

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**Years Ended June 30, 2011 and 2010**

# CONTENTS

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|   | <u>Page<br/>Number</u> |
|---|------------------------|
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  | 1                      |
| FINANCIAL STATEMENTS  |                        |
| Balance Sheets  | 2                      |
| Statements of Activities and Changes in Net Assets  | 3                      |
| Statements of Cash Flows  | 4                      |
| Statement of Functional Expenses  | 5                      |
| Notes to Financial Statements   | 7                      |
| SUPPLEMENTAL INFORMATION  |                        |
| Report of Independent Certified Public Accountants<br>on Supplemental Information   | 17                     |
| Schedule of State Earnings  | 18                     |
| Schedule of Program/Cost Center Actual Expenses and Revenue   | 19                     |
| Schedule of Bed-Day Availability Payments   | 21                     |
| Schedule of Related Party Transaction Adjustments   | 22                     |
| Schedule of Expenditures of Federal Awards and State Financial Assistance   | 23                     |
| Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance  | 24                     |
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON<br>INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON<br>COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF<br>FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH<br><i>GOVERNMENT AUDITING STANDARDS</i>                                 | 25                     |
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON<br>COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR<br>FEDERAL PROGRAM AND STATE PROJECT AND ON THE INTERNAL<br>CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB<br>CIRCULAR A-133 AND CHAPTER 10.650 RULES OF THE AUDITOR GENERAL | 27                     |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS   | 29                     |



MOORE STEPHENS  
LOVELACE, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying balance sheets of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. (the "Center") as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2011. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Moore Stephens Lovelace, P.A.*  
MOORE STEPHENS LOVELACE, P.A.  
Certified Public Accountants

Miami Lakes, Florida  
October 31, 2011

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

**BALANCE SHEETS**

**June 30, 2011 and 2010**

**ASSETS**

|  | 2011         | 2010         |
|--|--------------|--------------|
| CURRENT ASSETS   |              |              |
| Cash   | \$       600 | \$       600 |
| Accounts receivable, net of allowance for<br>doubtful accounts of approximately \$9,100<br>as of June 30, 2010 | 530,554      | 538,847      |
| Prepaid expenses   | 90,241       | 178,388      |
| TOTAL CURRENT ASSETS   | 621,395      | 717,835      |
| DEPOSITS   | 80,366       | 80,366       |
| PROPERTY AND EQUIPMENT, net  | 2,579,830    | 2,678,635    |
| TOTAL ASSETS   | \$ 3,281,591 | \$ 3,476,836 |

**LIABILITIES AND NET ASSETS**

|   |              |              |
|---|--------------|--------------|
| CURRENT LIABILITIES                                       |              |              |
| Accounts payable and accrued expenses                     | \$ 531,806   | \$ 693,631   |
| Revolving demand note                                     | 318,905      | 334,597      |
| Notes payable   | -            | 6,916        |
| Unfunded pension benefit obligation                       | 238,133      | 148,833      |
| Due to affiliate  | 538,899      | 438,581      |
| Deferred revenue  | 3,998        | 7,995        |
| TOTAL CURRENT LIABILITIES                                 | 1,631,741    | 1,630,553    |
| UNFUNDED PENSION BENEFIT OBLIGATION, less current portion | 727,427      | 1,022,047    |
| OTHER LIABILITIES   | -            | 102,000      |
| TOTAL LIABILITIES   | 2,359,168    | 2,754,600    |
| COMMITMENTS AND CONTINGENCIES                             |              |              |
| FEDERAL HOME LOAN SUBSIDY                                 | 146,359      | 155,459      |
| UNRESTRICTED NET ASSETS                                   | 776,064      | 566,777      |
| TOTAL LIABILITIES AND NET ASSETS                          | \$ 3,281,591 | \$ 3,476,836 |

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

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

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

**Years Ended June 30, 2011 and 2010**

|   | <b>2011</b>           | <b>2010</b>    |
|---|-----------------------|----------------|
| REVENUES, GAINS, AND OTHER SUPPORT                                  |                       |                |
| Program service fees:   |                       |                |
| Allocation GMJF/United Way  | \$ <b>84,224</b>      | \$ 90,500      |
| Government agencies   | <b>3,963,322</b>      | 4,182,894      |
| Client fees and other third party payors                            | <b>3,418,300</b>      | 3,372,648      |
| Other revenue   | <b>125,251</b>        | 119,109        |
| Contributions   | <b>693</b>            | 1,000          |
|   | <b>7,591,790</b>      | 7,766,151      |
| <br>TOTAL REVENUES, GAINS, AND OTHER SUPPORT                        | <br><b>7,591,790</b>  | <br>7,766,151  |
| <br>EXPENSES  |                       |                |
| Program services:   |                       |                |
| Comprehensive Community Service Team (CCST)                         | <b>1,752,439</b>      | 1,683,244      |
| Crisis support  | <b>212,476</b>        | 225,777        |
| Non SAMH services   | <b>477,480</b>        | 552,852        |
| Outpatient medical  | <b>2,099,339</b>      | 2,084,789      |
| Residential   | <b>1,941,244</b>      | 2,481,185      |
|   | <b>6,482,978</b>      | 7,027,847      |
| <br>TOTAL PROGRAM EXPENSES  | <br><b>6,482,978</b>  | <br>7,027,847  |
| <br>Supporting services:  |                       |                |
| General and administrative  | <b>1,142,186</b>      | 1,085,407      |
|   | <b>1,142,186</b>      | 1,085,407      |
| <br>TOTAL EXPENSES  | <br><b>7,625,164</b>  | <br>8,113,254  |
| <br>LOSS BEFORE PENSION RELATED CHANGES                             | <br><b>(33,374)</b>   | <br>(347,103)  |
| <br>Pension related changes other than net<br>periodic pension cost | <br><b>242,661</b>    | <br>39,819     |
|   | <b>242,661</b>        | 39,819         |
| <br>CHANGE IN NET ASSETS  | <br><b>209,287</b>    | <br>(307,284)  |
| <br>UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR                    | <br><b>566,777</b>    | <br>874,061    |
|   | <b>566,777</b>        | 874,061        |
| <br>UNRESTRICTED NET ASSETS AT END OF YEAR                          | <br><b>\$ 776,064</b> | <br>\$ 566,777 |
|   | <b>776,064</b>        | 566,777        |

