

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

**COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

June 30, 2011

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
June 30, 2011

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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, 2011, 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 2010 combined financial statements and, in our report dated December 21, 2010, 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, 2011, 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 19, 2011, on our consideration of South County Mental Health Center, Inc.'s internal control over financial reporting and 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 by Section 215.97, Florida Statutes and Chapter 10.650, Rules of the Auditor General, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

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

Fort Lauderdale, Florida
December 19, 2011

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2011
(with comparative totals as of June 30, 2010)

A S S E T S

	The Center	The Foundation	2011	2010
ASSETS:				
Cash and cash equivalents (includes \$ 83,945 of Center's client funds)	\$ 382,754	\$ 629,382	\$ 1,012,136	\$ 796,495
Due from contracting agencies	1,072,160	-	1,072,160	1,069,859
Accounts receivable:				
Consumers (net of allowance for uncollectible accounts and charitable adjustments of \$ 3,651,125 for the Center)	-	-	-	-
Third parties (net of allowance for uncollectible accounts and contractual adjustments of \$ 819,150 for the Center)	650,367	-	650,367	678,061
Inventories	1,656,326	-	1,656,326	1,788,870
Prepaid expenses	293,430	-	293,430	416,859
Property and equipment, less accumulated depreciation of \$ 1,652,972 for the Center and \$ 2,407,051 for the Foundation	713,921	3,553,869	4,267,790	4,651,774
Deposits and other assets	3,400	64,017	67,417	25,804
Total assets	\$ 4,772,358	\$ 4,247,268	\$ 9,019,626	\$ 9,427,722

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2011
(with comparative totals as of June 30, 2010)

LIABILITIES AND NET ASSETS

	<u>The Center</u>	<u>The Foundation</u>	<u>2011</u>	<u>2010</u>
LIABILITIES:				
Accounts payable	\$ 400,111	\$ -	\$ 400,111	\$ 424,137
Accrued expenses	434,096	3,205	437,301	525,691
Accrued employee benefits	486,402	-	486,402	425,755
Debt	171,569	1,878,792	2,050,361	2,422,447
Intercompany loan balances	<u>2,260,586</u>	<u>(2,260,586)</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,752,764</u>	<u>(378,589)</u>	<u>3,374,175</u>	<u>3,798,030</u>
 COMMITMENTS AND CONTINGENCIES (Notes 3, 6, 10 and 11)				
	-	-	-	-
 NET ASSETS:				
Unrestricted - designated	-	4,625,857	4,625,857	4,587,931
Unrestricted - undesignated	<u>1,019,594</u>	<u>-</u>	<u>1,019,594</u>	<u>1,041,761</u>
Total net assets	<u>1,019,594</u>	<u>4,625,857</u>	<u>5,645,451</u>	<u>5,629,692</u>
Total liabilities and net assets	<u>\$ 4,772,358</u>	<u>\$ 4,247,268</u>	<u>\$ 9,019,626</u>	<u>\$ 9,427,722</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, 2011
(with comparative totals for the year ended June 30, 2010)

	<u>The Center</u>	<u>The Foundation</u>	<u>2011</u>	<u>2010</u>
CHANGE IN UNRESTRICTED NET ASSETS:				
Operating revenues:				
Grants and contracts for				
Center operations	\$ 7,221,175	\$ -	\$ 7,221,175	\$ 7,295,614
Net consumer service revenue	5,885,931	-	5,885,931	5,549,199
Contributions of donated goods and services	2,325,560	-	2,325,560	1,922,383
Contributions, public support	-	47,221	47,221	90,738
Other operating revenues	100,245	-	100,245	96,358
	<u>15,532,911</u>	<u>47,221</u>	<u>15,580,132</u>	<u>14,954,292</u>
Total operating revenues				
Operating expenses:				
Operating expenses	14,791,671	14,998	14,806,669	14,266,019
Provision for depreciation	255,186	149,805	404,991	441,350
Interest expense	9,801	110,938	120,739	141,885
Donated services	212,464	-	212,464	146,151
Provision for amortization	-	22,028	22,028	14,512
	<u>15,269,122</u>	<u>297,769</u>	<u>15,566,891</u>	<u>15,009,917</u>
Total operating expenses				
Excess (deficiency) of operating revenues over operating expenses	<u>263,789</u>	<u>(250,548)</u>	<u>13,241</u>	<u>(55,625)</u>
Nonoperating revenues (expenses):				
Interest income	826	1,692	2,518	3,214
Intercompany rental income (expense)	<u>(286,782)</u>	<u>286,782</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(285,956)</u>	<u>288,474</u>	<u>2,518</u>	<u>3,214</u>
Change in net assets	(22,167)	37,926	15,759	(52,411)
NET ASSETS, July 1	<u>1,041,761</u>	<u>4,587,931</u>	<u>5,629,692</u>	<u>5,682,103</u>
NET ASSETS, June 30	\$ <u><u>1,019,594</u></u>	\$ <u><u>4,625,857</u></u>	\$ <u><u>5,645,451</u></u>	\$ <u><u>5,629,692</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, 2011
(with comparative totals for the year ended June 30, 2010)

