

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

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2012 AND 2011

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To the Board of Directors
Douglas Gardens Community Mental Health
Center of Miami Beach, Inc.
1680 Meridian Avenue
Miami, Florida 33139

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying Statement of Financial Position of Douglas Gardens Community Mental Health Center of Miami Beach, Inc., as of June 30, 2012 and 2011, and the related Statements of Activities; Functional Expenses; and Cash Flows for the year 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 audit.

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 Financial Statements are free of material misstatement. Our audit included 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 of the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 in the first paragraph presents fairly, in all material respects, the financial position of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued a report dated December 20, 2012, on our consideration of Douglas Gardens Community Mental Health Center of Miami Beach, 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 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 Governmental Auditing Standards and should be considered in assessing the results of our audit.


Certified Public Accountants

December 20, 2012

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012 and 2011

ASSETS	2012	2011
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents (NOTE 1)	\$ 202,739	\$ 600
Patient Accounts Receivable, Net of Allowance for Uncollectable Accounts (NOTE 1)	130,187	94,500
Grants Receivable, Net of Allowance for for Doubtful Accounts (NOTE)	669,046	436,054
Note Receivable	128,940	-
Prepaid Expenses	<u>24,558</u>	<u>90,241</u>
TOTAL CURRENT ASSETS	1,155,470	621,395
<u>FIXED ASSETS (NOTE 1)</u>		
Land	511,500	702,786
Buildings and Improvements	2,234,565	3,159,445
Equipment	499,245	588,296
Vehicles	<u>35,334</u>	<u>45,735</u>
	3,280,644	4,496,262
Less:Accumulated Depreciation	<u>(1,272,647)</u>	<u>(1,916,432)</u>
NET BOOK VALUE	2,007,997	2,579,830
<u>OTHER ASSETS (NOTE 1)</u>		
Security Deposit	<u>83,590</u>	<u>80,366</u>
TOTAL ASSETS	<u>\$ 3,247,057</u>	<u>\$ 3,281,591</u>

Please Read the Accompanying Independent Auditors' Report and
Notes to the Financial Statements

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012 and 2011

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>	2012	2011
Accounts Payable and Accrued Expenses	\$ 63,598	\$ 175,352
Accrued Salaries and Related Expenses	343,672	344,739
Line of Credit	-	318,905
Unfunded Pension Benefit Obligation	285,700	238,133
Client Funds	10,069	11,715
Due to Affiliate	-	538,899
Deferred Revenue	<u>215,546</u>	<u>3,998</u>
 TOTAL CURRENT LIABILITIES	 918,585	 1,631,741
 <u>LONG-TERM DEBT (NOTE 2)</u>		
 Unfunded Pension Benefit Obligation	 <u>1,688,941</u>	 <u>727,427</u>
 TOTAL LONG-TERM DEBT	 <u>1,688,941</u>	 <u>727,427</u>
 TOTAL LIABILITIES	 2,607,526	 2,359,168
 FEDERAL HOME LOAN SUBSIDY	 137,258	 146,359
 <u>NET ASSETS - UNRESTRICTED</u>	 <u>502,273</u>	 <u>776,064</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,247,057</u>	 <u>\$ 3,281,591</u>

Please Read the Accompanying Independent Auditors' Report and
Notes to the Financial Statements

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012 and 2011

CHANGES IN NET ASSETS - UNRESTRICTED

	2012	2011
<u>REVENUES, GAINS, AND OTHER SUPPORT</u>		
PROGRAM SERVICE FEES:		
Allocation United Way	\$ 63,789	\$ 84,224
Government Agencies	4,032,417	3,963,322
Clients Fees and Other Third Parties	3,579,779	3,418,300
Interest	5,826	-
Gain/(Loss) on Sale of Assets	756,984	-
Other Revenues	35,077	125,251
Health Foundation Grant	25,307	
In-Kind Contributions	953,005	-
Contributions	2,089	693
 TOTAL REVENUES, GAINS, AND OTHER SUPPORT	 9,454,273	 7,591,790
 <u>EXPENSES</u>		
PROGRAM SERVICE EXPENSES:		
Comprehensive Community Service Team (CCST)	1,637,330	1,752,439
Crisis Support	219,307	212,476
Non SAMH Services	418,071	477,480
Outpatient Medical	3,290,442	2,099,339
Residential	1,457,272	1,941,244
TANF	4,001	-
 TOTAL PROGRAM SERVICE EXPENSES	 7,026,423	 6,482,978
 SUPPORTING SERVICES:		
Administration	1,611,842	1,142,186
 TOTAL EXPENSES	 8,638,261	 7,625,164
 GAIN (LOSS) BEFORE PENSION RELATED CHANGES	 816,012	 (33,374)
 Pension Related Changes Other Than Net Periodic Pension Cost	 (952,545)	 242,661
 INCREASE IN NET ASSETS - UNRESTRICTED	 (136,533)	 209,287
 NET ASSETS - UNRESTRICTED		
BEGINNING OF YEAR	776,064	566,777
END OF YEAR	\$ 639,531	\$ 776,064