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

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

**STATEMENTS OF CASH FLOWS**

**Years Ended June 30, 2011 and 2010**

|   | <b>2011</b>        | 2010         |
|---|--------------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                    |              |
| Change in net assets  | <b>\$ 209,287</b>  | \$ (307,284) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |                    |              |
| Depreciation  | <b>114,850</b>     | 144,613      |
| Amortization of federal home loan subsidy   | <b>(9,100)</b>     | (9,100)      |
| Change in minimum pension liability   | <b>(205,320)</b>   | 51,169       |
| Changes in operating assets and liabilities:  |                    |              |
| Accounts receivable   | <b>8,293</b>       | 75,649       |
| Prepaid expenses  | <b>88,147</b>      | (21,801)     |
| Deposits  | <b>-</b>           | (73,815)     |
| Accounts payable and accrued expenses   | <b>(161,825)</b>   | 19,505       |
| Deferred revenue  | <b>(3,997)</b>     | (3,427)      |
| Other liabilities   | <b>(102,000)</b>   | (102,000)    |
|   | <b>(61,665)</b>    | (226,491)    |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>  | <b>(61,665)</b>    | (226,491)    |
| <br><b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>                                      |                    |              |
| Purchase of property and equipment  | <b>(16,045)</b>    | (173,582)    |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                    |              |
| Change in due to affiliate  | <b>100,318</b>     | 296,867      |
| Proceeds from revolving demand note   | <b>4,967,308</b>   | 4,957,056    |
| Payments on revolving demand note   | <b>(4,983,000)</b> | (4,845,000)  |
| Payments on long-term debt  | <b>(6,916)</b>     | (9,000)      |
|   | <b>77,710</b>      | 399,923      |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>  | <b>77,710</b>      | 399,923      |
| <br><b>NET CHANGE IN CASH</b>   | <br><b>-</b>       | <br>(150)    |
| <br><b>CASH - BEGINNING OF YEAR</b>   | <br><b>600</b>     | 750          |
| <br><b>CASH - END OF YEAR</b>   | <br><b>\$ 600</b>  | \$ 600       |

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

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2011  
(With Comparative Totals for 2010)**

| EXPENSES                                | PROGRAM SERVICES    |                   |                      |                       |
|---|---------------------|-------------------|----------------------|-----------------------|
|   | CCST                | CRISIS<br>SUPPORT | NON SAMH<br>SERVICES | OUTPATIENT<br>MEDICAL |
| Salaries and temporary employment       | \$ 760,096          | \$ 108,321        | \$ 81,892            | \$ 427,665            |
| Employee health and retirement benefits | 176,590             | 29,184            | 20,879               | 61,535                |
| Payroll taxes                           | 56,092              | 8,064             | 6,042                | 27,957                |
| TOTAL SALARIES AND RELATED EXPENSES     | 992,778             | 145,569           | 108,813              | 517,157               |
| Conferences, conventions                | 338                 | -                 | 35                   | 30                    |
| Depreciation                            | 4,768               | -                 | -                    | -                     |
| Equipment rental                        | -                   | -                 | -                    | -                     |
| Local transportation                    | 10,665              | -                 | -                    | -                     |
| Occupancy                               | 300,955             | 30,366            | 40,896               | 39,511                |
| Organizational dues                     | -                   | -                 | -                    | -                     |
| Other expense*                          | 104,102             | 14,792            | 29,070               | 89,001                |
| Postage                                 | -                   | -                 | -                    | -                     |
| Printing and publications               | 159                 | -                 | -                    | 2,474                 |
| Professional fees and contract services | 123,132             | 883               | 269,038              | 8,355                 |
| Supplies                                | 215,542             | 20,866            | 29,628               | 1,442,811             |
| Telephone                               | -                   | -                 | -                    | -                     |
| TOTAL EXPENSES                          | <u>\$ 1,752,439</u> | <u>\$ 212,476</u> | <u>\$ 477,480</u>    | <u>\$ 2,099,339</u>   |

\*\$306,109 indirect cost has been allocated to all components based on cumulative cost.

