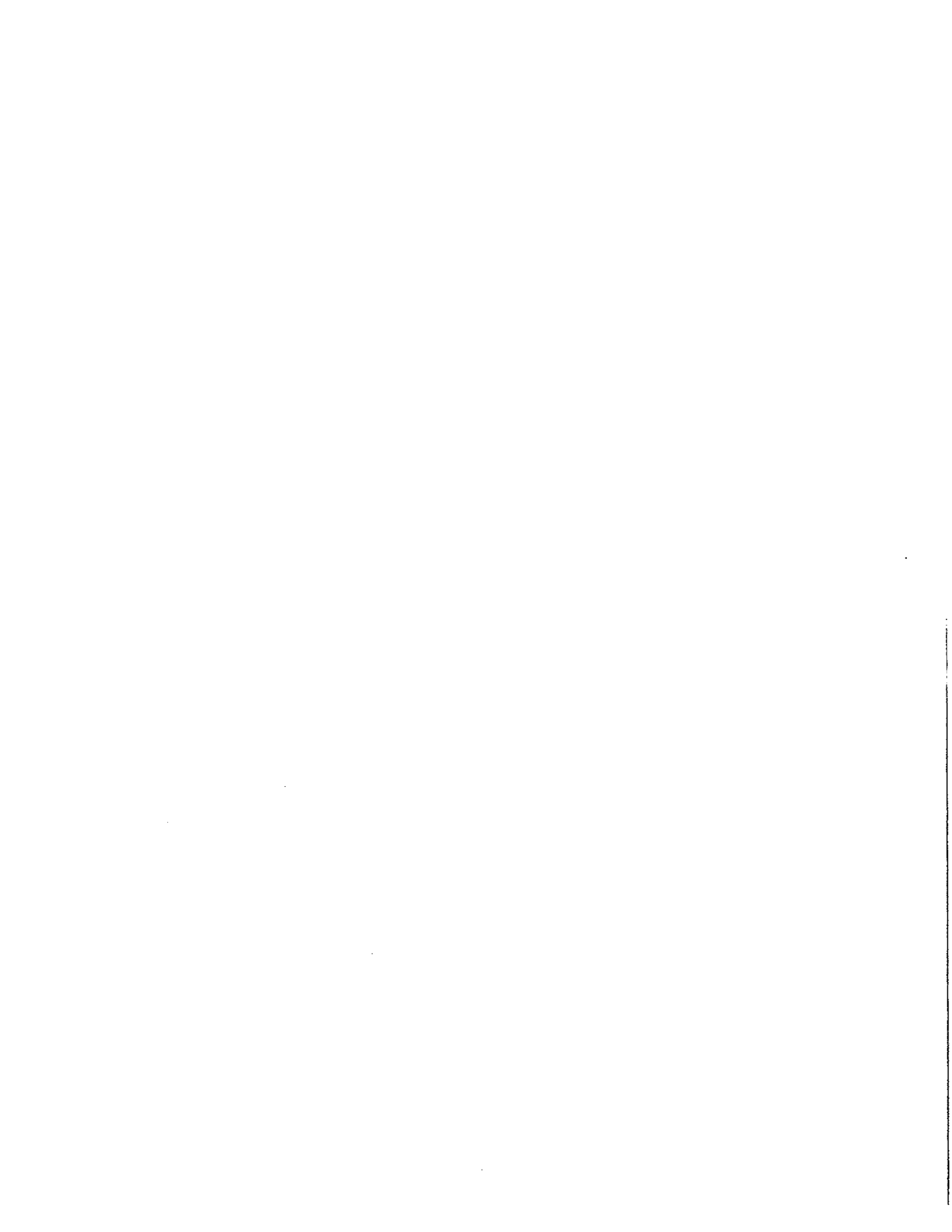


**CHAUTAUQUA OFFICES OF
PSYCHOTHERAPY AND EVALUATION, INC.**

**Financial Statements and
Supplemental Information**

Year Ended June 30, 2012

DEC 14 2012



**CHAUTAUQUA OFFICES OF
PSYCHOTHERAPY AND EVALUATION, INC.**

**Financial Statements and
Supplemental Information**

Year Ended June 30, 2012

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WARREN AVERETT

O'SULLIVAN CREEL

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Board of Directors
Chautauqua Offices of Psychotherapy
and Evaluation, Inc.
Defuniak Springs, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Chautauqua Offices of Psychotherapy and Evaluation, Inc. (COPE) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of COPE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chautauqua Offices of Psychotherapy and Evaluation, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Chautauqua Offices of Psychotherapy
and Evaluation, Inc.
Defuniak Springs, Florida
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2012, on our consideration of COPE'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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance on page 14 is 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* and Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits - Nonprofit and For-profit Organizations* and is not a required part of the 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 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 accounting 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.

