

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)

FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

Years Ended June 30, 2012 and 2011

CLAY BEHAVIORAL HEALTH CENTER, INC.

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MEMBER OF
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Clay Behavioral Health Center, Inc.
Orange Park, Florida

We have audited the accompanying statements of financial position of Clay Behavioral Health Center, Inc., (a nonprofit corporation), a component corporation of the Institute for Growth and Development, Inc., (a nonprofit corporation), as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clay Behavioral Health Center, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2012, on our consideration of Clay Behavioral Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Clay Behavioral Health Center, Inc. as a whole. The accompanying supplementary information shown on pages 14 to 15 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented as required by Section 215.97, Florida Statutes and Chapter 10.650; *Rules of the Auditor General*. 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.



James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
October 4, 2012

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash	\$ 374,777	\$ 217,493
Investments (Note A)	35,199	35,199
Accounts receivable (Note B):		
State of Florida	461,297	599,541
Contracts	57,541	65,075
Medicaid/Medicare	226,493	197,272
Other	291,935	239,795
Allowance for doubtful accounts	(181,872)	(173,086)
	<u>855,394</u>	<u>928,597</u>
Prepaid expenses	50,948	71,608
Total Current Assets	1,316,318	1,252,897
Property, plant and equipment, less accumulated depreciation of \$1,181,189 and \$1,694,273, respectively (Note C)	1,751,015	1,704,999
Deposits	<u>7,606</u>	<u>7,606</u>
Total Assets	<u>\$ 3,074,939</u>	<u>\$ 2,965,502</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 43,398	\$ 21,411
Accrued expenses	120,657	105,326
Due to other agencies	2,856	2,856
Accrued compensated absences	95,591	100,417
Line of credit, demand note (Note D)	-	2,000
Current portion of long-term debt (Note E)	162,073	112,120
Total Current Liabilities	<u>424,575</u>	<u>344,130</u>
Long term debt (Note E)	<u>711,063</u>	<u>670,359</u>
Total Liabilities	1,135,638	1,014,489
Net assets - unrestricted	<u>1,939,301</u>	<u>1,951,013</u>
Total Liabilities and Net Assets	<u>\$ 3,074,939</u>	<u>\$ 2,965,502</u>

See Notes to Financial Statements.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted Public Support and Revenue:		
Support:		
Contributions	\$ 5,231	\$ 4,130
Fundraising	4,406	-
State of Florida:		
Department of Children and Families:		
Mental Health	1,175,773	1,221,284
Substance Abuse	1,002,260	1,120,183
Other Programs	166,455	153,694
Department of Juvenile Justice:		
Prevention/Diversion	48,852	44,388
Department of Education:		
Vocational Rehabilitation Services	13,905	29,815
U.S. Department of Health and Human Services	38,656	75,233
Clay County School Board	98,312	116,894
Clay County	210,000	210,000
Clay County Drug Court	161,666	204,349
United Way	25,651	26,472
	<u>2,951,167</u>	<u>3,206,442</u>
Revenue:		
Medicaid	1,594,735	1,493,504
Medicare	66,172	74,098
Client Fees	159,457	117,345
Client Insurance	170,968	138,921
Rental Revenue	19,606	15,310
Other Miscellaneous	251,539	228,227
Interest	117	189
	<u>2,262,594</u>	<u>2,067,594</u>
Total Unrestricted Revenue	<u>2,262,594</u>	<u>2,067,594</u>
Total Unrestricted Public Support and Revenue	<u>5,213,761</u>	<u>5,274,036</u>
EXPENSES		
Program Service Expenses	4,464,696	4,588,546
Supporting Services Expenses	760,777	804,936
	<u>5,225,473</u>	<u>5,393,482</u>
Total Expenses	<u>5,225,473</u>	<u>5,393,482</u>
Decrease in Net Assets	(11,712)	(119,446)
Net Assets, Beginning of Year	<u>1,951,013</u>	<u>2,070,459</u>
Net Assets, End of Year	<u>\$ 1,939,301</u>	<u>\$ 1,951,013</u>

See Notes to Financial Statements.