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

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

**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**

**Year Ended June 30, 2011  
(With Comparative Totals for 2010)**

|  | PROGRAM SERVICES (Continued) |                     |                   | TOTAL<br>PROGRAM<br>SERVICES | SUPPORTING<br>SERVICES<br>GENERAL<br>AND ADMINIS-<br>TRATIVE | TOTAL               |                     |
|--|------------------------------|---------------------|-------------------|------------------------------|--|---------------------|---------------------|
|  | RESIDENTIAL                  |                     | LEVEL 4           |                              |  | 2011                | 2010                |
|  | LEVEL 2                      | LEVEL 3             |                   |                              |  |                     |                     |
| EXPENSES                                   |                              |                     |                   |                              |  |                     |                     |
| Salaries and temporary employment          | \$ -                         | \$ 525,647          | \$ 134,431        | \$ 2,038,052                 | \$ 489,954   | \$ 2,528,006        | \$ 2,907,631        |
| Employee health and retirement benefits    | 4,036                        | 108,999             | 57,908            | 459,131                      | 198,403  | 657,534             | 671,938             |
| Payroll taxes                              | 5,106                        | 36,144              | 11,674            | 151,079                      | 38,739   | 189,818             | 221,113             |
| <b>TOTAL SALARIES AND RELATED EXPENSES</b> | <b>9,142</b>                 | <b>670,790</b>      | <b>204,013</b>    | <b>2,648,262</b>             | <b>727,096</b>   | <b>3,375,358</b>    | <b>3,800,682</b>    |
| Conferences, conventions                   | -                            | 743                 | -                 | 1,146                        | 3,668  | 4,814               | 6,614               |
| Depreciation                               | 20,020                       | 28,316              | 53,942            | 107,046                      | 7,804  | 114,850             | 144,613             |
| Equipment rental                           | 486                          | 8,192               | 3,641             | 12,319                       | -  | 12,319              | 17,870              |
| Local transportation                       | -                            | 17,956              | -                 | 28,621                       | 7,813  | 36,434              | 51,429              |
| Occupancy                                  | 14,805                       | 85,324              | 124,495           | 636,352                      | 169,656  | 806,008             | 993,531             |
| Organizational dues                        | -                            | -                   | -                 | -                            | 3,079  | 3,079               | 3,874               |
| Other expense*                             | 1,441                        | 66,740              | 40,145            | 345,291                      | 116,651  | 461,942             | 183,355             |
| Postage                                    | -                            | 9                   | 22                | 31                           | 1,139  | 1,170               | 128                 |
| Printing and publications                  | -                            | 234                 | 521               | 3,388                        | 624  | 4,012               | 4,434               |
| Professional fees and contract services    | -                            | 4,819               | 7,193             | 413,420                      | 42,997   | 456,417             | 471,688             |
| Supplies (including interest of \$8,372)   | 274                          | 551,389             | 16,072            | 2,276,582                    | 59,922   | 2,336,504           | 2,418,782           |
| Telephone                                  | 799                          | 6,472               | 3,249             | 10,520                       | 1,737  | 12,257              | 16,254              |
| <b>TOTAL EXPENSES</b>                      | <b>\$ 46,967</b>             | <b>\$ 1,440,984</b> | <b>\$ 453,293</b> | <b>\$ 6,482,978</b>          | <b>\$ 1,142,186</b>  | <b>\$ 7,625,164</b> | <b>\$ 8,113,254</b> |

\*\$306,109 indirect cost has been allocated to all components based on cumulative cost.

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



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

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended June 30, 2011 and 2010**

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

**NATURE OF THE ORGANIZATION**

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

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

Golden Palms provides residential, psycho-social rehabilitation and case management services to older adults (age 55 and older), who require intensive psychiatric rehabilitative services to avoid long-term inpatient psychiatric care. Services provided within the residential unit are available in the Miami-Dade County area.

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

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

The Center contracted administrative, financial and management services from Miami Jewish Health Systems ("MJHS") during the years ended June 30, 2011 and 2010.

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

**Liquidity**

The Center has a working capital deficit of approximately \$1,010,000 and \$913,000 at June 30, 2011 and 2010, respectively. Management of the Center has taken financial measures during 2011 and subsequent to year end to address the liquidity situation. The Center has eliminated a program, has reduced specific program personnel and has terminated the administrative, financial and management service agreement with MJHS. In addition, management sold one of the Center's existing properties and plans to utilize the sales proceeds to improve the current financial liquidity of the Center.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Property and Equipment**

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

**Revenue Recognition**

Donations

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

For the fiscal years ended June 30, 2011 and 2010, all contributions received by the Center were unrestricted. Contributions received by the Center for the fiscal years ended June 30, 2011 and 2010 approximated \$1,000.

Service Fees

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net client service revenue is reported at the estimated net realizable amounts from clients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Client service revenue is derived primarily from self-pay clients, the Medicaid program, the Medicaid Drug program, and the Medicare program.

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

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

Service Fees (continued)

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

**Net Asset Classifications**

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

Temporarily Restricted - Temporarily restricted net assets result from contributions of cash, long-lived assets, and other assets, which are restricted in use by the donors. When a donor restriction expires due to passage of time or accomplishment of purpose, the contributions become unrestricted net assets and are recorded as “net assets released from restrictions” in the statements of activities. Expiration of donor restrictions is also reported when donated or acquired long-lived assets are used for their intended purpose. There were no temporarily restricted net assets as of June 30, 2011 and 2010.

Permanently Restricted - Permanently restricted net assets result from contributions and other receipts of assets whose use is limited by donor restrictions that do not expire by either passage of time or by actions of the organization. There were no permanently restricted net assets as of June 30, 2011 and 2010.

**Income Taxes**

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

As of June 30, 2011, with few exceptions, the Center is no longer subject to income tax examinations by the United States federal tax authority for any years before the tax year ended June 30, 2008.

**Use of Estimates**

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

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

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

**Functional Expenses**

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

**NOTE 2 - PROPERTY AND EQUIPMENT**

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

|                                    | <u>2011</u>         | <u>2010</u>         |
|------------------------------------|---------------------|---------------------|
| Land                               | \$ 702,786          | \$ 702,786          |
| Building and building improvements | 3,152,760           | 3,450,999           |
| Leasehold improvements             | 6,685               | 485,363             |
| Equipment                          | 588,296             | 1,594,035           |
| Vehicles                           | 45,735              | 27,050              |
| Construction in progress           | -                   | 153,472             |
|                                    | <u>4,496,262</u>    | <u>6,413,705</u>    |
| Less accumulated depreciation      | <u>(1,916,432)</u>  | <u>(3,735,070)</u>  |
|                                    | <u>\$ 2,579,830</u> | <u>\$ 2,678,635</u> |

Depreciation expense for the years ended June 30, 2011 and 2010, amounted to \$114,850 and \$144,613, respectively.

**NOTE 3 - DUE TO AFFILIATE**

The due to affiliate as of June 30, 2011 and 2010 approximated \$539,000 and \$439,000, respectively. The amounts accrue no interest and are repaid periodically as cash is available. Liabilities for funds advanced by MJHS to the Center and receivables from MJHS are shown net at fiscal year end for financial statement presentation. For each of the fiscal years ended June 30, 2011 and 2010, the Center was charged by MJHS for administrative overhead and management services at a cost of \$306,000 and \$150,000 respectively.

