,231	135,585	-	767,967
Total personnel expenses	<u>380,472</u>	<u>316,285</u>	<u>90,600</u>	<u>190,430</u>	<u>252,220</u>	<u>722,778</u>	<u>1,992,811</u>	<u>948,262</u>	<u>-</u>	<u>4,893,858</u>
OTHER EXPENSES:										
Medical and pharmacy	-	-	-	40,400	146,600	-	1,008,396	99,329	-	1,294,725
Insurance	27,785	20,918	5,908	12,058	18,441	43,168	104,755	37,939	-	270,972
Professional services	1,380	1,581	447	494	297	6,292	151,783	106,856	-	269,130
Building occupancy costs	12,988	9,062	2,560	16,770	17,833	10,616	72,401	19,085	-	161,315
Other, including provision for depreciation	15,863	11,792	3,331	16,862	23,288	12,652	91,542	23,161	-	198,491
Operating supplies and expenses	4,013	490	139	5,157	14,859	8,477	62,326	5,814	38,791	140,066
Food costs and allocation of food services	-	30	8	32,994	47,960	13,616	138,125	-	-	232,733
Equipment costs	2,849	1,194	337	2,511	4,643	2,925	13,482	2,643	-	30,584
Travel	4,084	20,386	5,758	106	328	487	1,308	2,537	-	34,994
Interest expense	-	-	-	-	-	-	-	-	-	-
Total other expenses	<u>68,962</u>	<u>65,453</u>	<u>18,488</u>	<u>127,352</u>	<u>274,249</u>	<u>98,233</u>	<u>1,644,118</u>	<u>297,364</u>	<u>38,791</u>	<u>2,633,010</u>
Total personnel and other expenses	<u>449,434</u>	<u>381,738</u>	<u>109,088</u>	<u>317,782</u>	<u>526,469</u>	<u>821,011</u>	<u>3,636,929</u>	<u>1,245,626</u>	<u>38,791</u>	<u>7,526,868</u>
DISTRIBUTED INDIRECT COSTS:										
Allocation of other support	92,918	55,286	15,615	37,041	53,614	68,163	338,749	130,500	-	791,886
Allocation of administration	86,880	55,281	16,912	42,333	87,935	132,415	472,379	167,450	-	1,061,585
Total distributed indirect costs	<u>179,798</u>	<u>110,567</u>	<u>32,527</u>	<u>79,374</u>	<u>141,549</u>	<u>200,578</u>	<u>811,128</u>	<u>297,950</u>	<u>-</u>	<u>1,853,471</u>
Total actual expenses	<u>629,232</u>	<u>492,305</u>	<u>141,615</u>	<u>397,156</u>	<u>668,018</u>	<u>1,021,589</u>	<u>4,448,057</u>	<u>1,543,576</u>	<u>38,791</u>	<u>9,380,339</u>
UNALLOWABLE COSTS	817	-	4,077	1,152	21	66	97	262	507	6,999
Total allowed expenses	<u>\$ 628,415</u>	<u>\$ 492,305</u>	<u>\$ 137,538</u>	<u>\$ 396,004</u>	<u>\$ 667,997</u>	<u>\$ 1,021,523</u>	<u>\$ 4,447,960</u>	<u>\$ 1,543,314</u>	<u>\$ 38,284</u>	<u>\$ 9,373,340</u>
CAPITAL EXPENDITURES	<u>\$ 12,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,388</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
(continued)
For the Year Ended June 30, 2010