JAMES KNUTZEN & ASSOCIATES
C.P.A.'s P.A.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Case Management	Crisis Support Emergency	Drop In/ Self-Help Center	In Home/ On-Site Services	Intensive Case Mgmt	Intervention	Medical Services	Methadone Maintenance	Outpatient Individual	Prevention	Residential	Respite	Substance Abuse Detox	Supportive Employment	Aftercare	Outpatient Group	Room & Bd W/Supv 2	Other Incidentals	Clinical Support	TOTAL CLINICAL	Support Staff	Administrative	TOTAL
Salaries	\$ 242,292	\$ 121,039	\$ 137,819	\$ 25,770	\$ 315,068	\$ 87,663	\$ 357,945	\$ -	\$ 361,016	\$ 111,214	\$ -	\$ 2,502	\$ -	\$ 60,412	\$ 31,433	\$ 345,661	\$ 123,325	\$ -	\$ 372,910	\$ 2,758,861	\$ 199,610	\$ 137,025	\$ 3,095,496
Fringe Benefits	26,717	13,347	15,197	2,842	34,742	9,666	39,470	-	39,808	12,263	-	276	-	6,661	3,466	38,115	13,599	-	41,121	304,214	22,010	15,110	341,334
Payroll Taxes	20,026	10,004	11,391	2,130	26,041	7,246	29,585	-	29,839	9,192	-	207	-	4,993	2,598	28,570	10,193	-	30,822	228,027	16,498	11,326	255,851
	289,035	144,390	164,407	30,742	375,851	104,575	427,000	-	430,663	132,669	-	2,985	-	72,066	37,497	412,346	147,117	-	444,853	3,291,102	238,118	163,461	3,692,681
Building Occupancy	10,871	5,431	6,184	1,156	14,136	2,817	16,060	-	16,198	4,990	-	112	-	2,711	1,410	15,509	5,533	-	16,732	123,783	8,956	6,148	138,887
Professional Services	19,417	9,700	11,045	2,065	25,249	5,032	28,685	-	28,931	8,913	-	201	-	4,841	2,519	27,701	9,883	-	29,884	221,091	15,996	10,981	248,068
Travel	6,730	3,362	3,828	716	8,752	1,744	9,943	-	10,028	3,089	-	70	-	1,678	873	9,602	3,426	-	10,359	76,635	5,545	3,807	85,987
Equipment Costs	4,746	2,371	2,700	505	6,172	1,230	7,011	-	7,072	2,178	-	49	-	1,183	616	6,771	2,416	-	7,305	54,042	3,910	2,684	60,636
Medical and Pharmacy	1,159	579	659	123	1,507	300	419	-	1,727	532	-	12	-	289	150	1,654	590	-	1,784	13,196	955	658	14,809
Subcontracted Services	27,764	13,870	15,792	2,953	36,103	7,195	76,016	-	41,368	55,124	95,488	287	-	6,923	3,602	39,609	14,132	-	42,731	489,002	22,873	15,702	527,577
Insurance	3,619	1,808	2,058	385	4,706	938	5,346	-	5,392	1,661	-	37	-	902	469	5,162	1,842	-	5,569	41,203	2,981	2,047	46,231
Operating Supplies and Expenses	12,525	6,256	7,124	1,332	16,285	3,245	18,503	-	18,662	5,748	-	130	-	3,123	1,624	17,867	6,373	12,039	19,275	154,642	10,318	7,086	172,046
	86,831	43,377	49,390	9,235	112,910	22,501	163,276	-	129,378	82,235	95,488	898	-	21,650	11,263	123,875	44,195	12,039	133,639	1,173,594	71,534	49,113	1,294,241
Total Personnel and Expense:	375,866	187,767	213,797	39,977	488,761	97,407	590,276	-	560,041	214,904	95,488	3,883	-	93,716	48,760	536,221	191,312	12,039	578,492	4,464,696	309,652	212,574	4,986,922
Other Support	18,766	9,375	10,674	1,996	24,403	4,863	27,724	-	27,962	8,614	-	194	-	4,679	2,435	26,772	9,552	-	28,881	213,680	-	(213,680)	-
Administration	27,336	13,656	15,549	2,907	35,547	7,084	40,385	-	40,731	12,548	-	282	-	6,816	3,546	38,999	13,914	-	42,074	311,264	(311,264)	-	-
Interest	3,907	1,952	2,222	415	5,080	1,012	5,771	-	5,821	1,793	-	40	-	974	507	5,573	1,988	-	6,012	44,480	3,218	2,211	49,909
Depreciation	7,366	3,680	4,190	783	9,578	1,909	10,882	-	10,975	3,381	-	76	-	1,837	956	10,508	3,749	-	11,336	83,871	6,068	4,166	94,105
Bad Debt Expense	5,443	2,719	3,096	579	7,078	1,411	8,042	-	8,111	2,499	-	56	-	1,357	706	7,766	2,771	-	8,378	61,981	4,484	3,078	69,543
Unallowable Expense	1,956	977	1,113	208	2,544	507	2,890	-	2,915	898	-	20	-	488	254	2,791	996	-	3,011	22,276	1,612	1,106	24,994
Grand Total	\$ 440,640	\$ 220,126	\$ 250,641	\$ 46,865	\$ 572,991	\$ 114,193	\$ 685,970	\$ -	\$ 656,556	\$ 244,637	\$ 95,488	\$ 4,551	\$ -	\$ 109,867	\$ 57,164	\$ 628,630	\$ 224,282	\$ 12,039	\$ 678,184	\$ 5,202,248	\$ 13,770	\$ 9,455	\$ 5,225,473