**NOTE 4 - REVOLVING DEMAND NOTE**

The Center has available a revolving demand note from a financial institution which provides for borrowings up to \$650,000. As of June 30, 2011 and 2010, amounts borrowed against the unsecured revolving demand note were approximately \$319,000 and \$335,000, respectively. This note, used for operating purposes, bears interest at 1% over the 30-day LIBOR rate, which is payable monthly. On June 30, 2011, the effective rate was 1.94%. The revolving demand note is renewable each year on March 31st, at which time the bank may, at its discretion, require principal repayment. This demand note is collateralized by real property.

#### NOTE 4 - REVOLVING DEMAND NOTE (Continued)

Cash paid for interest on all debt agreements for the years ended June 30, 2011 and 2010, was approximately \$6,000 and \$8,000, respectively.

#### NOTE 5 - NOTE PAYABLE

The Center had a note payable to a financial institution bearing interest at 6%. Principal payments of \$750 plus interest were due monthly. The note was collateralized by real property. As of June 30, 2011 there was no balance due in the note payable as it matured on March 21, 2011. The note had a \$6,916 principal balance as of June 30, 2010.

#### NOTE 6 - EMPLOYEE BENEFIT PROGRAMS

##### Defined Benefit Pension Plan

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

Effective July 1, 2010, the Center and MJHS's management adopted a change in the Plan's benefit structure. The rate of accrual for service after June 30, 2011 is 0.5% times career-average compensation. In addition, accrued benefits as of June 30, 2011 are preserved for participants on that date, but will not reflect post June 30, 2011 compensation. As a result of this change, the June 30, 2011 pension benefit obligation has decreased by approximately \$5,140,000, which also reduces other components of the pension cost.

Effective April 1, 2011, MJHS's management terminated all of the Center's employees from the plan's benefit structure which will stop the accruals of future employee benefits. Since the Center's participants represent less than 10% of all participants, no special accounting was required. The financial statements presented herein do not include the effect of this change.

The net periodic pension cost of the Plan for the years ended June 30, 2011 and 2010 was determined as follows:

|                                    | <u>2011</u>         | <u>2010</u>         |
|------------------------------------|---------------------|---------------------|
| Service cost                       | \$ 995,065          | \$ 2,104,287        |
| Interest cost                      | 3,113,613           | 3,320,992           |
| Expected return on plan assets     | (3,362,625)         | (3,189,328)         |
| Amortization of net actuarial loss | <u>1,770,795</u>    | <u>1,523,164</u>    |
| Net period pension cost            | <u>\$ 2,516,848</u> | <u>\$ 3,759,115</u> |

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

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

|   | <u>2011</u>     | <u>2010</u> |
|---|-----------------|-------------|
| Discount rate                               | <b>5.25%</b>    | 6.25%       |
| Expected long-term rate of return on assets | <b>8.00%</b>    | 8.00%       |
| Rate of increase in salary levels           | <b>3% to 5%</b> | 3% to 5%    |

For 2011 and 2010, the discount rate for obligations was developed with a current settlement rate of inflation of 2.25% per annum; the long-term rate of investment return includes an underlying long-term rate of inflation assumption of 3.5% per annum; and the salary increase rate includes a higher initial rate, gradually decreasing to lower ultimate rate.

The following table reconciles the changes in the Plan's projected benefit obligation during each of the years ended June 30, 2011 and 2010:

|   | <u>2011</u>                 | <u>2010</u>                 |
|---|-----------------------------|-----------------------------|
| Projected benefit obligation at beginning of year | <b>\$ 58,876,032</b>        | \$ 56,113,499               |
| Service cost                                      | <b>995,065</b>              | 2,104,287                   |
| Interest cost                                     | <b>3,113,613</b>            | 3,320,992                   |
| Actuarial loss                                    | <b>(1,934,522)</b>          | 4,596,825                   |
| Benefits paid                                     | <b>(2,435,274)</b>          | (2,119,107)                 |
| Administrative costs                              | <b>(562,922)</b>            | -                           |
| Plan amendment                                    | -                           | (5,140,464)                 |
| Projected benefit obligation at end of year       | <b><u>\$ 58,051,992</u></b> | <b><u>\$ 58,876,032</u></b> |

Changes in plan assets during the years ended June 30, 2011 and 2010 were as follows:

|  | <u>2011</u>                 | <u>2010</u>                 |
|--|-----------------------------|-----------------------------|
| Fair value of plan assets at beginning of year | <b>\$ 40,600,529</b>        | \$ 37,451,641               |
| Actual return on plan assets                   | <b>7,212,876</b>            | 1,744,702                   |
| Employer contributions                         | <b>2,100,000</b>            | 3,523,293                   |
| Benefits paid                                  | <b>(2,435,274)</b>          | (2,119,107)                 |
| Administrative costs                           | <b>(562,922)</b>            | -                           |
| Fair value of plan assets at end of year       | <b><u>\$ 46,915,209</u></b> | <b><u>\$ 40,600,529</u></b> |

The Plan's weighted-average asset allocations at June 30, 2011 and 2010, by asset category, were as follows:

|                           | <u>2011</u>        | <u>2010</u>        |
|---------------------------|--------------------|--------------------|
| Equity securities         | <b>62%</b>         | 56%                |
| Fixed income securities   | <b>29%</b>         | 34%                |
| Cash and cash equivalents | <b>8%</b>          | 7%                 |
| Mutual Funds              | <b>1%</b>          | 0%                 |
| Other                     | <b>0%</b>          | 3%                 |
| Total                     | <b><u>100%</u></b> | <b><u>100%</u></b> |

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

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

The Plan's unfunded pension benefit obligation at June 30, 2011 and 2010 was calculated as follows:

|                                     | <u>2011</u>          | <u>2010</u>          |
|-------------------------------------|----------------------|----------------------|
| Projected benefit obligation        | \$ 58,051,992        | \$ 58,876,032        |
| Less: plan assets at fair value     | <u>(46,915,209)</u>  | <u>(40,600,529)</u>  |
| Funded status:                      |                      |                      |
| Unfunded pension benefit obligation | <u>\$ 11,136,783</u> | <u>\$ 18,275,503</u> |