Please Read the Accompanying Independent Auditors' Report and
Notes to the Financial Statements

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2012 AND JUNE 30, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (34,534)	\$ 209,287
Adjustments to Reconciliation Change in Net Asset to Cash Provided (Used) By Operating Activities:		
Depreciation and Amortization	166,261	114,850
Amortization of Federal Home Loan Subsidy	(9,100)	(9,100)
Change in Minimum Pension Liability	(47,567)	(205,320)
(Increase) Decrease in Assets:		
Accounts Receivable	(268,679)	8,293
Prepaid Expenses	(65,683)	88,147
Security Deposits	(3,224)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(112,821)	(161,825)
Deferred Revenue	211,548	(3,997)
Note Receivable	128,940	-
Client Funds	(1,647)	-
Other Liabilities	-	(102,000)
	-	(102,000)
 NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	 \$ (36,506)	 \$ (61,665)
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Property and Equipment	(65,835)	(16,045)
Sale of Building	207,770	-
	-	-
 NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	 141,935	 (16,045)
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Changes in Due to Affiliates	(538,899)	100,318
Proceeds From Revolving Demand Note	-	4,967,308
Payments on Revolving Demand Notes	(318,905)	(4,983,000)
Pension Obligation	961,514	-
Payments on Long-Term Debt	-	(6,916)
	-	(6,916)
 NET CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES	 103,710	 77,710
 NET (DECREASE) IN CASH AND CASH EQUIVALENTS	 209,139	 -
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	600	600
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 209,739	\$ 600

Interest paid for the year ended June 30, 2012 was \$27,611.

Please Read the Accompanying Independent Auditors' Report and
Notes to the Financial Statements

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

	CSST	CRISIS SUPPORT	OUTPATIENT MEDICAL	RESIDENTIAL	
				LEVEL 3	LEVEL 4
PERSONNEL EXPENSES					
SALARIES	\$ 823,286	\$ 123,727	\$ 586,110	\$ 631,139	\$ 120,698
BENEFITS AND TAXES	331,762	49,523	200,654	242,262	50,008
TOTAL PERSONNEL EXPENSES	1,155,048	173,250	786,764	873,401	170,706
OPERATING EXPENSES					
CONFERENCES, CONVENTIONS	-	152	50	25,181	43
EQUIPMENT RENTAL	-	-	-	9,257	1,779
FOOD	152	-	-	67,910	906
LOCAL TRANSPORTATION	20,377	-	-	-	-
OCCUPANCY	282,357	38,763	63,635	40,832	36,794
OFFICE SUPPLIES	-	-	1,866	520	389
OTHER EXPENSES	-	136	241	589	168
INSURANCE	26,307	4,886	16,402	18,805	11,579
MEDICAL AND PHARMACY	1,733	-	1,324,560	3,321	-
PROFESSIONAL FEES AND CONTRACT SERVICES	5,631	857	30,573	57,923	69,124
SUPPLIES	145,724	100	989	21,270	19,526
TELEPHONE	-	1,163	1,745	6,497	3,347
DONATED ITEMS	-	-	1,063,617	-	-
TOTAL OTHER EXPENSES	482,281	46,057	2,503,678	252,105	143,655
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	1,637,329	219,307	3,290,442	1,125,506	314,361
DEPRECIATION AND AMORTIZATION	-	-	-	9,550	7,854
TOTAL OPERATING EXPENSES	\$ 1,637,329	\$ 219,307	\$ 3,290,442	\$ 1,135,056	\$ 322,215