See Notes to Financial Statements.

JAMES KNUTZEN & ASSOCIATES
C.P.A.'s P.A.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	Case Management	Crisis Support Emergency	Drop In/ Self-Help Center	In Home/ On-Site Services	Intensive Case Mgmt	Intervention	Medical Services	Methadone Maintenance	Outpatient Individual	Prevention	Residential	Respite	Substance Abuse Detox	Supportive Employment	Aftercare	Outpatient Group	Room & Bd W/Supv 2	Other Incidentals	Clinical Support	TOTAL CLINICAL	Support Staff	Administrative	TOTAL	
Salaries	\$ 245,526	\$ 130,526	\$ 125,184	\$ 17,284	\$ 284,788	\$ 62,782	\$ 92,395	\$ 441,080	\$ -	\$ 329,755	\$143,989	\$ -	\$ 1,760	\$ -	\$ 80,370	\$ 36,580	\$ 316,066	\$ 145,715	\$ -	\$ 375,896	\$ 2,829,696	\$ 211,561	\$ 136,477	\$ 3,177,734
Fringe Benefits	29,766	15,824	15,185	2,095	34,526	7,611	11,202	53,465	-	39,978	17,456	-	214	-	9,743	4,435	38,318	17,666	-	45,571	343,055	25,649	16,545	385,249
Payroll Taxes	19,413	10,320	9,889	1,367	22,517	4,964	7,305	34,883	-	26,072	11,385	-	139	-	6,355	2,892	24,990	11,521	-	29,721	223,733	16,727	10,791	251,251
	294,705	156,670	150,258	20,746	341,831	75,357	110,902	529,428	-	395,805	172,830	-	2,113	-	96,468	43,907	379,374	174,902	-	451,188	3,396,484	253,937	163,813	3,814,234
Building Occupancy	9,668	5,140	4,929	681	11,214	2,472	3,638	17,368	-	12,984	5,670	-	69	-	3,165	1,440	12,445	5,738	-	14,801	111,422	8,330	5,374	125,126
Professional Services	19,215	10,215	9,797	1,353	22,288	4,913	7,231	34,520	-	25,807	11,269	-	138	-	6,290	2,863	24,736	11,404	-	29,418	221,457	16,557	10,681	248,695
Travel	7,365	3,915	3,755	518	8,543	1,883	2,772	13,231	-	9,892	4,319	-	53	-	2,411	1,097	9,481	4,371	-	11,276	84,882	6,346	4,094	95,322
Equipment Costs	4,531	2,409	2,310	319	5,255	1,159	1,705	8,139	-	6,085	2,657	-	32	-	1,483	675	5,832	2,689	-	6,936	52,216	3,904	2,518	58,638
Medical and Pharmacy	1,872	995	954	132	2,171	479	704	3,362	-	2,514	1,098	-	13	-	613	279	2,409	1,111	-	2,865	21,571	1,613	1,040	24,224
Subcontracted Services	35,841	19,054	18,274	2,523	41,572	9,165	13,487	64,387	15,600	48,136	21,018	84,442	257	-	11,731	5,340	46,138	21,270	-	54,871	513,106	30,883	19,922	563,911
Insurance	3,534	1,879	1,802	249	4,099	904	1,330	6,348	-	4,746	2,072	-	25	-	1,157	526	4,549	2,097	-	5,410	40,727	3,045	1,964	45,736
Operating Supplies and Expenses	12,023	6,391	6,130	845	13,945	3,074	4,525	21,599	-	16,148	7,052	-	86	-	3,936	1,791	15,477	7,136	8,117	18,406	146,681	10,360	6,684	163,725
	94,049	49,998	47,951	6,620	109,087	24,049	35,392	168,954	15,600	126,312	55,155	84,442	673	-	30,786	14,011	121,067	55,816	8,117	143,983	1,192,062	81,038	52,277	1,325,377
Total Personnel and Expense:	388,754	206,668	198,209	27,366	450,918	99,406	146,294	698,382	15,600	522,117	227,985	84,442	2,786	-	127,254	57,918	500,441	230,718	8,117	595,171	4,588,546	334,975	216,090	5,139,611
Other Support	29,065	15,451	14,819	2,046	33,713	7,432	10,938	52,214	-	39,036	17,045	-	208	-	9,514	4,330	37,415	17,250	-	44,499	334,975	(334,975)	-	-
Administration	18,750	9,968	9,560	1,320	21,748	4,794	7,056	33,683	-	25,182	10,996	-	134	-	6,137	2,793	24,136	11,128	-	28,705	216,090	-	(216,090)	-
Interest	3,589	1,909	1,830	253	4,164	918	1,351	6,450	-	4,822	2,105	-	26	-	1,175	535	4,622	2,131	-	5,496	41,376	3,094	1,996	46,466
Depreciation	6,742	3,584	3,438	475	7,820	1,724	2,537	12,112	-	9,055	3,954	-	48	-	2,207	1,004	8,679	4,001	-	10,322	77,702	5,809	3,748	87,259
Bad Debt Expense	7,340	3,902	3,742	517	8,514	1,877	2,762	13,186	-	9,858	4,305	-	53	-	2,403	1,094	9,449	4,356	-	11,238	84,596	6,324	4,080	95,000
Unallowable Expense	1,943	1,033	991	137	2,254	497	731	3,490	-	2,609	1,139	-	14	-	636	289	2,501	1,153	-	2,975	22,392	1,674	1,080	25,146
Grand Total	\$ 456,183	\$ 242,515	\$ 232,589	\$ 32,114	\$ 529,131	\$ 116,648	\$ 171,669	\$ 819,517	\$ 15,600	\$ 612,679	\$267,529	\$ 84,442	\$ 3,269	\$ -	\$ 149,326	\$ 67,963	\$ 587,243	\$ 270,737	\$ 8,117	\$ 698,406	\$ 5,365,677	\$ 16,901	\$ 10,904	\$ 5,393,482