	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	\$ 4,841,213	\$ 26,570	\$ 406,886	\$ 5,274,669	\$ 170,438	\$ 838,195	\$ 765,723	\$ 1,774,356
Fringe benefits	858,948	5,680	68,333	932,961	21,942	187,880	160,106	369,928
Total personnel expenses	<u>5,700,161</u>	<u>32,250</u>	<u>475,219</u>	<u>6,207,630</u>	<u>192,380</u>	<u>1,026,075</u>	<u>925,829</u>	<u>2,144,284</u>
OTHER EXPENSES:								
Medical and pharmacy	1,279,424	-	4,315	1,283,739	3,096,242	-	-	3,096,242
Insurance	367,636	2,136	28,242	398,014	34,174	98,207	47,543	179,924
Professional services	216,466	30	13,148	229,644	23,039	9,934	151,790	184,763
Other, including provisions for depreciation and amortization	200,706	686	6,856	208,248	2,952	22,036	276,768	301,756
Building occupancy costs	427,078	1,256	15,117	443,451	6,121	76,398	99,623	182,142
Operating supplies and expenses	210,048	296	7,599	217,943	4,066	65,868	49,290	119,224
Food costs and allocation of food services	440,988	-	5,267	446,255	-	(232,552)	454	(232,098)
Interest expense	-	-	-	-	-	-	9,801	9,801
Equipment costs	42,918	242	999	44,159	337	23,359	14,960	38,656
Travel	41,100	264	7,174	48,538	-	1,582	2,007	3,589
Total other expenses	<u>3,226,364</u>	<u>4,910</u>	<u>88,717</u>	<u>3,319,991</u>	<u>3,166,931</u>	<u>64,832</u>	<u>652,236</u>	<u>3,883,999</u>
Total operating expenses before adjustments for intercompany transactions	<u>\$ 8,926,525</u>	<u>\$ 37,160</u>	<u>\$ 563,936</u>	<u>\$ 9,527,621</u>	<u>\$ 3,359,311</u>	<u>\$ 1,090,907</u>	<u>\$ 1,578,065</u>	<u>\$ 6,028,283</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, 2011
(with comparative totals for the year ended June 30, 2010)

	<u>The Center</u>	<u>The Foundation</u>	<u>Total 2011</u>	<u>Total 2010</u>
PERSONNEL EXPENSES:				
Salaries	\$ 7,049,025	\$ -	\$ 7,049,025	\$ 7,046,404
Fringe benefits	<u>1,302,889</u>	<u>-</u>	<u>1,302,889</u>	<u>1,384,991</u>
Total personnel expenses	<u>8,351,914</u>	<u>-</u>	<u>8,351,914</u>	<u>8,431,395</u>
OTHER EXPENSES:				
Medical and pharmacy	4,379,981	-	4,379,981	3,764,376
Insurance	<u>577,938</u>	<u>-</u>	<u>577,938</u>	<u>549,884</u>
Professional services	414,407	-	414,407	463,180
Other, including provisions for depreciation and amortization	510,004	186,831	696,835	769,463
Building occupancy costs	625,593	-	625,593	513,217
Operating supplies and expenses	<u>337,167</u>	<u>-</u>	<u>337,167</u>	<u>318,115</u>
Food costs and allocation of food services	214,157	-	214,157	198,207
Interest expense	9,801	110,938	120,739	141,885
Equipment costs	82,815	-	82,815	75,918
Travel	<u>52,127</u>	<u>-</u>	<u>52,127</u>	<u>52,455</u>
Total other expenses	<u>7,203,990</u>	<u>297,769</u>	<u>7,501,759</u>	<u>6,846,700</u>
Total operating expenses before adjustments for intercompany transactions	<u>\$ 15,555,904</u>	<u>\$ 297,769</u>	<u>15,853,673</u>	<u>15,278,095</u>
Less: Adjustment for intercompany rental income (expense)			<u>(286,782)</u>	<u>(268,178)</u>
Total expenses	<u>\$ 15,566,891</u>	<u>\$ -</u>	<u>\$ 15,566,891</u>	<u>\$ 15,009,917</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, 2011
(with comparative totals for the year ended June 30, 2010)