Expense Categories	Adult Substance Abuse			Children's Mental Health				Total for Children's Mental Health
	Case Management	Outreach	Total for Adult Substance Abuse	Crisis Support / Emergency	Assessment	Case Management	Medical Services	
PERSONNEL EXPENSES:								
Salaries	\$ 15,879	\$ 9,813	\$ 25,692	\$ 278,765	\$ 4,132	\$ 141,221	\$ 77,537	\$ 501,655
Fringe benefits	3,401	2,101	5,502	48,031	352	31,093	12,936	92,412
Total personnel expenses	19,280	11,914	31,194	326,796	4,484	172,314	90,473	594,067
OTHER EXPENSES:								
Medical and pharmacy	-	-	-	-	-	-	-	-
Insurance	1,408	870	2,278	19,518	-	6,123	3,620	29,261
Professional services	70	43	113	2,845	4,858	641	10,195	18,539
Building occupancy costs	658	407	1,065	4,800	-	5,847	1,821	12,468
Other, including provision for depreciation	804	497	1,301	5,720	-	4,708	2,210	12,638
Operating supplies and expenses	203	126	329	3,833	-	1,828	555	6,216
Food costs and allocation of food services	-	-	-	6,156	-	-	-	6,156
Equipment costs	144	89	233	1,322	-	873	252	2,447
Travel	207	128	335	220	-	8,886	242	9,348
Interest expense	-	-	-	-	-	-	-	-
Total other expenses	3,494	2,160	5,654	44,414	4,858	28,906	18,895	97,073
Total personnel and other expenses	22,774	14,074	36,848	371,210	9,342	201,220	109,368	691,140
DISTRIBUTED INDIRECT COSTS:								
Allocation of other support	4,708	2,910	7,618	30,819	-	21,616	12,451	64,886
Allocation of administration	3,429	1,973	5,402	61,998	1,121	29,239	15,976	108,334
Total distributed indirect costs	8,137	4,883	13,020	92,817	1,121	50,855	28,427	173,220
Total actual expenses	30,911	18,957	49,868	464,027	10,463	252,075	137,795	864,360
UNALLOWABLE COSTS	41	26	67	44	-	1,777	48	1,869
Total allowed expenses	\$ 30,870	\$ 18,931	\$ 49,801	\$ 463,983	\$ 10,463	\$ 250,298	\$ 137,747	\$ 862,491
CAPITAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
(continued)
For the Year Ended June 30, 2010

Expense Categories	Total for State SAMH-Funded Cost Centers	Total for Non-State Funded SAMH Cost Centers	Total for All-State Designated SAMH Cost Centers	Non-SAMH Cost Center (Pharmacy)	Other Support (Credit)	Administration	Total Expenses
PERSONNEL EXPENSES:							
Salaries	\$ 4,653,238	\$ 564,000	\$ 5,217,238	\$ 173,913	\$ 879,529	\$ 775,724	\$ 7,046,404
Fringe benefits	865,881	99,629	965,510	22,249	211,927	185,305	1,384,991
Total personnel expenses	<u>5,519,119</u>	<u>663,629</u>	<u>6,182,748</u>	<u>196,162</u>	<u>1,091,456</u>	<u>961,029</u>	<u>8,431,395</u>
OTHER EXPENSES:							
Medical and pharmacy	1,294,725	228,000	1,522,725	2,241,651	-	-	3,764,376
Insurance	302,511	44,566	347,077	9,847	86,628	106,332	549,884
Professional services	287,782	6,976	294,758	19,986	7,039	141,397	463,180
Building occupancy costs	174,848	102,003	276,851	4,445	143,729	88,192	513,217
Other, including provision for depreciation	212,430	97,151	309,581	4,872	37,173	239,047	590,673
Operating supplies and expenses	146,611	61,897	208,508	6,235	56,562	46,810	318,115
Food costs and allocation of food services	238,889	196,186	435,075	-	(237,266)	398	198,207
Equipment costs	33,264	17,661	50,925	885	12,075	12,033	75,918
Travel	44,677	809	45,486	-	5,561	1,408	52,455
Interest expense	-	-	-	-	-	13,717	13,717
Total other expenses	<u>2,735,737</u>	<u>755,249</u>	<u>3,490,986</u>	<u>2,287,921</u>	<u>111,501</u>	<u>649,334</u>	<u>6,539,742</u>
Total personnel and other expenses	<u>8,254,856</u>	<u>1,418,878</u>	<u>9,673,734</u>	<u>2,484,083</u>	<u>1,202,957</u>	<u>1,610,363</u>	<u>14,971,137</u>
DISTRIBUTED INDIRECT COSTS:							
Allocation of other support	864,390	320,236	1,184,626	18,331	(1,202,957)	-	-
Allocation of administration	1,175,321	195,759	1,371,080	239,283	-	(1,610,363)	-
Total distributed indirect costs	<u>2,039,711</u>	<u>515,995</u>	<u>2,555,706</u>	<u>257,614</u>	<u>(1,202,957)</u>	<u>(1,610,363)</u>	<u>-</u>
Total actual expenses	<u>10,294,567</u>	<u>1,934,873</u>	<u>12,229,440</u>	<u>2,741,697</u>	<u>-</u>	<u>-</u>	<u>14,971,137</u>
UNALLOWABLE COSTS							
	8,935	161	9,096	-	-	-	9,096
Total allowed expenses	<u>\$ 10,285,632</u>	<u>\$ 1,934,712</u>	<u>\$ 12,220,344</u>	<u>\$ 2,741,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,962,041</u>
CAPITAL EXPENDITURES	<u>\$ 25,388</u>	<u>\$ 19,790</u>	<u>\$ 45,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,178</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF STATE EARNINGS
For the Year Ended June 30, 2010