See Notes to Financial Statements.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (11,712)	\$ (119,446)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	94,105	87,259
Non-cash contributions of furniture and equipment	(8,400)	-
(Increase) decrease in:		
Accounts receivable	73,203	(287,096)
Prepaid expenses	20,660	206
Restricted cash	-	-
Increase (decrease) in:		
Accounts payable	21,984	(5,240)
Accrued expenses	10,505	14,991
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	200,345	(309,326)
CASH FLOWS FROM INVESTING ACTIVITIES;		
Purchase of furniture, equipment and building construction	(131,718)	(18,847)
Redemption (purchase) of investments	-	(35,199)
	<hr/>	<hr/>
NET CASH USED BY INVESTING ACTIVITIES	(131,718)	(54,046)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of loans	237,129	2,000
Repayment of loans	(148,472)	(106,165)
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	88,657	(104,165)
NET INCREASE (DECREASE) IN CASH	157,284	(467,537)
CASH AT BEGINNING OF PERIOD	<hr/> 217,493	<hr/> 685,030
CASH AT END OF PERIOD	<hr/> <u>\$ 374,777</u>	<hr/> <u>\$ 217,493</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during year:		
Interest	<hr/> <u>\$ 49,909</u>	<hr/> <u>\$ 46,466</u>

See Notes to Financial Statements.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