PLEASE READ THE ACCOMPANYING INDEPENDENT AUDITORS' REPORT AND
NOTES TO THE FINANCIAL STATEMENTS

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	TANF	TOTAL PROGRAM SERVICES	NON PROGRAM SERVICES	SUPPORTING SERVICES		2011
				ADMINISTRATIVE	GENERAL AND	
PERSONNEL EXPENSES						
SALARIES	\$ 2,350	\$ 2,287,310	\$ 71,418	\$ 767,112	\$ 3,125,840	\$ 2,528,006
BENEFITS AND TAXES	590	874,799	29,676	244,180	1,148,656	845,630
TOTAL PERSONNEL EXPENSES	2,940	3,162,109	101,094	1,011,292	4,274,496	3,373,636
OPERATING EXPENSES						
CONFERENCES, CONVENTIONS, TRAVEL	50	45,853	1,854	18,766	66,473	4,814
EQUIPMENT RENTAL	-	11,036	-	30,867	41,903	12,319
FOOD	-	68,968	989	4,732	74,689	36,434
LOCAL TRANSPORTATION	-	-	-	-	-	806,008
OCCUPANCY	70	479,855	24,480	90,269	577,200	5,182
OFFICE SUPPLIES	-	3,058	-	14,974	27,695	465,021
OTHER EXPENSES	-	153,466	284,286	12,425	440,514	-
INSURANCE	-	77,979	4,022	26,176	108,177	-
MEDICAL AND PHARMACY	-	2,393,232	-	2,393,232	-	-
PROFESSIONAL FEES AND CONTRACT SERVICES	286	164,394	571	200,025	364,989	456,417
SUPPLIES	655	28,282	-	17,508	45,790	2,328,132
TELEPHONE	-	20,119	775	8,338	29,231	12,257
DONATED ITEMS	-	-	-	-	1,063,617	-
TOTAL OTHER EXPENSES	1,061	3,446,242	316,977	424,080	4,169,893	4,126,584
TOTAL EXPENSES BEFORE INTEREST AND DEPRECIATION AND AMORTIZATION	4,001	6,608,351	418,071	1,435,372	8,444,389	7,500,220
INTEREST DEPRECIATION AND AMORTIZATION	-	-	-	27,611	27,611	8,372
	-	-	-	148,857	166,261	114,850
TOTAL OPERATING EXPENSES	\$ 4,001	\$ 6,608,351	\$ 418,071	\$ 1,611,840	\$ 8,638,261	\$ 7,623,442

PLEASE READ THE ACCOMPANYING INDEPENDENT AUDITORS' REPORT AND
NOTES TO THE FINANCIAL STATEMENTS

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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

NATURE OF THE ORGANIZATION

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

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

Golden Palms provides residential, services to older adults (age 55 and older), who require intensive care. Services provided within the residential unit are available to residents of the Miami-Dade County and Monroe Counties.

The Comprehensive Community Service Team ("CCST") was developed by the Florida Department of Children and Families (the "Agency") to provide more integrated and comprehensive services to individuals with major mental illness. The CSST team is an integral part of the Agency's resiliency and recovery initiative. The CSST model combines case management, social rehabilitation, supportive employment, supportive housing, and outpatient services into a seamless and

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30 2012 AND 2011

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

NATURE OF THE ORGANIZATION

transparent service provided by a multiple disciplined team of mental health professionals. Individuals served by the CSST team are provided a full range of services based upon their comprehensive assessment rather than the services provided by the Agency.

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

The Center's affiliation with the Miami Jewish Health System ("MJHS") was terminated on June 30, 2011. Contracted administrative, financial and management services from Miami Jewish Health Systems were discontinued at that time.

In May of 2012, the South Florida Behavioral Healthcare Network asked the Douglas Gardens Community Mental Health Center of Miami Beach, Inc. to provide a set of outpatient and residential services to individuals residing in the area previously served by the Bayview Mental Health Center. The Center began provision of services to individuals living in Northeast Miami Dade County on June 1, 2012.

LIQUIDITY

The Center has a working capital surplus of \$162,931 and deficit of \$913,000 at June 30, 2012 and 2011, respectively. Management of the Center has taken financial measures during 2011 and subsequent to year end to address the liquidity situation. The Center had eliminated a program, had reduced specific program personnel and had terminated the administrative, financial and management service agreement with MJHS. In addition, management sold two of the Center's existing properties in 2012 to improve the current financial liquidity of the Center.

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

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

Revenue Recognition

Donations

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

For the fiscal years ended June 30, 2012 and 2011, all contributions received by the Center were unrestricted. Contributions received by the Center for the fiscal years ended June 30, 2012 and 2011 approximated \$2,029 and \$693.