The Plan's unfunded pension benefit obligation at June 30, 2011 and 2010 is classified as follows:

|                                     | <u>2011</u>          | <u>2010</u>          |
|-------------------------------------|----------------------|----------------------|
| Current liabilities                 | \$ 2,746,636         | \$ 2,323,038         |
| Noncurrent liabilities              | <u>8,390,147</u>     | <u>15,952,465</u>    |
| Unfunded pension benefit obligation | <u>\$ 11,136,783</u> | <u>\$ 18,275,503</u> |

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

|   | <u>2011</u>         | <u>2010</u>       |
|---|---------------------|-------------------|
| Prior service (credit) cost                 | \$ (464,360)        | \$ 5,140,464      |
| Net gain (loss)                             | 5,784,773           | (6,041,451)       |
| Amortization of net gain                    | <u>2,235,155</u>    | <u>1,523,164</u>  |
| Total recognized in unrestricted net assets | <u>\$ 7,555,568</u> | <u>\$ 622,177</u> |

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

**Defined Benefit Pension Plan (Continued)**

MJHS and the Center expect to jointly contribute approximately \$2,800,000 to the pension plan in the year ended June 30, 2012. The June 30, 2011 and 2010 allocations of the Center's and MJHS's respective share of the required unfunded pension liability, net periodic pension cost and other pension cost and other pension related changes are illustrated in the following table:

|                                      | June 30, 2011        |                     |                      |
|--------------------------------------|----------------------|---------------------|----------------------|
|                                      | MJHS                 | The Center          | Total                |
| <b>Unfunded pension liability</b>    |                      |                     |                      |
| Current liabilities                  | \$ 2,508,503         | \$ 238,133          | \$ 2,746,636         |
| Noncurrent liabilities               | 7,662,720            | 727,427             | 8,390,147            |
| Total unfunded liability             | <u>\$ 10,171,223</u> | <u>\$ 965,560</u>   | <u>\$ 11,136,783</u> |
| <b>Net periodic pension cost</b>     |                      |                     |                      |
| Net periodic pension cost            | <u>\$ 2,298,637</u>  | <u>\$ 218,211</u>   | <u>\$ 2,516,848</u>  |
| <b>Other pension related changes</b> |                      |                     |                      |
| Net gain                             | <u>\$ 7,312,907</u>  | <u>\$ 242,661</u>   | <u>\$ 7,555,568</u>  |
|                                      |                      |                     |                      |
|                                      | June 30, 2010        |                     |                      |
|                                      | MJHS                 | The Center          | Total                |
| <b>Unfunded pension liability</b>    |                      |                     |                      |
| Current liabilities                  | \$ 2,174,205         | \$ 148,833          | \$ 2,323,038         |
| Noncurrent liabilities               | 14,930,418           | 1,022,047           | 15,952,465           |
| Total unfunded liability             | <u>\$ 17,104,623</u> | <u>\$ 1,170,880</u> | <u>\$ 18,275,503</u> |
| <b>Net periodic pension cost</b>     |                      |                     |                      |
| Net periodic pension cost            | <u>\$ 3,517,369</u>  | <u>\$ 241,746</u>   | <u>\$ 3,759,115</u>  |
| <b>Other pension related changes</b> |                      |                     |                      |
| Net (loss)                           | <u>\$ 582,358</u>    | <u>\$ 39,819</u>    | <u>\$ 622,177</u>    |

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

| YEAR       | AMOUNT               |
|------------|----------------------|
| 2012       | \$ 2,746,636         |
| 2013       | 2,922,333            |
| 2014       | 3,141,229            |
| 2015       | 3,265,017            |
| 2016       | 3,450,547            |
| Thereafter | 19,562,714           |
|            | <u>\$ 35,088,476</u> |



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

### **Defined Contribution Pension Plan**

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

Effective April 1, 2011, MJHS's management terminated all of the Center's employees from the defined contribution pension plan which will stop the accruals of all future employer match contributions to the plan and the ability for employees to make elective contributions to the plan.

## **NOTE 7 - UNCOMPENSATED CARE**

Certain behavioral health services are provided by the Center to individuals who are not covered by any third-party insurance plans and who fall below the Federal Poverty Guidelines and are, therefore, unable to pay. The amount of costs foregone for services and supplies furnished under the Center's uncompensated care policy aggregated approximately \$446,000 and \$882,000 in 2011 and 2010, respectively.

## **NOTE 8 - COMMITMENT AND CONTINGENCIES**

### **Workers Compensation Insurance**

The Center participated in a self-insured workers compensation program through MJHS. As a June 30, 2011, the Center has a reserve for workers compensation in the self-insured program of approximately \$129,000, of which \$36,000 represents a reserve for incurred but not reported claims. The reserve is included in the balance sheet under the due to affiliates balance of approximately \$539,000. On February 1, 2011, the Center purchased a workers compensation policy with total coverage of \$500,000 per claim and in the aggregate.

### **Federal Home Loan Subsidy**

In 1997 the Center received a Federal Home Loan Subsidy to subsidize the purchase the Mayfair Hotel and establish an affordable housing program. Annual principal reductions of approximately \$9,100 are forgiven subject to certain compliance requirements with the terms of the subsidy. Management believes all compliance requirements related to the subsidy have been met. As of June 30, 2011 and 2010, the unamortized Federal Home Loan Subsidy balance approximated \$146,000 and \$155,000, respectively.

### **Operating Lease**

On September 9, 2009, the Center entered into an operating lease agreement to lease office space from an unrelated third party. The lease obligation calls for annual payments of approximately \$444,000 during the first year. Thereafter, payments will be adjusted annually as per lease agreement. The lease term is for ten years beginning in November 2010.

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

**Operating Lease (Continued)**

The following is a schedule by years of the expected future minimum lease payments required under the lease as of June 30, 2011.

| <u>YEAR ENDING<br/>JUNE 30,</u> | <u>AMOUNT</u>       |
|---------------------------------|---------------------|
| 2012                            | \$ 453,035          |
| 2013                            | 466,626             |
| 2014                            | 480,625             |
| 2015                            | 495,044             |
| 2016                            | 509,895             |
| Thereafter                      | <u>2,390,379</u>    |
|                                 | <u>\$ 4,795,604</u> |

**Government Review Risk**

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

**Credit Risk**

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

**NOTE 9 - SUBSEQUENT EVENTS**

The Center's management has evaluated subsequent events through October 31, 2011, which is the date the financial statements are available to be issued.