Warren Averett, LLC

November 8, 2012

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2012
(With Summarized Financial Information for June 30, 2011)

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash	\$ 659,903	\$ 1,453,675
Investments	103,865	102,701
Accounts receivable, net	467,920	661,886
Grants receivable	258,299	353,234
Prepaid expense	6,335	6,074
Total current assets	1,496,322	2,577,570
NON-CURRENT ASSETS		
Restricted cash	138,584	113,528
Debt issuance costs, net of amortization	56,449	59,259
Property and equipment, net	3,253,074	3,160,743
Total non-current assets	3,448,107	3,333,530
TOTAL ASSETS	\$ 4,944,429	\$ 5,911,100
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 19,704	\$ 79,306
Due to Medicaid	-	146,500
Accrued expenses payable		
Salaries and other related liabilities	123,300	460,584
Annual leave	94,803	92,754
Medicaid carveout reserve	11,200	41,199
Client trust funds	17,779	29,969
Deferred revenue	-	75,000
Current portion of long term debt	110,438	88,765
Current portion of capital lease obligations	50,978	47,321
Total current liabilities	428,202	1,061,398
NON-CURRENT LIABILITIES		
Long-term debt, less current portion	1,528,102	1,898,711
Capital lease obligations, less current portion	38,003	88,982
Total non-current liabilities	1,566,105	1,987,693
Total liabilities	1,994,307	3,049,091
NET ASSETS	2,950,122	2,862,009
TOTAL LIABILITIES AND NET ASSETS	\$ 4,944,429	\$ 5,911,100

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

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012
(With Summarized Financial Information for the Year Ended June 30, 2011)

	Unrestricted	Temporarily Restricted	Total	
			2012	2011
PUBLIC SUPPORT AND REVENUE				
<u>Public support</u>				
Federal awards and state financial assistance				
Alcohol, drug abuse and mental health funding	\$ -	\$ 1,793,387	\$ 1,793,387	\$ 2,074,447
Other federal and state funding	-	900,358	900,358	774,180
Other grants and contracts	-	186,562	186,562	133,299
Client service fees, net of discounts				
Client and third party fees	752,917	-	752,917	735,585
Medicaid	3,890,478	-	3,890,478	4,268,821
Contributions and donations	18,653	-	18,653	55,897
Total public support	<u>4,662,048</u>	<u>2,880,307</u>	<u>7,542,355</u>	<u>8,042,229</u>
<u>Other Revenue</u>				
Miscellaneous revenue	158,733	-	158,733	140,838
Net assets released from restriction				
Satisfaction of program restrictions	<u>2,880,307</u>	<u>(2,880,307)</u>	<u>-</u>	<u>-</u>
Total other revenue	<u>3,039,040</u>	<u>(2,880,307)</u>	<u>158,733</u>	<u>140,838</u>
Total public support and other revenue	<u>7,701,088</u>	<u>-</u>	<u>7,701,088</u>	<u>8,183,067</u>
<u>Program expenses</u>				
Alcohol, drug abuse and mental health programs (ADM)				
Adult Mental Health	2,682,451	-	2,682,451	2,461,638
Children's Mental Health	2,217,273	-	2,217,273	2,204,694
Adult Substance Abuse	192,290	-	192,290	164,732
Children's Substance Abuse	242,152	-	242,152	256,431
Total ADM program services	5,334,166	-	5,334,166	5,087,495
Other non-ADM programs	632,747	-	632,747	635,272
Total program expenses	<u>5,966,913</u>	<u>-</u>	<u>5,966,913</u>	<u>5,722,767</u>
<u>Supporting services</u>				
Program support	757,373	-	757,373	771,083
Administrative support	888,689	-	888,689	841,210
Fundraising	-	-	-	23,472
Total supporting services	<u>1,646,062</u>	<u>-</u>	<u>1,646,062</u>	<u>1,635,765</u>
Total expenses	<u>7,612,975</u>	<u>-</u>	<u>7,612,975</u>	<u>7,358,532</u>
Change in net assets	88,113	-	88,113	824,535
NET ASSETS - JULY 1	<u>2,862,009</u>	<u>-</u>	<u>2,862,009</u>	<u>2,037,474</u>
NET ASSETS - JUNE 30	<u>\$ 2,950,122</u>	<u>\$ -</u>	<u>\$ 2,950,122</u>	<u>\$ 2,862,009</u>