A. Summary of Significant Accounting Policies:

- (1) Nature of Organization – Clay Behavioral Health Center, Inc. (The Center), formerly known as Clay County Community Services, Inc. and Clay County Mental Health, Drug and Alcohol Services, Inc., was incorporated August 3, 1982 to provide coordinated mental health, alcohol, and drug abuse treatment and prevention services for the residents of Clay County, Florida. The largest programs are adult and children mental health and substance abuse. The largest funding source for the Center is the Florida Department of Children and Families.
- (2) Basis of Presentation – The financial statements are prepared in accordance with the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification 958.
- (3) Basis of Accounting – The financial statements are prepared using the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.
- (4) Investments - Investments are bank certificates of deposit, with maturities of more than three months, and are considered to be Level 1 investments as defined by FASB Codification 820.
- (5) Public Support and Revenue – Revenue is reported at the estimated net realizable amounts due from third-party payers and others for services rendered. Client fees are recognized upon receipt.
- (6) Property, Plant and Equipment – Property, plant and equipment are recorded at cost for purchased items. Donated items are recorded at fair market value at the date of gift. Asset purchases of \$500 or more are capitalized.
- (7) Income Taxes – The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue code and is not a private foundation. Accordingly, no provision for income tax is required.
- (8) Depreciation – Building and equipment are being depreciated over the estimated useful lives of the individual assets by the straight-line method.
- (9) Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011
-continued-

- (10) Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, primarily related to the collectibility of receivables and the depreciable lives of buildings and improvements that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (11) 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.
- (12) Advertising – Advertising costs of \$5,921 and \$5,859 for the years ended June 30, 2012 and 2011, respectively, were expensed as incurred.

B. Accounts Receivable:

Revenue due under third-party payor agreements is subject to audit and retroactive adjustment. The Center maintains an allowance for doubtful accounts of \$181,872 and \$173,086 for June 30, 2012 and 2011, respectively. It is the Center's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

C. Property, Plant and Equipment:

The Center purchased a quadplex on April 30, 1999 for \$120,000 to provide supportive housing rental units. The purchase was subject to a mortgage more particularly described in Footnote F. The Center purchased property and three buildings at 89 Knight Boxx Road on March 3, 2003 for \$265,000 to provide treatment facilities. The purchase was subject to a \$240,000 mortgage more particularly described in Footnote E.

	<u>Life</u>	<u>2012</u>	<u>2011</u>
Land	-	\$ 204,891	\$ 204,891
Building and building improvements	15 to 30 yrs.	2,112,767	2,112,767
Furniture and fixtures	5 yrs.	115,505	156,108
Equipment	5 yrs.	496,376	922,841
Leasehold improvement	15 yrs.	<u>2,665</u>	<u>2,665</u>
		2,932,204	3,399,272
Accumulated depreciation		<u>(1,181,189)</u>	<u>(1,694,273)</u>
		<u>\$ 1,751,015</u>	<u>\$ 1,704,999</u>

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011
-continued-

C. Property, Plant and Equipment: (continued)

State Housing Investment Partnership (SHIP) funds in the amount of \$159,700 were used to purchase the property at 89 Knight Boxx in 2003. As a condition for receipt of the funds, the Center signed an agreement to keep housing units set aside for eligible persons for fifteen years. Failure to comply with terms of the agreement could result in sanctions which may include a return of a pro-rata portion of the funds. As of June 30, 2012 this facility is being closed for renovations and is expected to re-open in October 2012.

D. Line of Credit:

The Center secured a bank line of credit to provide for working capital needs. The line of credit is for \$400,000, priced at Prime Rate Index, currently 3.250%, plus 1.750%. The principal balance on the line was \$0 and \$2,000 at June 30, 2012 and 2011, respectively.

E. Long-Term Debt:

In May, 2006 the Center refinanced the mortgage debt by assigning the County Road 220 and Knight Boxx Road properties to the Clay County Development Authority subject to financing and leaseback. The financing agreement was for \$1,300,000 with the County Road 220 property subject to an \$800,000 note with monthly principal and interest payments of \$5,395, secured by property and building, and priced at a fixed rate of 5.26% with a twenty year amortization and ten year balloon payment. The Knight Boxx Road property was subject to a \$500,000 note with monthly principal and interest payments of \$3,400, priced at a fixed rate of 5.36% with a twenty year amortization and ten year balloon payment. The total balance at June 30, 2012 and 2011 was \$657,846 and \$763,579, respectively.

The Center purchased a quadplex on April 30, 1999 subject to a \$94,500 mortgage, secured by the property and building, priced at 7.90%, payable monthly over 15 years for \$525 monthly, plus accrued interest. The principal balance was \$13,125 and \$18,900 at June 30, 2012 and 2011.