TOTAL EXPENDITURES	\$ 14,971,137
Less other state and Federal funds	(3,113,012)
Less nonmatch SAMH funds	(1,629,165)
Less unallowable costs per 65E-14, F.A.C.	<u>(9,096)</u>
 TOTAL ALLOWABLE EXPENDITURES	 \$ <u>10,219,864</u>
 MAXIMUM AVAILABLE EARNINGS	 \$ <u>7,664,898</u>
 AMOUNT OF STATE FUNDS REQUIRING MATCH	 \$ <u>4,039,045</u>
 AMOUNT DUE TO DEPARTMENT	 \$ <u>-</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
For the Year Ended June 30, 2010

<u>Program</u>	<u>Cost Center</u>	<u>State Contracted Rate</u>	<u>Total Units of Services Provided</u>	<u>Total Units of Services Paid by Third Party Contracts, Local Government or Other State Agencies</u>	<u>Maximum Number of Units Eligible For Payment by Department</u>	<u>Amount Paid For Services by the Department</u>	<u>Maximum Dollar Value of Units Eligible for Payment by the Department</u>	<u>Amount Owed to Department</u>
Adult Mental Health	Crisis Stabilization	\$ <u>291.24</u>	<u>12,775</u>	<u>3,889</u>	<u>8,886</u>	\$ <u>2,434,609</u>	\$ <u>2,587,959</u>	\$ <u>NONE</u>

**INTERNAL CONTROLS
AND COMPLIANCE**



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 and Finance Committee
South County Mental Health Center, Inc.
Delray Beach, Florida

We have audited the financial statements of South County Mental Health Center, Inc. (a not-for-profit organization) (the "Center") as of and for the year ended June 30, 2010, and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Center'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 Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis.

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

South County Mental Health Center, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a matter that we reported to the management of South County Mental Health Center, Inc. in a separate letter dated December 21, 2010.

This report is intended solely for the information and use of the Board of Directors, Finance Committee, management, Auditor General of the State of Florida and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
December 21, 2010



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors and Finance Committee
South County Mental Health Center, Inc.
Delray Beach, Florida

Compliance

We have audited South County Mental Health Center, Inc.'s (a not-for-profit organization) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on South County Mental Health Center, Inc.'s major state projects for the year ended June 30, 2010. South County Mental Health Center, Inc.'s major state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state projects is the responsibility of South County Mental Health Center, Inc.'s management. Our responsibility is to express an opinion on South County Mental Health Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about South County Mental Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on South County Mental Health Center, Inc.'s compliance with those requirements.