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

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

	Program Services				Supporting Services				Total
	Adult Mental Health	Children's Mental Health	Adult Substance Abuse	Children's Substance Abuse	Other Non-ADM Programs	Program Support	Administrative Support	Fundraising	
DIRECT EXPENSES									
Salaries	\$ 1,213,504	\$ 904,930	\$ 131,914	\$ 165,285	\$ 275,853	\$ 609,657	\$ 410,135	\$ -	\$ 3,711,278
Fringe benefits	284,430	203,867	27,228	48,251	86,543	140,411	112,242	-	902,972
Total salaries and related expenses	1,497,934	1,108,797	159,142	213,536	362,396	750,068	522,377	-	4,614,250
Occupancy	181,130	67,370	20,660	3,447	39,884	(107,626)	35,043	-	239,908
Professional services	136,907	807,079	-	-	32,128	13,676	83,982	-	1,073,772
Training and travel	26,152	55,354	1,609	8,795	15,840	10,631	41,785	-	158,166
Equipment	5,429	1,615	-	40	2,729	615	939	-	11,367
Food services	75,749	500	-	-	50,360	-	-	-	126,609
Medical and pharmacy	31,558	-	422	-	5,499	5,508	436	-	43,423
Subcontracted services	785	466	66	23	39	407	213	-	1,999
Insurance	64,180	57,547	4,305	6,936	16,512	22,326	(4,755)	-	167,051
Medicaid administration fee	192,500	-	-	-	-	-	-	-	192,500
Interest	289	499	19	31	16,027	110	86,608	-	103,583
Supplies and other operating expenses	416,422	86,440	3,700	5,532	67,317	38,909	84,380	-	702,700
Depreciation	53,416	53,606	2,367	3,812	24,016	22,749	37,681	-	177,647
Total direct expenses	2,682,451	2,217,273	192,290	242,152	632,747	757,373	888,689	-	7,612,975
DISTRIBUTED COSTS									
Program support	327,795	291,889	29,840	51,198	56,651	(757,373)	-	-	-
Administrative support	382,258	342,360	25,597	39,907	98,566	-	(888,689)	-	-
Total distributed costs	710,053	634,249	55,437	91,105	155,217	(757,373)	(888,689)	-	-
TOTAL EXPENSES	\$ 3,392,504	\$ 2,851,522	\$ 247,727	\$ 333,257	\$ 787,964	\$ -	\$ -	\$ -	\$ 7,612,975
									\$ 7,358,531

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

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012
(With Summarized Financial Information for the Year Ended July 01, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 88,113	\$ 824,536
Adjustments to reconcile change in net assets to cash flows from operating activities		
Depreciation	177,647	139,555
Amortization of debt issuance costs	2,810	2,676
(Increase) decrease in		
Accounts receivable	193,966	(287,098)
Grants receivable	94,935	(175,439)
Prepaid expense	(261)	10,903
Increase (decrease) in		
Accounts payable	(59,595)	17,617
Salaries and other related liabilities	(337,283)	151,727
Annual leave	2,038	(341)
Due to Medicaid	(146,499)	146,499
Medicaid carveout	(29,999)	27,700
Client trust funds	(12,190)	(37,290)
Deferred revenue	(75,000)	75,000
Cash flows from operating activities	<u>(101,318)</u>	<u>896,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(269,979)	(182,995)
Disposition of equipment	-	112,819
Purchases of investments	(103,864)	(102,701)
Redemption of investments	102,701	100,000
Cash flows from investing activities	<u>(271,142)</u>	<u>(72,877)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long term debt	(449,378)	(88,592)
Proceeds from long term debt	100,444	-
Payments on capital lease obligations	(47,322)	(35,940)
Cash flows from financing activities	<u>(396,256)</u>	<u>(124,533)</u>
NET CHANGE IN CASH	(768,716)	698,635
CASH - JULY 1	<u>1,567,203</u>	<u>868,568</u>
CASH - JUNE 30	<u>\$ 798,487</u>	<u>\$ 1,567,203</u>
COMPOSITION OF CASH		
Cash-unrestricted	\$ 659,903	\$ 1,453,675
Cash-restricted	138,584	113,528
NET CHANGE IN CASH	<u>\$ 798,487</u>	<u>\$ 1,567,203</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 103,583</u>	<u>\$ 116,716</u>