A loan for acquisition of computer hardware and software was taken out on August 22, 2011. The 60-month loan in the amount of \$237,129 requires monthly principal and interest payments of \$4,555, has an interest rate of 5.65%, and is secured by equipment. The outstanding balance as of June 30, 2012 was \$202,165.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011
-continued-

E. Long-Term Debt: (continued)

The future principal maturities of long-term debt as of June 30, 2012 are as follows:

2013	\$ 162,073
2014	170,707
2015	165,459
2016	365,899
2017	<u>8,998</u>
Total	873,136
Less current portion	<u>162,073</u>
Long term portion	<u>\$ 711,063</u>

F. Related Entities:

Clay Behavioral Health Center, Inc. and Kids First of Florida, Inc. are controlled by the Institute for Growth & Development, Inc. through board of directors' appointments and management agreements. The Center had accounts receivable of \$18,136 and \$19,858 due from Kids First of Florida, Inc. and accounts payable of \$11,285 and \$10,709 due to the Institute for Growth & Development, Inc. at June 30, 2012 and 2011, respectively. The Center paid the Institute for Growth & Development, Inc. \$289,136 and \$296,670 for management services during the years ending June 30, 2012 and 2011, respectively. The Center received \$157,385 and \$202,758 from Kids First of Florida, Inc. for services during the years ending June 30, 2012 and 2011, respectively.

G. Concentrations:

The Center maintains bank accounts with FDIC insured banks and did not exceed depository insurance limits. The operating account cash exceeded \$250,000 but was insured by the FDIC temporary insurance program for non-interest bearing accounts which is effective through December 31, 2012. The Center received 43% and 45% of its revenue from a contract with the Florida Department of Children and Families for the years ending June 30, 2012 and 2011, respectively.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011
-continued-

H. Support from the State of Florida which Required Match:

Clay Behavioral Health Center, Inc. had several contracts that required cost sharing or match. The Center met the matching requirements of these contracts as shown below:

Contracts requiring match:

Florida Department of Children and Families DH666	\$ 515,031
Florida Department of Children and Families DDZ02	<u>238,072</u>
Match required	<u>\$ 753,103</u>
Total Revenue	\$ 5,213,761
Less nonmatching revenues:	
Federal and State grants	\$ 2,509,651
Medicaid	1,594,735
Medicare	<u>66,172</u>
	<u>4,170,558</u>
Locally generated revenue available for match	<u>\$ 1,043,203</u>

Additionally, the U.S. Department of Health and Human Services' Drug Free Communities grant required match, which was provided in the form of professional services from the Clay County School Board, in-kind use of facilities and volunteer services.

I. Operating Leases:

The Center leases office suites on Kingsley Avenue in Orange Park, Florida, and office equipment. Lease expense for offices was \$20,805 and \$20,433 for the years ending June 30, 2012 and 2011. Future minimum lease payments due under office and equipment lease agreements as of June 30 are as follows:

2013	\$ 34,380
2014	18,969
2015	18,969
2016	<u>18,969</u>
Total	<u>\$ 91,287</u>

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

-continued-

J. Fair Value of Financial Instruments:

The following methods and assumptions were used by the Center in estimating the fair value of its financial instruments:

Cash and Investments: The carrying amount reported in the Statements of Financial Position for cash approximates its fair value.

Accounts payable and accrued expenses: The carrying amount reported in the Statements of Financial Position for accounts payable and accrued expenses approximates the fair value.

Estimated third-party payer settlements: The carrying amount reported in the Statements of Financial Position for estimated third-party payer settlements approximates the fair value.

Long-term debt: The Center's debt is not publicly traded and its level of borrowing is not sufficient to estimate a fair value based on cash flow analysis. See note E for a summary of the Center's long-term debt.

K. Contingencies:

Revenue from the Medicaid program was 31% and 28% of total public support and revenue in the years ending June 30, 2012 and 2011.

Laws and regulations governing the Medicaid program are complex and subject to interpretation. The Center had a Medicaid review on October 25, 2011 in which \$80,994 in Medicaid claims were found to be non-compliant. The Center is requesting reconsideration of the findings. No adjustment has been made to the financial statements for this contingency, and no estimate of the probable outcome of the appeal is available.

Compliance with laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the programs.

L. Subsequent Events:

In preparing this financial statement, the Center evaluated events and transactions for potential recognition or disclosure through October 4, 2012, the date the financial statement was available to be issued.