In our opinion, South County Mental Health Center, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state projects for the year ended June 30, 2010.

South County Mental Health Center, Inc.

Internal Control over Compliance

The management of South County Mental Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered South County Mental Health Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South County Mental Health Center, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Directors, Finance Committee, management, Auditor General of the State of Florida and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
December 21, 2010

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE PROJECTS
For the Year Ended June 30, 2010

A. SUMMARY OF AUDITORS RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of South County Mental Health Center, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of South County Mental Health Center, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major state projects are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General.
5. The auditors' report on compliance for the major state projects for South County Mental Health Center, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major state projects for South County Mental Health Center, Inc. reported in Part C of this schedule.
7. The projects tested as major projects include the following:

State Projects:	State CSFA No.
State of Florida Department of Children and Families, Community Support Services	60.053
State of Florida Department of Children and Families, Baker Act	60.006

8. The threshold for distinguishing Type A and B projects was \$ 300,000 for the major state projects.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

No matters were reported.

C. FINDINGS AND QUESTIONED COSTS - STATE FINANCIAL ASSISTANCE PROJECTS AUDITS

No matters were reported.

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE PROJECTS

(continued)

For the Year Ended June 30, 2010

D. OTHER ISSUES

1. A separate management letter is presented; however, there are no items related to state financial assistance projects in the management letter.
2. No summary schedule of prior year audit findings and recommendations is required because there were no prior year audit findings and recommendations related to state projects.
3. No corrective action plan is required because there were no findings reported under the Florida Single Audit Act.

**SOUTH COUNTY MENTAL
HEALTH CENTER, INC.**

REPORT TO MANAGEMENT

June 30, 2010



Keefe, McCullough & Co., LLP
Certified Public Accountants

To the Board of Directors and Finance Committee
South County Mental Health Center, Inc.
Delray Beach, Florida

In planning and performing our audit of the financial statements of South County Mental Health Center, Inc. (the "Center") for the year ended June 30, 2010, we considered the Center's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls. Accordingly, we do not express an opinion on the effectiveness of the Center's internal controls.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The list that accompanies this letter summarizes our comment and recommendation. This letter does not affect our separate report dated December 21, 2010 on the financial statements of the Center.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Center personnel, and we will be pleased to discuss this comment in further detail at your convenience. The enclosed comment is not intended to reflect on the honesty, integrity or competence of the employees of the Center, but is mentioned only to aid you in improving existing procedures and internal controls.

This report is intended solely for the information and use of the Board of Directors, the Finance Committee, management, and others within the Center and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
December 21, 2010

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS
June 30, 2010

PRIOR YEAR COMMENT AND RECOMMENDATION:

	<u>STILL APPLICABLE</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
2007-03: Reconcile Prescription Receivables to the Subsidiary Ledger by Third Party Providers.	X	

2007-03: Reconcile Prescription Receivables to the Subsidiary Ledger by Third Party Providers:

While performing audit procedures, we noted that vendor detailed reconciliations of the Center's prescription receivables were not reconciled to the general ledger; making it difficult for the Center to know what is owed, *by vendor*, at any point in time.

Reconciliations of prescription receivables from the general ledger to the accounts receivable subsidiary ledger (by third party providers) should be prepared to check that the recording of transactions is accurate and proper and that any adjustments to or write-offs of accounts receivable have been approved. In addition, management should develop procedures to ensure that differences are identified, researched, and resolved in a timely manner.

Management's Response:

Prescription receivables are reconciled in total but the problem of reconciling to third party payers still exists as the entity billed often is not the entity that pays and the paying entity periodically changes as the insurance companies often change their prescription coverage. We continue to work on this area with our software vendor. It is important to mention that the pharmacy computer system does not print a prescription label unless the payment has been pre-approved.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS:

NONE