Service Fees

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

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Client service revenue is derived primarily from self-pay clients, the Medicaid, and the Medicare programs. This includes payments for medications.

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

Net Asset Classifications

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

Temporarily Restricted - Temporarily restricted net assets result from contributions of cash, long-lived assets, and other assets, which are restricted in use by the donors. When a donor restricted expires due to passage of time or accomplishment of purpose, the contributions become unrestricted net assets and are recorded as "net assets released from restrictions" in the statement of activities. Expiration of donor restrictions is also reported when donated or acquired long-lived assets are used for their intended purpose. There were no temporarily restricted net assets as of June 30, 2012 and 2011.

Permanently Restricted - Permanently restricted net assets result from contributions and other receipts of assets whose use is limited by donor restrictions that do not expire by either passage of time or by actions of the Organization. There are no permanently restricted net assets, as of June 30, 2012 and 2011.

HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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

As of June 30, 2012, with few exceptions, the Center is no longer subject to income tax examinations by the United States federal tax authority for any years before the tax year ended June 30, 2011.

Use of Estimates

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

Functional Expenses

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

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 - PROPERTY AND EQUIPMENT

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

	<u>2012</u>	<u>2011</u>
Land	\$ 511,500	\$ 702,786
Buildings and Improvements	2,234,565	3,159,445
Equipment	499,245	588,296
Vehicles	35,335	45,735
	<u>3,280,645</u>	<u>4,496,262</u>
Less Accumulated Depreciation	<u>1,272,647</u>	<u>1,916,432</u>
	<u>\$2,007,998</u>	<u>\$2,579,830</u>

Depreciation expense for the years ended June 30, 2012 and 2011, amounted to \$166,261 and \$114,850 respectively.

NOTE 3 - DUE TO AFFILIATE

The due to affiliate as of June 30, 2012 and 2011 was -0- and \$539,000 respectively. The Center was charged \$306,000 by MJHS for administrative overhead and management services in the fiscal year ended June 30, 2011.

All funds owed to MJHHA were paid in 2012.

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 4 - REVOLVING DEMAND NOTE

The Center has available a revolving demand note from a financial institution which provides for borrowings up to \$650,000. As of June 30, 2012 and 2011, amounts borrowed against the unsecured revolving demand note was -0- and \$319,000, respectively. This note, used for operating purposes, bears interest at 1% over the 30-day LIBOR rate which is payable monthly. On June 30, 2012, the effective rate was 1.94%. The revolving demand note is renewable each year on March 31st, at which time the bank may, at its discretion, require principal repayment. This demand note is collateralized by real property.

Cash paid for interest on all debt agreements for the years ended June 30, 2012 and 2011, was \$27,611 and \$6,000, respectively.

NOTE 5 - EMPLOYEE BENEFIT PROGRAM

Defined Benefit Pension Plan

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

Effective April 1, 2011, The Center's management terminated all of its employees from the plan's benefit structure which will stop the accruals of future employee benefits. Since the Center's participants represent less than 10% of all the participants, no special accounting was required.

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 5 - EMPLOYEE BENEFIT PROGRAM (CONTINUED)

Effective September 1, 2011, MJHS's management adopted a hard freeze in the defined benefits plan's benefit structure and will stop the accruals of future employee benefits for plan participants. The effect of this change is reflected in the combined financial statements.

The net periodic pension cost of the Plan for the years ended June 30, 2012 and 2011 was determined as follows:

	<u>2012</u>	<u>2011</u>
Service Cost	\$ 562,922	\$ 995,065
Interest Cost	3,340,464	3,113,613
Expected Return on Plan Assets	(3,540,028)	(3,362,625)
Amortization of Net Actuarial Loss	<u>621,318</u>	<u>1,770,795</u>
Net Period Pension Costs	<u>\$ 984,676</u>	<u>\$2,516,848</u>

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

	<u>2012</u>	<u>2011</u>
Discount Rate	5.60%	5.25%
Expected Long-Term Rate of Return on Assets	7.36%	8.00%
Rate of Increase in Salary Levels	N/A	3.0% to 5.0%

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 5 - EMPLOYEE BENEFIT PROGRAM (CONTINUED)

For 2012 and 2011, the discount rate for obligations was developed with a current settlement rate of inflation of 2.25% per annum; the long-term rate of investment return includes an underlying long-term rate of inflation assumption of 3.0% per annum; and the salary increase rate includes a higher initial rate, gradually decreasing to lower ultimate rate.