On July 1, 2011, the Center established a qualified defined contribution employee benefit plan (the "401(k) Plan") as allowed under section 401(k) of the Internal Revenue Code (the "Code"). All the Center employees, except leased and non-resident employees, are eligible to make elective contributions. Employees who have completed three months of service and are 18 years old are eligible to make contributions to the plan and received employer matching contributions in the 401(k) Plan.

On July 19, 2011, the Center sold the property of Sunny Cove for approximately \$272,000. The transaction generated cash proceeds of approximately \$123,000 and a note receivable of \$135,500.

As of July 1, 2011, the Center will no longer contract administrative, financial and management services from MJHS.

## **SUPPLEMENTAL INFORMATION**



MOORE STEPHENS  
LOVELACE, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON SUPPLEMENTAL INFORMATION

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

We have audited the financial statements of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated October 31, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules appearing on pages 18 through 24 are presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Chapter 10.650, the Rules of the Auditor General, and the State of Florida, Department of Children and Families, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Moore Stephens Lovelace, P.A.*  
MOORE STEPHENS LOVELACE, P.A.  
Certified Public Accountants

Miami Lakes, Florida  
October 31, 2011

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

**SCHEDULE OF STATE EARNINGS**

**Year Ended June 30, 2011**

|          |  |                          |
|----------|--|--------------------------|
| <b>1</b> | Total expenditures   | \$ 7,625,164             |
| <b>2</b> | Less other State Funds   | (2,869,400)              |
|          | Less other Federal Funds   | (810,275)                |
| <b>3</b> | Less Medicaid Funds  | (2,641,796)              |
|          | Less Medicare Funds  | (60,846)                 |
| <b>4</b> | Less Unallowable Costs per 65E-14, F.A.C.  | <u>-</u>                 |
| <b>5</b> | Total Allowable Expenditures<br>(Sum of lines 1, 2, 3, and 4)  | 1,242,847                |
| <b>6</b> | Maximum Available Earnings<br>(Line 5 times 75%)   | 932,135                  |
| <b>7</b> | Amount of State Funds Requiring Match  | <u>120,913</u>           |
| <b>8</b> | Amount Due to Department<br>(Subtract line 7 from line 6. If negative,<br>the amount of difference is due to the<br>Department up to the amount on line 7) | <u><u>\$ 811,222</u></u> |

See Report of Independent Certified Public Accountants  
on Supplemental Information.

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

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

**Year Ended June 30, 2011**

|                                      | MEDICAL<br>OUTPAT. | RESIDENTIAL |              |            | CRISIS<br>SUPPORT | CCST         | TOTAL FOR  | NON-SAMH<br>COST<br>CENTERS | ADMINIS-<br>TRATION | TOTAL        |
|--------------------------------------|--------------------|-------------|--------------|------------|-------------------|--------------|--|-----------------------------|---------------------|--------------|
|                                      |                    | LEVEL 2     | LEVEL 3      | LEVEL 4    |                   |              | ALL STATE-<br>DESIGNATED<br>SAMH COST<br>CENTERS |                             |                     |              |
| STATE SAMH FUNDING                   |                    |             |              |            |                   |              |  |                             |                     |              |
| DCF District 11                      | \$ 388,147         | \$ -        | \$ 1,088,628 | \$ 457,436 | \$ 200,000        | \$ 1,016,124 | \$ 3,150,335                                     | \$ -                        | \$ -                | \$ 3,150,335 |
| TOTAL STATE SAMH FUNDING             | 388,147            | -           | 1,088,628    | 457,436    | 200,000           | 1,016,124    | 3,150,335  | -                           | -                   | 3,150,335    |
| OTHER GOVT. FUNDING                  |                    |             |              |            |                   |              |  |                             |                     |              |
| Medicaid                             | 1,656,697          | -           | 365,257      | -          | 15,930            | 603,912      | 2,641,796  | -                           | -                   | 2,641,796    |
| Local Government                     | -                  | -           | 2,890        | 8,277      | -                 | 202,886      | 214,053  | 223,991                     | 21,660              | 459,704      |
| Federal Grants and Contracts         | -                  | -           | -            | -          | -                 | 16,200       | 16,200   | 327,983                     | -                   | 344,183      |
| In-kind from Local Govt. Only        | -                  | -           | -            | 9,100      | -                 | -            | 9,100  | -                           | -                   | 9,100        |
| TOTAL OTHER GOVT. FUNDING            | 1,656,697          | -           | 368,147      | 17,377     | 15,930            | 822,998      | 2,881,149  | 551,974                     | 21,660              | 3,454,783    |
| ALL OTHER REVENUES                   |                    |             |              |            |                   |              |  |                             |                     |              |
| 1st & 2nd Party Payments             | 48,020             | -           | 354,448      | 77,841     | 8,822             | 31,676       | 520,807  | 80,596                      | -                   | 601,403      |
| 3rd Party Payments (except Medicare) | 37,838             | -           | 1,722        | 25,500     | 2,884             | 44,591       | 112,535  | -                           | -                   | 112,535      |
| Medicare                             | 60,846             | -           | -            | -          | -                 | -            | 60,846   | -                           | -                   | 60,846       |
| Contributions and Donations          | -                  | -           | -            | -          | -                 | 25,465       | 25,465   | 58,759                      | 693                 | 84,917       |
| Other                                | -                  | 5           | 186          | -          | 5                 | 10,465       | 10,661   | -                           | 116,310             | 126,971      |
| TOTAL ALL OTHER REVENUES             | 146,704            | 5           | 356,356      | 103,341    | 11,711            | 112,197      | 730,314  | 139,355                     | 117,003             | 986,672      |
| TOTAL FUNDING                        | \$ 2,191,548       | \$ 5        | \$ 1,813,131 | \$ 578,154 | \$ 227,641        | \$ 1,951,319 | \$ 6,761,798                                     | \$ 691,329                  | \$ 138,663          | \$ 7,591,790 |

See Report of Independent Certified Public Accountants  
on Supplemental Information.