	<u>The Center</u>	<u>The Foundation</u>	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING AND NONOPERATING ACTIVITIES:				
Change in net assets	\$ (22,167)	\$ 37,926	\$ 15,759	\$ (52,411)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating and nonoperating activities:				
Provision for depreciation	255,186	149,805	404,991	441,350
Provision for amortization	-	22,028	22,028	14,512
Changes in assets and liabilities:				
(Increase) decrease in due from contracting agencies	(2,301)	-	(2,301)	(633,268)
(Increase) decrease in accounts receivable	27,694	-	27,694	(98,332)
(Increase) decrease in inventories	132,544	-	132,544	40,783
(Increase) decrease in prepaid expenses	112,029	11,400	123,429	(54,005)
(Increase) decrease in deposits and other assets	-	-	-	3,560
Increase (decrease) in accounts payable	(24,026)	-	(24,026)	128,449
Increase (decrease) in accrued expenses	(87,861)	(529)	(88,390)	172,703
Increase (decrease) in accrued employee benefits	60,647	-	60,647	(191,087)
	<u>451,745</u>	<u>220,630</u>	<u>672,375</u>	<u>(227,746)</u>
Net cash provided by (used in) operating and nonoperating activities				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Payments for purchases of property and equipment	<u>(21,007)</u>	<u>-</u>	<u>(21,007)</u>	<u>(46,044)</u>
Net cash used in investing activities	<u>(21,007)</u>	<u>-</u>	<u>(21,007)</u>	<u>(46,044)</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, 2011

(with comparative totals for the year ended June 30, 2010)

	<u>The Center</u>	<u>The Foundation</u>	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM				
FINANCING ACTIVITIES:				
Proceeds from borrowing	235,853	2,580,000	2,815,853	1,368,768
Advances (to) from related party	(91,746)	91,746	-	-
Payments for closing costs	-	(63,641)	(63,641)	-
Principal payments on debt	<u>(357,731)</u>	<u>(2,830,208)</u>	<u>(3,187,939)</u>	<u>(1,326,433)</u>
 Net cash provided by (used in) financing activities	 <u>(213,624)</u>	 <u>(222,103)</u>	 <u>(435,727)</u>	 <u>42,335</u>
 Net increase (decrease) in cash and cash equivalents	 217,114	 (1,473)	 215,641	 (231,455)
 CASH AND CASH EQUIVALENTS, July 1	 <u>165,640</u>	 <u>630,855</u>	 <u>796,495</u>	 <u>1,027,950</u>
 CASH AND CASH EQUIVALENTS, June 30	 \$ <u><u>382,754</u></u>	 \$ <u><u>629,382</u></u>	 \$ <u><u>1,012,136</u></u>	 \$ <u><u>796,495</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.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011

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 intercompany 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*. 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, 2011.

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, 2010, 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.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2011.

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, 2011.

During the year ended June 30, 2011, the gross revenue from consumer service at established rates was \$ 18,506,862 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.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2011, 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.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2011, the Center recorded \$ 207,360 in donated services which related to various clinical and other program related costs and \$ 5,104 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, 2011, the Center recorded \$ 2,113,096 in such donations, consisting principally of drugs which are included in inventories or in medical and pharmacy expense in various Center programs.

During the year ended June 30, 2011, the value of contributed services meeting requirements for recognition in the Foundation's financial statements was not material and is not recorded.

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 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.

Date of management review:

Subsequent events are evaluated through December 19, 2011, which is the date the financial statements were available for issuance.