The following table reconciles the changes in the Plan's projected benefit obligation during each of the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Projected benefit obligation at		
Beginning of year	\$ 58,051,992	\$ 58,876,032
Service Cost	562,922	995,065
Interest Cost	3,340,464	3,113,613
Actuarial Loss	12,223,868	(1,934,522)
Benefits Paid	(2,681,064)	(2,435,274)
Administrative Costs	(234,502)	(562,922)
Curtailments	<u>(87,722)</u>	-0-
 Projected Benefit Obligation		
At End of Year	<u>\$ 71,175,958</u>	<u>\$ 58,051,992</u>

Changes in plan assets during the years ended June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Fair Value of Plan Assets at		
Beginning of Year	\$ 46,915,209	\$ 40,600,529
Actual Return on Plan Assets	(100,893)	7,212,876
Employer Contributions	6,044,509	2,100,000
Benefits Paid	(2,681,064)	(2,435,274)
Administrative Costs	<u>(234,502)</u>	<u>(562,922)</u>
 Fair Value of Plan Assets at		
End of Year	<u>\$ 49,943,259</u>	<u>\$ 46,915,209</u>

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 5 - EMPLOYEE BENEFIT PROGRAM (CONTINUED)

The Plan's weighted-average asset allocations at June 30, 2012 and 2011, by asset category, were as follows:

	<u>2012</u>	<u>2011</u>
Equity Securities	35%	62%
Pooled, Common and Collective Funds	40%	-
Fixed Income Securities	-	29%
Cash and Cash Equivalents	5%	8%
Mutual Funds	20%	1%
Other	<u>0%</u>	<u>0%</u>
Total	<u>100%</u>	<u>100%</u>

The overall objective of the Plan's investment policy is to achieve a rate of return which equals or exceeds the expected long-term rate of return assumed for measuring the Plan's projected obligations. The investment policy provides for an asset allocation of no more than 75% of the Plan's assets invested in equity securities. However, no less than 20% of the total plan assets must be invested in fixed income securities and cash equivalents combined. A wide variety of investments vehicles can be purchased as authorized in the Plan's investment policy. Quarterly performance of the equity portfolio is measured against the S&P 500 Index, while the fixed income portfolio is measured against the Barclays Intermediate Government/Credit Index. Risk-adjusted returns are compared with other risk-adjusted returns for similar portfolios. The total Portfolio will be compared against a benchmark portfolio utilizing the S & P's 500 Index, the Barclays Intermediate Government/Credit Index, and 90 day T bills.

The Plan's unfunded pension benefit obligation at June 30, 2012 and 2011 was calculated as follows:

	<u>2012</u>	<u>2011</u>
Projected Benefit Obligation	\$ 71,175,958	\$ 58,051,992
Less: Plan Assets at Fair Value	<u>(49,943,259)</u>	<u>(46,915,209)</u>
Funded Status:		
Unfunded Pension Benefit Obligation	<u>\$21,232,699</u>	<u>\$ 11,136,783</u>

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 5 - EMPLOYEE BENEFIT PROGRAM (CONTINUED)

The Plan's unfunded pension benefit obligation at June 30, 2012 and 2011 is classified as follows:

	<u>2012</u>	<u>2011</u>
Current Liabilities	\$ 3,072,042	\$ 2,746,636
Noncurrent Liabilities	<u>18,160,657</u>	<u>8,390,147</u>
 Unfunded Pension Benefit Obligation	 <u>\$ 21,232,699</u>	 <u>\$ 11,136,783</u>

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

	<u>2012</u>	<u>2011</u>
Prior Service (Credit) Cost	\$ 4,676,104	\$ (464,360)
Net Gain (Loss)	(15,864,789)	5,784,773
Amortization of Net Loss	621,318	2,235,155
Curtailment Loss	(4,588,382)	-
Other Actuarial Related Losses	<u>58,003</u>	<u>-</u>
 Total Recognized in Unrestricted Net Assets	 <u>\$ (15,097,746)</u>	 <u>\$ 7,555,568</u>

MJHS and the Center expect to jointly contribute approximately \$2,924,000 to the pension plan in the year ended June 30, 2013. The June 30, 2012 and 2011 allocations of the Center's and MJHS's respective share of the required unfunded pension liability, net periodic pension cost and other pension cost and other pension related changes are illustrated in the following table:

	<u>JUNE 30, 2012</u>		
	<u>MJHS</u>	<u>The Center</u>	<u>Total</u>
Unfunded Pension Liability			
Current Liabilities	\$ 2,786,342	\$ 285,700	\$ 3,072,042
Noncurrent Liabilities	<u>16,471,716</u>	<u>1,688,941</u>	<u>18,160,657</u>
 Total Unfunded Liability	 <u>\$19,258,057</u>	 <u>\$1,974,641</u>	 <u>\$21,232,699</u>
 Net Periodic Pension Cost			
Net Periodic Pension Cost	\$ 893,101	\$ 91,575	\$ 984,676
Other Pension Related Changes			
Net Gain	<u>\$ (13,693,656)</u>	<u>\$ (1,404,090)</u>	<u>\$ (15,097,746)</u>

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 5 - EMPLOYEE BENEFIT PROGRAM (CONTINUED)

	JUNE 30, 2011		
	MJHS	The Center	Total
Unfunded Pension Liability			
Current Liabilities	\$ 2,508,503	\$ 285,700	\$ 2,746,636
Noncurrent Liabilities	7,662,720	727,427	8,390,147
Total Unfunded Liability	\$10,171,223	\$ 965,560	\$11,136,783
Net Periodic Pension Cost			
Net Periodic Pension Cost	\$ 2,298,637	\$ 218,211	\$ 2,516,848
Other Pension Related Changes			
Net Gain	\$ 7,312,907	\$ 242,661	\$ 7,555,568

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

Year	Amount
2013	\$ 3,072,042
2014	3,333,513
2015	3,444,659
2016	3,602,558
2017	3,712,237
Thereafter	20,363,297
	\$37,528,306

Defined Contribution Pension Plan

On July 1, 2010 the Center and MJHS established a qualified defined contribution employee benefit plan (the "401k Plan") as allowed under section 401(k) of the Internal Revenue Code (the "Code"). All the Center and MJHS employees are eligible to make elective contributions. Employees who have completed 12 months of service, are 21 years old and work at least twenty hours per week are eligible to receive employer contributions in the 403b Plan.

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 6 - UNCOMPENSATED CARE

Certain behavioral health services are provided by the Center to individuals who are not covered by any third-party insurance plans and who fall below the Federal Poverty Guidelines and are, therefore, unable to pay. The amount of costs foregone for services and supplies furnished under the Center's uncompensated care policy aggregated \$137,258 and \$146,000 in 2012 and 2011, respectively.

NOTE 7 - COMMITMENT AND CONTINGENCIES

Federal Home Loan Subsidy

In 1997 the Center received a Federal Home Loan Subsidy to subsidize the purchase the Mayfair Hotel and established an affordable housing program. Annual principal reductions of approximately \$9,100 and \$9,100 amortized are forgiven subject to certain compliance requirements with the terms of the subsidy. Management believes all compliance requirements related to the subsidy have been met. As of June 30, 2012 and 2011, the unamortized Federal Home Loan Subsidy balance approximated \$ 137,258 and \$146,359, respectively.

Operating Lease

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

The following is a schedule by years of the expected future minimum lease payments required under the lease as of June 30, 2012.

<u>Year</u>	<u>Amount</u>
2013	\$ 466,626
2014	480,625
2015	495,044
2016	509,895
Thereafter	2,390,379

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

Government Review Risk

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

Credit Risk

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

NOTE 8 - SUBSEQUENT EVENTS

The Center's management has evaluated subsequent events through December 20, 2012, which is the date the financial statements are available to be issued. There are no subsequent events.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTAL INFORMATION

To the Board of Directors of
Douglas Gardens Community Mental Health
Center of Miami Beach, Inc.
1680 Meridian Avenue
Miami, Florida 33139

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included on pages 22 to 38 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Government, and Non-Profit Organizations", Chapter 10.650, the Rules of the Auditor General, and the State of Florida Department of Children and Families and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.