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

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

**Year Ended June 30, 2011**

| EXPENSES LINE ITEM                      | MEDICAL<br>OUTPAT.  | RESIDENTIAL      |                     |                   | CRISIS<br>SUPPORT | CCST                | TOTAL FOR<br>ALL STATE-            | NON-SAMH<br>COST<br>CENTERS | ADMINIS-<br>TRATION | TOTAL<br>EXPENSES   |
|---|---------------------|------------------|---------------------|-------------------|-------------------|---------------------|------------------------------------|-----------------------------|---------------------|---------------------|
|   |                     | LEVEL 2          | LEVEL 3             | LEVEL 4           |                   |                     | DESIGNATED<br>SAMH COST<br>CENTERS |                             |                     |                     |
| <b>I) PERSONNEL SERVICES</b>            |                     |                  |                     |                   |                   |                     |                                    |                             |                     |                     |
| a) Salaries                             | \$ 424,322          | \$ -             | \$ 473,054          | \$ 131,145        | \$ 108,321        | \$ 760,096          | \$ 1,896,938                       | \$ 81,892                   | \$ 489,954          | \$ 2,468,784        |
| b) Fringes                              | 89,492              | 9,142            | 145,143             | 69,584            | 37,248            | 232,682             | 583,291                            | 26,921                      | 237,140             | 847,352             |
| <b>TOTAL PERSONNEL</b>                  | <b>513,814</b>      | <b>9,142</b>     | <b>618,197</b>      | <b>200,729</b>    | <b>145,569</b>    | <b>992,778</b>      | <b>2,480,229</b>                   | <b>108,813</b>              | <b>727,094</b>      | <b>3,316,136</b>    |
| <b>II) EXPENSES</b>                     |                     |                  |                     |                   |                   |                     |                                    |                             |                     |                     |
| a) Building occupancy                   | 39,511              | 14,805           | 85,324              | 124,495           | 30,366            | 300,955             | 595,456                            | 40,896                      | 169,656             | 806,008             |
| b) Professional serv.                   | 8,355               | -                | 4,819               | 7,193             | 883               | 123,137             | 144,387                            | 269,038                     | 42,997              | 456,422             |
| c) Travel                               | 26                  | 8                | 18,063              | 7                 | -                 | 16,601              | 34,705                             | 2,543                       | 8,900               | 46,148              |
| d) Equipment costs                      | -                   | 486              | 8,192               | 3,641             | -                 | -                   | 12,319                             | -                           | -                   | 12,319              |
| e) Food services                        | -                   | -                | 182,126             | 6,553             | -                 | 1,677               | 190,356                            | 868                         | 174                 | 191,398             |
| f) Medical & pharmacy                   | 1,426,275           | -                | 353,451             | 1,524             | 4,828             | 126,596             | 1,912,674                          | 18,278                      | -                   | 1,930,952           |
| g) Insurance                            | 15,465              | 727              | 16,244              | 19,989            | 5,543             | 26,657              | 84,625                             | 3,895                       | 29,547              | 118,067             |
| h) Interest                             | -                   | -                | -                   | 145               | -                 | -                   | 145                                | -                           | -                   | 145                 |
| i) Operating supp. & exp.               | 22,279              | 21,797           | 113,729             | 72,266            | 17,588            | 100,733             | 348,392                            | 12,067                      | 81,001              | 441,460             |
| <b>TOTAL EXPENSES</b>                   | <b>1,511,911</b>    | <b>37,823</b>    | <b>781,948</b>      | <b>235,813</b>    | <b>59,208</b>     | <b>696,356</b>      | <b>3,323,059</b>                   | <b>347,585</b>              | <b>332,275</b>      | <b>4,002,919</b>    |
| <b>TOTAL PERSONNEL<br/>AND EXPENSES</b> | <b>2,025,725</b>    | <b>46,965</b>    | <b>1,400,145</b>    | <b>436,542</b>    | <b>204,777</b>    | <b>1,689,134</b>    | <b>5,803,288</b>                   | <b>456,398</b>              | <b>1,059,369</b>    | <b>7,319,055</b>    |
| <b>III. DISTRIBUTED COSTS</b>           |                     |                  |                     |                   |                   |                     |                                    |                             |                     |                     |
| (a) Indirect costs                      | 72,104              | -                | 40,839              | 16,753            | 7,699             | 64,815              | 202,210                            | 21,082                      | 82,817              | 306,109             |
| (b) Administration                      | 367,964             | 9,028            | 254,693             | 82,143            | 37,242            | 307,425             | 1,058,495                          | 83,691                      | (1,142,186)         | -                   |
| <b>GRAND TOTAL</b>                      | <b>\$ 2,465,793</b> | <b>\$ 55,993</b> | <b>\$ 1,695,677</b> | <b>\$ 535,438</b> | <b>\$ 249,718</b> | <b>\$ 2,061,374</b> | <b>\$ 7,063,993</b>                | <b>\$ 561,171</b>           | <b>\$ -</b>         | <b>\$ 7,625,164</b> |

See Report of Independent Certified Public Accountants  
on Supplemental Information.

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

**SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS**

**Year Ended June 30, 2011**

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

See Report of Independent Certified Public Accountants  
on Supplemental Information.