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	2011	IH-584	\$ 1,374,854

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011

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, 2011, 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, 2011 from the following governmental agencies that was not subject to the single audit requirements:

<u>Grantor</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Amount</u>
LOCAL FINANCIAL ASSISTANCE:			
Palm Beach County:			
Financially Assisted Agency Program	R2009-1869	-	\$ 500,656
	R2010-1658	-	<u>999,662</u>
Total expenditures of local financial assistance			\$ <u><u>1,500,318</u></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	\$ 57,415
Department of Agriculture:			
Passed through the State of Florida Department of Elder Affairs			
Child and Adult Care Food Program	Y-0036	10.558	17,257
	Y-1036	10.558	<u>51,228</u>
Total expenditures of Federal awards			\$ <u><u>125,900</u></u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2011:

	<u>The Center</u>	<u>The Foundation</u>	<u>Total</u>
Building and improvements	\$ -	\$ 4,900,494	\$ 4,900,494
Leasehold improvements	1,122,612	-	1,122,612
Furniture and equipment, including a Center's capital lease of \$ 77,181 (Note 7)	579,917	82,796	662,713
Computer equipment and software	402,375	56,953	459,328
Vehicles	<u>261,989</u>	<u>22,580</u>	<u>284,569</u>
	2,366,893	5,062,823	7,429,716
Less accumulated depreciation	<u>1,652,972</u>	<u>2,407,051</u>	<u>4,060,023</u>
	713,921	2,655,772	3,369,693
Land	<u>-</u>	<u>898,097</u>	<u>898,097</u>
	<u>\$ 713,921</u>	<u>\$ 3,553,869</u>	<u>\$ 4,267,790</u>

NOTE 5 - EMPLOYEE BENEFIT PLAN

The Center previously established an employee savings plan 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). 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. The plan provides for discretionary matching contributions to be determined annually by the Center's Board of Directors. During the year ended June 30, 2011, the Center matched 100% of participants' contributions which could not exceed 5% of the participants' compensation for the plan year. The employee savings plan expense for the year ended June 30, 2011 was \$ 119,647.

NOTE 6 - COMMITMENTS

Lease agreements:

The Center leases certain office equipment under an operating agreement which expires in December 2014. The total monthly lease payment is \$ 175. Total rent expense in connection with this agreement, and other expired arrangements, amounted to approximately \$ 4,800, including miscellaneous charges, as of June 30, 2011.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 – COMMITMENTS (continued)

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>
2012	\$ 2,100	\$ -	\$ 2,100
2013	2,100	-	2,100
2014	900	-	900
Thereafter	NONE	NONE	NONE
	<u>\$ 5,100</u>	<u>\$ -</u>	<u>\$ 5,100</u>

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, including depreciation, plus all amounts due under the terms of the outstanding debt of the Foundation (Note 7). During the year, the Center paid the Foundation approximately \$ 286,800. 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, 2011 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 \$ 10,886 including interest at a fixed rate of 6.06% through July 2025, at which time a balloon principal payment of approximately \$ 984,000 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 revolving line of credit discussed on the next page. In addition, this mortgage note is subject to prepayment penalties during its first five years.</p>	\$ --	\$ 1,654,353	\$ 1,654,353

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 - DEBT (continued)

	The Center	The Foundation	Total
<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, 2011) and is due on demand. 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.</p>	--	224,439	224,439
<p>Installment loan in connection with insurance premiums, payable in monthly installments of \$ 24,147 including interest at a fixed rate of 5.25% through February 2012. This obligation is collateralized by unexpired insurance premiums.</p>	166,853	--	166,853
<p>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 \$ 3,900 (Note 4).</p>	4,716	--	4,716
	\$ 171,569	\$ 1,878,792	\$ 2,050,361

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

Year ending June 30,	The Center	The Foundation	Total
2012	\$ 171,600	\$ 255,700	\$ 427,300
2013	-	33,300	33,300
2014	-	35,400	35,400
2015	-	37,600	37,600
2016	-	39,900	39,900
Thereafter	NONE	1,476,900	1,476,900
	\$ 171,600	\$ 1,878,800	\$ 2,050,400

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 - DEBT (continued)

The loan agreements relating to the financial arrangements discussed on the previous pages (Foundation) require certain restrictive covenants, 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 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, 2011, both the Center (as guarantor) and the Foundation were in compliance with these requirements.