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

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

Chautauqua Offices of Psychotherapy and Evaluation, Inc. (hereinafter referred to as COPE) is a tax-exempt 501(c)(3) non-profit organization. COPE was established in 1973 to provide economical behavioral health services to individuals in Walton County, Florida who could not otherwise afford private full-fee treatment.

COPE provides a variety of services to more than 3,500 clients per year. COPE offers a sliding fee scale for services based on total family income and the number of dependents. Services include a wide array of family treatment and evaluation programs including clinical, rehabilitative and residential services.

B. Basis of Accounting

The financial statements for COPE have been prepared using the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal grants are recorded as revenue when performance occurs under the terms of the grant agreement.

C. Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (FASB) Codification Standards for Not-for-Profit Entities. Under the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification (ASC), COPE is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. Board designated or appropriated amounts are reported as part of the unrestricted class since the Board has the authority to change or withdraw such designations or appropriations.
- Temporarily restricted net assets contain donor-imposed restrictions that require COPE to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by the satisfaction of donor-imposed restrictions.
- Permanently restricted net assets contain donor-imposed restrictions requiring the resources be maintained permanently, but generally allowing COPE to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. At the present time COPE does not have any permanently restricted net assets.

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with COPE's financial statements for the year ended July 01, 2011, from which the summarized information was derived (see Note 1-L Reclassifications).

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, COPE considers all unrestricted highly liquid investments with an initial maturity of three months or less, which are not permanently restricted, to be cash equivalents.

E. Investments

Investments held by COPE consist of certificates of deposit. These investments are considered to be held to maturity and are recorded at cost.

F. Restricted and Unrestricted Revenue and Support

COPE receives client fees for services and recognizes these fees and other miscellaneous income when earned as an increase in unrestricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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 statement of net activities as "net assets released from restrictions". Federal and state grant awards are classified as refundable advances until expended for the purposes of grants since they are conditional promises to give.

G. Property and Equipment

Property and equipment is recorded at cost and depreciated on the straight-line basis over the estimated useful lives of assets ranging from 5 to 7 years for equipment and 15 to 40 years for buildings and leasehold improvements.

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property and Equipment (Continued)

COPE capitalizes all expenditures for equipment in excess of \$1,000 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of the donation. Gains or losses from the sale of property and equipment are reported in the Statement of Activities as an increase or decrease in net assets (permanently restricted, temporarily restricted, or unrestricted, as appropriate).

H. Accrued Annual Leave

COPE's policy for paid leave permits all regular full-time employees to earn paid leave based on their number of years of service starting from the date of hire. This time is to be used for any leave of absence such as sickness, personal business and vacation. If terminated, employees are paid for unused annual leave earned up to the date of termination not to exceed 80 hours. In addition, employees earn five days of bereavement leave. Unused bereavement leave is not paid upon termination.

I. Income Taxes

COPE has been granted an exemption from income taxes under Internal Revenue Code, Section 501(c)(3) as a not-for-profit corporation. COPE has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b)(1)(A)(vi). COPE is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles. With few exceptions, COPE is no longer subject to federal, state, or local income tax examinations by tax authorities for years before 2009.

J. Functional Expenses

Salaries and other expenses that are associated with a specific program are charged directly to that program. Salaries and other expenses that benefit more than one program are allocated to the various programs based on each program's volume of activity relative to the specific expense pool.

Building occupancy expense is reflected as an expense of program support, and then is charged based on square footage to the related programs that occupy space, thereby reflecting a credit to program support in the financial statements. Indirect costs are allocated to each program based on the ratio of individual program's direct expense to total direct expense for all programs. This method provides a fair and equitable allocation to all functions and programs.