Certified Public Accountants

December 20, 2012

AUDIT SCHEDULE

**Schedule of State Earnings for
Fiscal Year 06/30/2012**

1	Total Expenditures	\$9,454,273
2	Less Other State Funds	(\$3,141,934)
	Less Other Federal Funds	(\$578,978)
3	Less Non-Match SAMH Funds	(\$1,681,757)
	Less Medicaid Funds	(\$1,066,101)
	Less Medicare B Funds	(\$62,021)
	Less Medicare D Funds	
4	Less Unallowable Costs per 65E-14, F.A.C.	\$0
5	Total Allowable Expenditures <i>(Sum of lines 1, 2, 3, and 4)</i>	\$2,923,482
6	Maximum Available Earnings <i>(Line 5 times 75%)</i>	\$2,192,612
7	Amount of State Funds Requiring Match	\$109,972
8	Amount Due to Department <i>(Subtract line 7 from line 6. If negative, the amount of difference is due to the Department up to the amount on line 7.)</i>	\$2,082,640

AUDIT SCHEDULE

**SUBSTANCE ABUSE & MENTAL HEALTH SERVICES
PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE**

AGENCY: Douglas Gardens CMHC

DATE PREPARED: 12/6/2012

CONTRACT #: KH225

BUDGET PERIOD: FROM 07/01/2011 Through 06/30/2012

PART I: ACTUAL FUNDING SOURCES & REVENUES

FUNDING SOURCES & REVENUES	STATE-DESIGNATED SAMH COST CENTERS										Total for State SAMH-Funded Cost Centers (C1+...+C4)	Non-SAMH Cost Center (G)	Administration (F+G) (H)	Total Funding (F+G) (H)		
	STATE SAMH-FUNDED COST CENTERS															
	Medical Outpatient (B1-a)	Residential Level 3 (B1-b)	Residential Level 4 (B1-a+...+B1-x)	TANF (B2-a)	Crisis Support (B2-b)	CCST (B2-a+...+B2-x)									D	
A	B1-a	B1-b	C1	B2-a	B2-b	C2					D	G	H	H		
IA. STATE SAMH FUNDING																
(1) DCF District 11	\$ 426,349	\$ 1,150,373	\$ 351,230	\$ 2,790	\$ 130,507	\$ 1,167,530	\$ 3,228,779					XXXXXX	\$	\$	\$	\$ 3,228,779
(2) IDP (In-Kind)	\$ 110,612	\$	\$	\$	\$	\$	\$ 110,612					XXXXXX	\$	\$	\$	\$ 110,612
(6) From Other Districts	\$	\$	\$	\$	\$	\$	\$					XXXXXX	\$	\$	\$	\$
TOTAL STATE SAMH FUNDING =	\$ 536,961	\$ 1,150,373	\$ 351,230	\$ 2,790	\$ 130,507	\$ 1,167,530	\$ 3,339,391	0	0	0	0	0	\$ 0	\$ 0	\$ 0	\$ 3,339,391
IB. OTHER GOVT. FUNDING																
(1) Medicare D	\$ 1,066,101	\$	\$	\$	\$	\$	\$ 1,066,101						\$	\$	\$	\$ 1,066,101
(2) Medicaid	\$ 1,007,820	\$	\$	\$	\$ 7,327	\$ 686,510	\$ 1,681,757						\$	\$	\$	\$ 1,681,757
(3) Local Government	\$ 4,800	\$	\$	\$	\$ 36,735	\$ 181,106	\$ 222,643						\$ 52,055	\$ 43,844	\$	\$ 318,552
(4) Federal Grants and Contracts	\$	\$	\$	\$	\$	\$	\$						\$ 365,374	\$	\$	\$ 365,374
(5) In-kind from local govt. only	\$	\$	\$ 9,100	\$	\$	\$	\$ 9,100						\$	\$	\$	\$ 9,100
TOT. OTHER GOVT. FUNDING =	\$ 2,078,721	\$	\$ 9,100	\$	\$ 44,062	\$ 847,718	\$ 2,979,601	\$ 417,439	\$ 43,844	\$	\$ 417,439	\$	\$ 43,844	\$	\$	\$ 3,440,884
IC. ALL OTHER REVENUES																
(1) 1st & 2nd Party Payments	\$ 64,102	\$ 347,900	\$ 277,552	\$	\$ 4,761	\$ 36,154	\$ 730,469						\$ 31,049	\$	\$	\$ 761,518
(2) 3rd Party Payments (except Medicare)	\$ 8,382	\$	\$	\$	\$	\$	\$ 8,382						\$	\$	\$	\$ 8,382
(3) Medicare	\$ 62,021	\$	\$	\$	\$	\$	\$ 62,021						\$	\$	\$	\$ 62,021
(4) Contributions and Donations	\$	\$ 1,393	\$	\$	\$	\$	\$ 1,393						\$ 63,789	\$ 26,003	\$	\$ 91,185
(5) Other (including Gain on Sale)	\$	\$ 493	\$ 671	\$	\$	\$	\$ 1,164						\$ 758,984	\$ 39,739	\$	\$ 797,887
(6) In-kind (Medications)	\$ 959,005	\$	\$	\$	\$	\$	\$ 953,005						\$	\$	\$	\$ 953,005
TOT. ALL OTHER REVENUES =	\$ 1,087,510	\$ 349,786	\$ 278,223	\$	\$ 4,761	\$ 36,154	\$ 1,756,434	\$ 851,822	\$ 65,742	\$	\$ 1,756,434	\$	\$ 65,742	\$	\$	\$ 2,673,998
TOTAL FUNDING =	\$ 3,703,192	\$ 1,500,159	\$ 838,553	\$ 2,790	\$ 179,330	\$ 2,051,402	\$ 8,075,426	\$ 1,269,261	\$ 109,586	\$	\$ 8,075,426	\$	\$ 109,586	\$	\$	\$ 9,454,273