NOTE 8 - UNRESTRICTED NET ASSETS

The unrestricted net assets of the Foundation, totaling \$ 4,625,857, 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.

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, 2011, there were outstanding claims, of which additional expenses may be incurred by the Center. Management has estimated and accrued approximately \$ 93,800 for open outstanding claims as of June 30, 2011.

NOTE 11 - CONCENTRATION IN OPERATIONS

Approximately 40% of the Center's total operating revenues are derived from grants and 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.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011

NOTE 12 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Other Cash Flow Information:

	<u>The Center</u>		<u>The Foundation</u>		<u>Total</u>
Cash received during the year for -					
Interest income	\$ 826	\$	1,692	\$	\$ 2,518
Cash paid during the year for -					
Interest expense	\$ 9,801	\$	111,467	\$	\$ 121,268

SUPPLEMENTAL INFORMATION

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2011

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	**	IH-584	\$ 1,940,232	-
	60.006			
	60.053	IH-584	1,879,169	-
	60.054	IH-584	1,070,064	-
	60.001	IH-584	425,134	-
	60.055	IH-584	77,674	
	60.033	IH-584	45,000	-
	60.039	IH-584	27,080	-
	60.114	IH-584	21,810	-
Total State Agency			5,486,163	-
Total Expenditures of State Financial Assistance			\$ 5,486,163	\$ -

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
June 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the grant activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2 – CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Center. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal and state laws and regulations.

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
For the Year Ended June 30, 2011

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)	\$ 352,000	\$ 337,500	\$ 116,304	\$ 300,212	\$ 331,829	\$ 700,637	\$ 2,367,009	\$ 550,387	\$ 38,976	\$ 5,094,854		
Total State SAMH funding	352,000	337,500	116,304	300,212	331,829	700,637	2,367,009	550,387	38,976	5,094,854		
OTHER GOVERNMENT FUNDING:												
Medicaid	217,094	129,251	-	-	-	-	933,272	256,895	-	1,536,512		
Local government	-	-	-	-	-	307,448	787,955	414,059	-	1,509,462		
Federal grants and contracts	-	-	-	-	-	-	-	-	-	-		
Total other government funding	217,094	129,251	-	-	-	307,448	1,721,227	670,954	-	3,045,974		
ALL OTHER REVENUES:												
Contributions and donations	-	-	-	-	-	-	-	-	-	-		
Third party payments (except Medicare)	-	-	-	-	-	-	218,825	6,519	-	225,344		
Medicare	-	-	-	-	-	-	-	75,619	-	75,619		
First and second party payments	23,465	175	-	86,920	124,571	-	3,862	93,997	-	332,990		
Other	-	-	-	-	-	-	-	94,001	-	94,001		
Total all other revenue	23,465	175	-	86,920	124,571	-	222,687	270,136	-	727,954		
Total funding	\$ 592,559	\$ 466,926	\$ 116,304	\$ 387,132	\$ 456,400	\$ 1,008,085	\$ 4,310,923	\$ 1,491,477	\$ 38,976	\$ 8,868,782		

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)

For the Year Ended June 30, 2011

Funding Sources and Revenues	Adult Substance Abuse		Total for Adult Substance Abuse	Children's Mental Health					Total for Children's Mental Health
	Case Management	Outreach		Crisis Support / Emergency	Assessment	Case Management	Medical Services	Incidental Expense	
STATE SAMH FUNDING:									
From the District funding these contracts (District 9)	\$ 22,500	\$ 22,500	\$ 45,000	\$ 425,224	\$ 9,901	\$ 34,208	\$ 27,716	\$ 3,659	\$ 500,708
Total State SAMH funding	22,500	22,500	45,000	425,224	9,901	34,208	27,716	3,659	500,708
OTHER GOVERNMENT FUNDING:									
Medicaid	-	-	-	-	-	86,121	28,766	-	114,887
Local government	-	-	-	-	-	-	-	-	-
Federal grants and contracts	-	-	-	-	-	-	-	-	-
Total other government funding	-	-	-	-	-	86,121	28,766	-	114,887
ALL OTHER REVENUES:									
Contributions and donations	-	-	-	-	-	-	-	-	-
Third party payments (except Medicare)	-	-	-	-	-	-	730	-	730
Medicare	-	-	-	-	-	-	-	-	-
First and second party payments	-	-	-	-	-	-	10,525	-	10,525
Other	-	-	-	-	-	-	-	-	-
Total all other revenue	-	-	-	-	-	-	11,255	-	11,255
Total funding	\$ 22,500	\$ 22,500	\$ 45,000	\$ 425,224	\$ 9,901	\$ 120,329	\$ 67,737	\$ 3,659	\$ 626,850