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on net assets previously reported.

M. Events Occurring After Reporting Date

COPE has evaluated events and transactions that occurred between June 30, 2012 and November 8, 2012, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CONCENTRATIONS

Grants and Contracts

COPE receives a substantial portion of its funding directly or indirectly in the form of pass through funding from the State of Florida Department of Health and Human Services (DHHS). The largest amount is received through alcohol, drug abuse and mental health (ADM) funding. During the year ended June 30, 2012, 23% of total funding was from the DHHS under contracts B-003-100 and C-003-100.

NOTE 3 - RESTRICTED CASH

COPE has three bank accounts with cash restrictions. One account is used for out of area inpatient hospital stays and is managed by Lakeview Center, Inc. COPE has ownership of the account but no signature authority. The other accounts contain residential patient monies which are held by COPE in an agency capacity for the patients. Each account has a corresponding liability presented in the Statement of Financial Position.

NOTE 4 - INVESTMENTS

At June 30, 2012, the investment balance of \$103,865 consisted of one certificate of deposit that matures in January 2013, and bears interest at 1.00%.

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012 consisted of the following:

Private pay	\$ 131,490
Medicaid	355,482
Third party	<u>83,023</u>
	569,995
Less allowance for uncollectible accounts	<u>(102,075)</u>
	<u>\$ 467,920</u>

The allowance for uncollectible accounts is an estimate based on prior collection history. COPE determines a percentage of uncollected accounts for the categories of first party, third party, and Medicaid collections. Management reviews this percentage and updates it as deemed necessary. Allowance for doubtful accounts as of June 30, 2012 was \$102,075.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2012, was as follows:

Land	\$ 1,022,230
Buildings and improvement	2,563,897
Equipment and vehicles	<u>1,160,102</u>
	4,746,229
Less accumulated depreciation	<u>(1,493,155)</u>
	<u>\$ 3,253,074</u>

NOTE 7 - CAPITAL LEASE OBLIGATIONS

In a lease agreement dated July 18, 2008, COPE committed to lease multiple pieces of copier equipment with a capitalized cost of \$123,604. The lease requires monthly payments of \$2,155, including interest at an imputed rate of 7.0%, and is collateralized by the copier equipment with a net book value of \$52,479 at June 30, 2012. Depreciation expense on the copier equipment totaled \$23,313 for the year ended June 30, 2012. The lease expires in June 2013.

In a lease agreement dated November 1, 2010, COPE committed to lease computer equipment with a capitalized cost of \$98,107. The lease requires monthly payments of \$2,395, including interest at an imputed rate of 8.0%, and is collateralized by the computer equipment with a net book value of \$81,756 at June 30, 2012. Depreciation expense on the copier equipment totaled \$16,351 for the year ended June 30, 2012. The lease expires November 2015.

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE 7 - CAPITAL LEASE OBLIGATIONS (CONTINUED)

Future minimum lease payments and present minimum value of lease payments at June 30, 2012, are as follows:

2013	\$ 50,978
2014	33,299
2015	<u>11,975</u>
Total future minimum lease payments	96,252
Less amounts representing interest	<u>(7,271)</u>
Present value of future minimum lease payments	<u>\$ 88,981</u>

NOTE 8 - LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2012:

\$2,000,000 note payable to Bank of America; due in monthly installments of \$12,921, including interest at 5.18%, due December 19, 2025; secured by real estate and assignments of leases and rents.	\$ 1,543,430
\$100,442 note payable to Bank of America; due in monthly installments of \$2,945, including interest at 3.5%, due April 16, 2015; secured by equipment, inventory and receivables.	<u>95,110</u>
Total long-term debt	<u>\$ 1,638,540</u>

Aggregate maturities of long-term debt at June 30, 2012, are as follows:

<u>Fiscal years ending June 30</u>	
2013	\$ 110,438
2014	121,610
2015	126,770
2016	96,557
2017	109,393
Thereafter	<u>1,073,772</u>
Total long term debt	1,638,540
Less current portion	<u>(110,438)</u>
Long term debt, less current portion	<u>\$ 1,528,102</u>

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE 9 - 403(b) MONEY PURCHASE PLAN

The Board of Directors has elected to contribute an amount equal to six percent of full-time employees' compensation to an Internal Revenue Code Section 403(b) Money Purchase Plan (the Plan) administered by the Hartford Group. The Plan is a voluntary defined contribution plan available to all employees of COPE that have completed one year of service and work more than twenty hours a week. Upon hire, employees may, at their option, contribute a specific amount of their compensation to the Plan. Participating employees are fully vested in their contributions at all times. Vesting in COPE's contributions, however, is based on years of continuous service. Participating employees become fully vested after three years of service.