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

**SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS**

**Year Ended June 30, 2011**

|   | Related Party                | Allocation of Related Party Transactions Adjustment |                    |                       |           |                 |           |                     |                     |                     |                |                   |
|---|------------------------------|---|--------------------|-----------------------|-----------|-----------------|-----------|---------------------|---------------------|---------------------|----------------|-------------------|
|   |                              | State-Designated Cost Centers                       |                    |                       |           |                 |           |                     |                     |                     |                |                   |
|   |                              | Outpatient  | Medical Outpatient | Supportive Employment | Day Night | Case Management | CCST      | Residential Level 2 | Residential Level 3 | Residential Level 4 | Crisis Support | Total             |
| Revenues From Grantee                         |                              |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |
| Rent  |                              |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |
| Services                                      |                              |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |
| Interest                                      |                              |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |
| Other   |                              |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |
| Total Revenue From Grantee                    |                              |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |
| Expenses Associated with Grantee Transactions |                              |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |
| Personnel Services                            |                              |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |
| Depreciation                                  |                              |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |
| Interest                                      |                              |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |
| Other - Indirect Administrative Costs         | Miami Jewish Home & Hospital |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |
| Total Associated Expenses                     |                              | \$ -  | \$ 72,104          | \$ -                  | \$ -      | \$ -            | \$ 64,815 | \$ -                | \$ 40,839           | \$ 16,753           | \$ 7,699       | <u>\$ 202,210</u> |
| Related Party Transaction Adjustment          |                              |   |                    |                       |           |                 |           |                     |                     |                     |                |                   |

See Report of Independent Certified Public Accountants  
on Supplemental Information.

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

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

**Year Ended June 30, 2011**

| Federal/State Agency<br>Pass-Through Grantor<br>Program Title                                | CFDA/CSFA<br>Number | Contract<br>Pass-Through<br>Award Number | Expenditures<br>Recognized |
|--|---------------------|--|----------------------------|
| U.S. Department of Housing and Urban Development:  |                     |  |                            |
| Pass-through Miami Dade County Homeless Trust -  |                     |  |                            |
| Successful Investments   | 14.235              | FL0235B4D00080                           | \$ 149,704                 |
| Shelter Plus Care - Scattered Site   | 14.238              | FL0183B4D00080                           | 38,927                     |
| Pass-through Miami Dade Housing Authority -  |                     |  |                            |
| Shelter Plus Care HUD Subcontract  | 14.238              | FL0209C4D00100                           | 139,352                    |
| Department of Health and Human Services:   |                     |  |                            |
| Pass-through State of Florida Department of Children &<br>Families ADAMH Block Grant Funds - |                     |  |                            |
| Adult Mental Health  | 93.958              | KH-200                                   | 466,092                    |
| U. S. Department of Transportation:  |                     |  |                            |
| Pass-through Florida Department of Transportation  |                     |  |                            |
| Elderly and Persons with Disabilities  | 20.513              | FL-16-0034                               | <u>16,200</u>              |
| TOTAL EXPENDITURES OF FEDERAL AWARDS   |                     |  | <u><u>\$ 810,275</u></u>   |
| State of Florida Department of Children and Families   |                     |  |                            |
| Mental Health Alcohol & Substance Abuse  |                     |  |                            |
| Indigent Psychiatric Outpatient Services   | 60.039              | KH-200                                   | \$ 13,293                  |
| Adult Community Mental Health Support Services   | 60.053              | KH-200                                   | 2,135,949                  |
| Adult Community Mental Health Emergency Stabilization  | 60.054              | KH-200                                   | 200,000                    |
| Community Forensic Beds  | 60.114              | KH-200                                   | 20,000                     |
| Adult Mental Health Special Projects Community<br>Support Services                           | 60.063              | KH-200                                   | 315,000                    |
| State of Florida Department of Elder Affairs   |                     |  |                            |
| Aging and Alzheimer Disease Initiative funds:  |                     |  |                            |
| In Home Respite  | 65.004              | KZ-1095                                  | <u>185,158</u>             |
| TOTAL EXPENDITURES OF STATE<br>FINANCIAL ASSISTANCE  |                     |  | <u><u>\$ 2,869,400</u></u> |

See Report of Certified Public Accountants  
on Supplemental Information.

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

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

**Year Ended June 30, 2011**

**(1) General**

The schedule of expenditures of federal awards and state financial assistance (the "Schedule") presents the activity of all federal programs and state projects of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. (the "Center") for the year ended June 30, 2011. All federal and state financial assistance expended from federal and state agencies are included in the Schedule.

**(2) Basis of Accounting**

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



MOORE STEPHENS  
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. as of and for the year ended June 30, 2011, and have issue our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control over financial reporting.

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

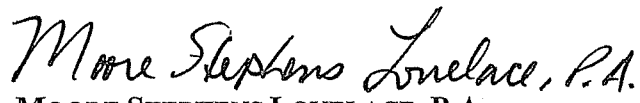
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. in a separate letter dated October 31, 2011.

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

  
MOORE STEPHENS LOVELACE, P.A.  
Certified Public Accountants

Miami Lakes, Florida  
October 31, 2011



MOORE STEPHENS  
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Compliance

We have audited the compliance of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major federal programs and state projects for the year ended June 30, 2011. Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s management. Our responsibility is to express an opinion on Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133 and rules require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s compliance with those requirements.

In our opinion, Douglas Gardens Community Mental Health Center of Miami Beach, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended June 30, 2011.

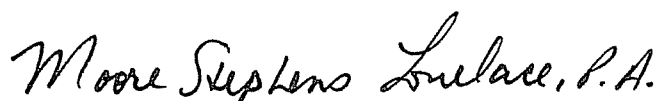
#### Internal Control Over Compliance

Management of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal programs or state projects in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control over compliance.

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

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

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



MOORE STEPHENS LOVELACE, P.A.  
Certified Public Accountants

Miami Lakes, Florida  
October 31, 2011

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

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

**Year Ended June 30, 2011**

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

*Financial Statements*

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

*Federal Awards & State Financial Assistance*

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

Identification of major federal programs  
and state projects:

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

See Report of Certified Public Accountants  
on Supplemental Information



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

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

**Year Ended June 30, 2011**

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

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings were reported.

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

No findings were reported.

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

No findings were reported.

**SECTION V - MANAGEMENT LETTER**

No management letter.

See Report of Certified Public Accountants  
on Supplemental Information