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)

For the Year Ended June 30, 2011

Funding Sources and Revenues	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)	Total Funding
STATE SAMH FUNDING:					
From the District funding these contracts (District 9)	\$ 5,640,562	-	\$ 5,640,562	-	\$ 5,640,562
Total State SAMH funding	<u>5,640,562</u>	<u>-</u>	<u>5,640,562</u>	<u>-</u>	<u>5,640,562</u>
OTHER GOVERNMENT FUNDING:					
Medicaid	1,651,399	885,336	2,536,735	759,735	3,296,470
Local government	1,509,462	-	1,509,462	21,171	1,530,633
Federal grants and contracts	-	128,601	128,601	-	128,601
Total other government funding	<u>3,160,861</u>	<u>1,013,937</u>	<u>4,174,798</u>	<u>780,906</u>	<u>4,955,704</u>
ALL OTHER REVENUES:					
Contributions and donations	-	212,464	212,464	2,113,096	2,325,560
Third party payments (except Medicare)	226,074	5,317	231,391	222,220	453,611
Medicare	75,619	184,449	260,068	815,694	1,075,762
First and second party payments	343,515	435,300	778,815	202,671	981,486
Other	94,001	7,051	101,052	-	101,052
Total all other revenue	<u>739,209</u>	<u>844,581</u>	<u>1,583,790</u>	<u>3,353,681</u>	<u>4,937,471</u>
Total funding	<u>\$ 9,540,632</u>	<u>\$ 1,858,518</u>	<u>\$ 11,399,150</u>	<u>\$ 4,134,587</u>	<u>\$ 15,533,737</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)
 For the Year Ended June 30, 2011

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	\$ 316,993	\$ 269,546	\$ 90,788	\$ 147,838	\$ 180,923	\$ 620,018	\$ 1,793,040	\$ 806,983	\$ -	\$ -	\$ 4,226,129	
Fringe benefits	68,590	55,603	18,728	35,568	32,767	95,213	319,328	130,332	-	-	756,129	
Total personnel expenses	385,583	325,149	109,516	183,406	213,690	715,231	2,112,368	937,315	-	-	4,982,258	
OTHER EXPENSES:												
Medical and pharmacy	-	-	-	39,440	142,770	-	787,354	101,610	-	-	1,071,174	
Insurance	30,332	23,618	7,834	16,324	23,678	46,482	132,692	43,579	-	-	324,539	
Professional services	422	355	118	15	543	11,413	73,291	104,939	-	-	191,096	
Building occupancy costs	17,846	12,351	4,097	23,467	28,379	14,963	107,862	56,389	-	-	265,354	
Other, including provision for depreciation	9,731	6,897	2,288	10,251	14,160	7,864	55,579	14,749	-	-	121,519	
Operating supplies and expenses	3,669	201	67	7,971	16,502	7,824	63,467	8,809	39,000	-	147,510	
Food costs and allocation of food services	-	-	-	29,663	43,134	12,486	124,224	-	-	-	209,507	
Equipment costs	3,436	791	262	2,666	3,067	1,269	12,746	1,895	-	-	26,132	
Travel	3,737	23,459	7,782	92	416	557	1,169	2,182	-	-	39,394	
Interest expense	-	-	-	-	-	-	-	-	-	-	-	
Total other expenses	69,173	67,672	22,448	129,889	272,649	102,858	1,358,384	334,152	39,000	-	2,396,225	
Total personnel and other expenses	454,756	392,821	131,964	313,295	486,339	818,089	3,470,752	1,271,467	39,000	-	7,378,483	
DISTRIBUTED INDIRECT COSTS:												
Allocation of other support	73,490	44,073	14,619	33,044	46,653	52,147	326,487	123,785	-	-	714,298	
Allocation of administration	71,750	55,557	15,380	42,649	83,564	140,260	515,150	175,788	-	-	1,100,098	
Total distributed indirect costs	145,240	99,630	29,999	75,693	130,217	192,407	841,637	299,573	-	-	1,814,396	
Total actual expenses	599,996	492,451	161,963	388,988	616,556	1,010,496	4,312,389	1,571,040	39,000	-	9,192,879	
UNALLOWABLE COSTS												
Total allowable expenses	599,249	487,759	160,407	388,969	616,473	1,010,385	4,312,155	1,570,604	39,000	\$ -	\$ 9,185,001	
CAPITAL EXPENDITURES												
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)
 For the Year Ended June 30, 2011