Effective July 1, 2012 the State of Florida contract for Mental Health and Substance Abuse will be managed by a third party, and Clay Behavioral Health Center, Inc. will be charged a management fee of 3.99% on this contract which provided \$2,234,400 in revenue during the year ended June 30, 2012.

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2012

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
STATE OF FLORIDA				
Direct Projects of Department of Children and Families				
Substance Abuse Prevention Services for Children	60.029	DDZ02	\$ 110,088	\$ -
Substance Abuse Prevention Services for Children	60.029	DH666	161,191	-
Substance Abuse Treatment and Aftercare Services for Children	60.030	DH666	255,802	-
Substance Abuse Prevention Services for Adults	60.032	DH666	42,357	-
Substance Abuse Treatment and Aftercare Services for Adults	60.033	DH666	432,031	-
Indigent Psychiatric Medication Services	60.039	DH666	5,810	-
Children's Mental Health: SIPP RTC Non-Medicaid Eligible	60.048	DH666	154,077	-
Adult Community Mental Health Community Support Services	60.053	DH666	890,244	-
Adult Community Mental Health Emergency Stabilization	60.054	DH666	89,690	-
Children's Mental Health Emergency Stabilization	60.057	DH666	35,951	-
			\$ 2,177,241	\$ -
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 2,177,241	\$ -

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2012

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of Clay Behavioral Health Center, Inc. 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." Because the Schedule presents only a selected portion of the operations of Clay Behavioral Health Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clay Behavioral Health Center, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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Cyril W. Kidder, C.P.A.

MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Board of Directors
Clay Behavioral Health Center, Inc.
Orange Park, Florida

We have audited the financial statements of Clay Behavioral Health Center, Inc. (a nonprofit corporation) as of and for the year ended June 30, 2012 and have issued our report thereon dated October 4, 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

Management of Clay Behavioral Health Center, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Clay Behavioral Health Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clay Behavioral Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness Clay Behavioral Health Center, Inc.'s internal control over financial reporting.


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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management 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.

A handwritten signature in black ink that reads "James Knutzen & Associates". The signature is written in a cursive, flowing style.

James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
October 4, 2012

JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.

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MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Board of Directors
Clay Behavioral Health Center, Inc.
Orange Park, Florida

Compliance

We have audited Clay Behavioral Health Center, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of its major state projects for the year ended June 30, 2012. Clay Behavioral Health Center, Inc.'s major state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state projects is the responsibility of Clay Behavioral Health Center, Inc.'s management. Our responsibility is to express an opinion on Clay Behavioral Health Center, Inc.'s compliance based on our audit.

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

In our opinion, Clay Behavioral Health Center, Inc. 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 state projects for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Clay Behavioral Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered Clay Behavioral Health Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major state project to determine 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 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 Clay Behavioral Health Center, Inc.'s internal control over compliance.

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

Our consideration of the 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, management and federal and state awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.



James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
October 4, 2012

CLAY BEHAVIORAL HEALTH CENTER
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE PROJECTS

Year Ended June 30, 2012

Section I--Summary of Auditors' Results

Financial Statements:

Unqualified auditors' report issued

Internal control over financial reporting:

Material weakness(es) identified?	_____	YES	<u> X </u>	NO
Significant deficiency(ies) identified?	_____	YES	<u> X </u>	NO
Noncompliance material to financial statements noted?	_____	YES	<u> X </u>	NO

State Awards:

Internal control over major projects:

Material weakness(es) identified?	_____	YES	<u> X </u>	NO
Significant deficiency(ies) identified?	_____	YES	<u> X </u>	NO

Unqualified auditors' report issued on compliance for major projects:

Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General 10.656	_____	YES	<u> X </u>	NO
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Identification of major projects:

	<u>CSFA #'s</u>	
Adult Community Mental Health Community Support Services	60.053	2012
Substance Abuse Treatment and Aftercare Services for Children	60.030	2012

Dollar threshold used to distinguish between type A and
type B programs:

\$300,000

Section II--Financial Statement Findings

None

CLAY BEHAVIORAL HEALTH CENTER, INC.
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE PROJECTS

Year Ended June 30, 2012

Section III--State Award Findings and Questioned Costs

Major State Projects Audit:

None

Section IV--Summary Schedule of Prior Audit Findings

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal Programs or State Projects.

Section V--Corrective Action Plan

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

Section VI--Management Letter

No management letter as defined in State of Florida, Rules of the Auditor General 10.656(3)(e) is required because there were no findings related to State Financial Assistance required to be reported.