The amount of employer's contribution to the Plan for the year ended June 30, 2012 was \$178,913.

NOTE 10 - SUPPORT REQUIRING MATCH

COPE received a substantial portion of its support from grants that require the local entity to match federal and state expenditures with expenditures funded through local sources.

Those grant and match requirements were as follows:

	<u>Contract #</u>	<u>Funds Requiring Match</u>	<u>Required Match</u>
Lakeview Center, Inc.	B-003-100	\$ 1,191,393	\$ 397,131
Lakeview Center, Inc.	C-003-100	500,000	26,147
Department of Children and Families	ADZ01	<u>137,849</u>	<u>13,027</u>
		<u>\$ 1,829,242</u>	<u>\$ 436,305</u>

The following schedule shows that COPE exceeded the required expenditure match:

**CALCULATION OF EXCESS MATCH EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012**

Total expenses reported in the Statement of Activities	\$ 7,612,975
Less expenses funded by:	
Grant funds not requiring match	(445,623)
Other federal and state grants	(542,097)
Client and third party funds and other contracts and donations	<u>(4,820,781)</u>
Total reimbursable expenses available for matching	1,804,474
Less amount of required match	<u>(436,305)</u>
Excess of expenses over required match	<u>\$ 1,368,169</u>

COMPLIANCE SECTION

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2012

Grantor/Program Title	CFDA/ CSFA Number	Contract Grant Number	Federal Expenditure	State Expenditure
Federal Awards				
<u><i>U. S. Department of Health and Human Services</i></u>				
Passed through Lakeview Center, Inc.				
Promoting Safe and Stable Families	93.556	C-003-100	\$ 82,238	\$ -
Temporary Assistance for Needy Families	93.558	B-003-100	17,279	-
Child Abuse and Neglect State Grants	93.645	C-003-100	10,457	-
Child Abuse and Neglect State Grants	93.669	C-003-100	9,864	-
Block Grants for Community Mental Health Services	93.958	B-003-100	1,156,937	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B-003-100	462,799	-
In-kind Drug Match	93.959	Off contract	18,522	-
Total U. S. Department of Health and Human Services			<u>1,758,096</u>	<u>-</u>
<u><i>Florida Department of Children and Families</i></u>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	ADZ01	137,849	-
State Financial Assistance				
<u><i>Florida Department of Children and Families</i></u>				
Passed through Lakeview Center, Inc.				
Community Based Care (CBC) Supports	60.094	C-003-200	-	67,502
Community Based Care (CBC) Supports	60.094	#53-1 SVC	-	39,387
Community Based Care (CBC) Supports	60.094	C-003-100	-	438,842
<u><i>Florida Department of Health</i></u>				
Passed through Tobacco Prevention Programs				
Tobacco Prevention Community Program	64.093	COTZ9	-	177,250
<u><i>Florida Department of Corrections</i></u>				
Community Corrections, Education, and Programs	70.016	DO1998051	-	<u>11,788</u>
Total expenditures of federal awards and state financial assistance			<u>\$ 1,895,945</u>	<u>\$ 734,769</u>

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2012

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal programs and state financial assistance projects of COPE. All federal awards and state projects received directly from federal or state agencies as well as federal awards passed through other government agencies are included on the schedule. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the accrual basis of accounting, which is described in Note 1 of COPE's basic financial statements.

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Board of Directors
Chautauqua Offices of Psychotherapy
and Evaluation, Inc.
Defuniak Springs, Florida

**INDEPENDENT AUDITOR'S 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***

We have audited the financial statements of Chautauqua Offices of Psychotherapy and Evaluation, Inc. (COPE) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 8, 2012. 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 COPE'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 COPE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of COPE's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined below.