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	Incidental Expense	
PERSONNEL EXPENSES:									
Salaries	\$ 13,285	\$ 13,285	\$ 26,570	\$ 261,533	\$ 5,062	\$ 103,679	\$ 36,612	\$ -	\$ 406,886
Fringe benefits	2,840	2,840	5,680	40,162	856	21,402	5,913	-	68,333
Total personnel expenses	16,125	16,125	32,250	301,695	5,918	125,081	42,525	-	475,219
OTHER EXPENSES:									
Medical and pharmacy	-	-	-	-	-	-	4,315	-	4,315
Insurance	1,068	1,068	2,136	19,607	-	6,658	1,977	-	28,242
Professional services	15	15	30	4,814	3,340	233	4,761	-	13,148
Building occupancy costs	628	628	1,256	6,311	-	6,248	2,558	-	15,117
Other, including provision for depreciation	343	343	686	3,317	-	2,870	669	-	6,856
Operating supplies and expenses	148	148	296	3,300	-	240	400	3,659	7,599
Food costs and allocation of food services	-	-	-	5,267	-	-	-	-	5,267
Equipment costs	121	121	242	535	-	378	86	-	999
Travel	132	132	264	235	-	6,840	99	-	7,174
Interest expense	-	-	-	-	-	-	-	-	-
Total other expenses	2,455	2,455	4,910	43,386	3,340	23,467	14,865	3,659	88,717
Total personnel and other expenses	18,580	18,580	37,160	345,081	9,258	148,548	57,390	3,659	563,936
DISTRIBUTED INDIRECT COSTS:									
Allocation of other support	2,587	2,587	5,174	21,996	-	25,451	5,616	-	53,063
Allocation of administration	2,433	2,433	4,866	59,050	926	23,447	7,068	-	90,491
Total distributed indirect costs	5,020	5,020	10,040	81,046	926	48,898	12,684	-	143,554
Total actual expenses	23,600	23,600	47,200	426,127	10,184	197,446	70,074	3,659	707,490
UNALLOWABLE COSTS									
Total allowed expenses	26	26	52	47	-	1,368	20	-	1,435
Total allowed expenses	\$ 23,574	\$ 23,574	\$ 47,148	\$ 426,080	\$ 10,184	\$ 196,078	\$ 70,054	\$ 3,659	\$ 706,055
CAPITAL EXPENDITURES									
Total capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)