Board of Directors
Chautauqua Offices of Psychotherapy and Evaluation, Inc.
Independent Auditor's 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* (Continued)

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of directors, others within the entity, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Warren Averett, LLC

November 8, 2012

WARREN AVERETT

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Board of Directors
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Defuniak Springs, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

Compliance

We have audited the compliance of Chautauqua Offices of Psychotherapy and Evaluation, Inc. (COPE) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of COPE's major federal programs for the year ended June 30, 2012. COPE's major federal programs 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 COPE's management. Our responsibility is to express an opinion on COPE'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, the OMB Circular A-133, 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 federal program occurred. An audit includes examining, on a test basis, evidence about COPE'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 COPE's compliance with those requirements.

Board of Directors
Chautauqua Offices of Psychotherapy and Evaluation, Inc.
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major
Federal Program and State Project and Internal Control over Compliance in Accordance
with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General
(Continued)

In our opinion, COPE complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2012.

Internal Control Over Compliance

Management of COPE is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered COPE's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project 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, 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 COPE'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 program 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 program 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 would not necessarily 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, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

November 8, 2012

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency (ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to the financial statements noted: _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency (ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 and Chapter 10.650, Rules of the Auditor General? _____ Yes X No

Identification of major programs:

Federal	<u>CPDA #</u>	<u>Name of Federal Program or Cluster</u>
	93.958	Block Grants for Community Mental Health Services
	93.959	Block Grants for Prevention and Treatment of Substance Abuse
State	<u>CSFA #</u>	<u>Name of State Project</u>
	60.094	Community Based Care (CBC) Supports

Dollar threshold used to distinguish between Type A and B programs for federal awards \$ 300,000

Dollar threshold used to distinguish between Type A and B programs for state awards \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Chautauqua Offices of Psychotherapy and Evaluation, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

II. FINANCIAL STATEMENT FINDINGS

- The results of our audit of COPE did not disclose any findings required to be reported in accordance with GAGAS.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

- The results of our audit of COPE did not disclose any findings or questioned costs required to be reported under the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or Chapter 10.650, Rules of the Auditor General, Florida Single Audit Act Audits - Nonprofit and For-profit Organizations.

IV. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

<u>FINDING NUMBER</u>	<u>Findings Related the Financial Statements which are required to be reported in Accordance With Generally Accepted Auditing Governmental Standards (GAGAS)</u>
2011-01	<p>INTERNAL CONTROLS OVER MEDICAID BILLING PROCESS</p> <p><i>Condition:</i> This finding was a material weakness due to a situation where some COPE clinicians were not adequately documenting details of therapy sessions and the correlation to the patient's assigned treatment plan in a manner that met the Medicaid billing policies and procedures criteria required by the Agency for Health Care Administration (AHCA).</p> <p><i>Recommendation:</i> The auditor recommended that COPE continue actively training the clinicians on the proper documentation process to be performed by clinicians to support the billings submitted to AHCA. We also recommended that additional staff be hired to assist with the internal audit department specifically as it relates to review of clinicians' documentation and treatment plans prior to submission to COPE's internal Medicaid billing department.</p> <p><i>Current status:</i> To ensure clinical documentation meets Medicaid standards, COPE provided additional documentation training to staff, increased number of audit staff and implemented 100% audit of clinical documentation.</p>

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DEC 14 2012

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December 7, 2012

To the Board of Directors
Chautauqua Offices of Psychotherapy
and Evaluation, Inc.
DeFuniak Springs, Florida 32435

We have audited the financial statements of Chautauqua Offices of Psychotherapy and Evaluation, Inc. (COPE) for the year ended June 30, 2012, and have issued our report thereon dated November 8, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 3, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by COPE are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts is based on all accounts 180 days past due. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allocation of functional expenses is based on the program in which those expenses benefit. Salaries and other expenses that benefit more than one program are allocated to the various programs based on each program's volume of activity relative to the specific pool. Indirect costs are allocated to each program based on the ratio of individual program's direct expense to total direct expense for all programs. This method of allocating functional expenses is consistent with the prior year and seems reasonable.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Board of Directors
Chautauqua Offices of Psychotherapy
and Evaluation, Inc.
December 7, 2012
Page 2

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 8, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of COPE and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Warren Averett, LLC

Warren Averett, LLC