For the Year Ended June 30, 2011

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	\$ 4,659,585	\$ 615,084	\$ 5,274,669	\$ 170,438	\$ 838,195	\$ 765,723	\$ 7,049,025
Fringe benefits	830,142	102,819	932,961	21,942	187,880	160,106	1,302,889
Total personnel expenses	<u>5,489,727</u>	<u>717,903</u>	<u>6,207,630</u>	<u>192,380</u>	<u>1,026,075</u>	<u>925,829</u>	<u>8,351,914</u>
OTHER EXPENSES:							
Medical and pharmacy	1,075,489	208,250	1,283,739	3,096,242	-	-	4,379,981
Insurance	354,917	43,097	398,014	34,174	98,207	47,543	577,938
Professional services	204,274	25,370	229,644	23,039	9,934	151,790	414,407
Building occupancy costs	281,727	161,724	443,451	6,121	76,398	99,623	625,593
Other, including provision for depreciation	129,061	79,187	208,248	2,952	22,036	276,768	510,004
Operating supplies and expenses	155,405	62,538	217,943	4,066	65,868	49,290	337,167
Food costs and allocation of food services	214,774	231,481	446,255	-	(232,552)	454	214,157
Equipment costs	27,373	16,786	44,159	337	23,359	14,960	82,815
Travel	46,832	1,706	48,538	-	1,582	2,007	52,127
Interest expense	-	-	-	-	-	9,801	9,801
Total other expenses	<u>2,489,852</u>	<u>830,139</u>	<u>3,319,991</u>	<u>3,166,931</u>	<u>64,832</u>	<u>652,236</u>	<u>7,203,990</u>
Total personnel and other expenses	<u>7,979,579</u>	<u>1,548,042</u>	<u>9,527,621</u>	<u>3,359,311</u>	<u>1,090,907</u>	<u>1,578,065</u>	<u>15,555,904</u>
DISTRIBUTED INDIRECT COSTS:							
Allocation of other support	772,535	302,415	1,074,950	15,957	(1,090,907)	-	-
Allocation of administration	1,195,455	209,251	1,404,706	173,359	-	(1,578,065)	-
Total distributed indirect costs	<u>1,967,990</u>	<u>511,666</u>	<u>2,479,656</u>	<u>189,316</u>	<u>(1,090,907)</u>	<u>(1,578,065)</u>	<u>-</u>
Total actual expenses	<u>9,947,569</u>	<u>2,059,708</u>	<u>12,007,277</u>	<u>3,548,627</u>	<u>-</u>	<u>-</u>	<u>15,555,904</u>
UNALLOWABLE COSTS	<u>9,365</u>	<u>343</u>	<u>9,708</u>	<u>4,454</u>	<u>-</u>	<u>-</u>	<u>14,162</u>
Total allowed expenses	<u>\$ 9,938,204</u>	<u>\$ 2,059,365</u>	<u>\$ 11,997,569</u>	<u>\$ 3,544,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,541,742</u>
CAPITAL EXPENDITURES	<u>\$ -</u>	<u>\$ 21,007</u>	<u>\$ 21,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,007</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF STATE EARNINGS
 For the Year Ended June 30, 2011

TOTAL EXPENDITURES	\$	15,555,904
Less other state and Federal funds		(3,364,955)
Less nonmatch SAMH funds		(1,557,036)
Less unallowable costs per 65E-14, F.A.C.		<u>(14,162)</u>
 TOTAL ALLOWABLE EXPENDITURES	 \$	 <u><u>10,619,751</u></u>
 MAXIMUM AVAILABLE EARNINGS	 \$	 <u><u>7,964,813</u></u>
 AMOUNT OF STATE FUNDS REQUIRING MATCH	 \$	 <u><u>4,083,525</u></u>
 AMOUNT DUE TO DEPARTMENT *	 \$	 <u><u>3,881,288</u></u>

* If this amount is negative, the amount is due to the department up to the amount on line listed as "amount of state funds requiring match."

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
 For the Year Ended June 30, 2011

Program	Cost Center	State Contracted Rate	Total Units of Services Provided	Total Units of Services Paid by Third Party Contracts, Local Government or Other State Agencies	Maximum Number of Units Eligible For Payment by Department	Amount Paid For Services by the Department	Maximum Dollar Value of Units Eligible for Payment by the Department	Amount Owed to Department
Adult Mental Health	Crisis Stabilization	\$ 291.24	12,775	3,921	8,854	\$ 2,367,009	\$ 2,578,639	\$ NONE

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, 2011, and have issued our report thereon dated December 19, 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 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.

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*.

South County Mental Health Center, Inc.

This report is intended solely for the information and use of the Board of Directors, Finance Committee, management, others within the Center, Auditor General of the State of Florida and Federal 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 19, 2011



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) (the "Center") compliance with the types of compliance requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Center's major state projects for the year ended June 30, 2011. The Center'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 the Center's management. Our responsibility is to express an opinion on the Center'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 the Center'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 the Center's compliance with those requirements.

In our opinion, the Center 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, 2011.

Internal Control over Compliance

The management of the Center 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 the Center'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 the Center's internal control over compliance.

South County Mental Health Center, Inc.

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, others within the Center, Auditor General of the State of Florida and Federal 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 19, 2011

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE PROJECTS
For the Year Ended June 30, 2011

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, Adult Community Mental Health – Emergency Stabilization	60.054
State of Florida Department of Children and Families, Baker Act	60.006
State of Florida Department of Children and Families, Children's Baker Act Services	60.001

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, 2011

D. OTHER ISSUES

1. No management letter is required because there were no findings required to be reported in a separate 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.