AUDIT SCHEDULE
SUBSTANCE ABUSE & MENTAL HEALTH SERVICES
PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE

AGENCY: Douglas Gardens CMHC

DATE PREPARED: 12/6/2012

CONTRACT #: KH225

BUDGET PERIOD: FROM 07/01/2011 Through 06/30/2012

PART II: ACTUAL EXPENSES

STATE-DESIGNATED SAMH COST CENTERS

STATE SAMH-FUNDED COST CENTERS

EXPENSE CATEGORIES	STATE-DESIGNATED SAMH COST CENTERS						Total for State-Funded AMH Cost Centers (C ₁ +...+C _x)	Non-SAMH Cost Center	Administration	Total Expenses (F+G+H+...+J)
	Medical Outpatient B _{1-a}	Residential Level 3 B _{1-b}	Residential Level 4 C ₁	TANF B _{2-a}	Crisis Support B _{2-b}	CCST (D _{2-a} +...+D _{2-x}) C ₂				
IIA. PERSONNEL EXPENSES										
(1) Salaries	\$ 586,110	\$ 631,139	\$ 120,698	\$ 2,350	\$ 123,727	\$ 823,286	\$ 2,287,310	\$ 71,418	\$ 767,112	\$ 3,125,840
(2) Fringe Benefits	\$ 200,654	\$ 242,282	\$ 50,008	\$ 590	\$ 49,523	\$ 331,762	\$ 874,799	\$ 29,676	\$ 244,180	\$ 1,148,655
TOTAL PERSONNEL EXPENSES =	\$ 786,764	\$ 873,401	\$ 170,706	\$ 2,940	\$ 173,250	\$ 1,155,048	\$ 3,162,109	\$ 101,094	\$ 1,011,292	\$ 4,274,495
IIIB. OTHER EXPENSES										
(1) Building Occupancy	\$ 63,635	\$ 50,382	\$ 44,648	\$ 70	\$ 38,763	\$ 282,357	\$ 479,855	\$ 24,480	\$ 239,126	\$ 743,461
(2) Professional Services	\$ 30,573	\$ 57,923	\$ 68,124	\$ 286	\$ 857	\$ 5,631	\$ 164,394	\$ 571	\$ 200,025	\$ 364,990
(3) Travel	\$ 50	\$ 25,181	\$ 43	\$ 50	\$ 152	\$ 20,377	\$ 45,853	\$ 1,854	\$ 18,766	\$ 66,473
(4) Equipment	\$ -	\$ 9,257	\$ 1,779	\$ -	\$ -	\$ -	\$ 11,036	\$ -	\$ 30,867	\$ 41,903
(5) Food Services	\$ -	\$ 67,910	\$ 906	\$ -	\$ -	\$ 152	\$ 68,968	\$ 989	\$ 4,732	\$ 74,689
(6) Medical and Pharmacy	\$ 1,324,560	\$ 3,321	\$ -	\$ -	\$ -	\$ 1,733	\$ 1,329,614	\$ -	\$ -	\$ 1,329,614
(7) Subcontracted Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(8) Insurance	\$ 16,402	\$ 18,805	\$ 11,579	\$ -	\$ 4,886	\$ 26,307	\$ 77,979	\$ 4,022	\$ 26,176	\$ 108,177
(9) Interest Paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,611	\$ 27,611
(10) Operating Supplies & Expenses	\$ 4,841	\$ 28,876	\$ 23,430	\$ 655	\$ 1,399	\$ 145,724	\$ 204,925	\$ 285,061	\$ 53,245	\$ 543,231
(11) Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(12) Donated Items	\$ 1,063,617	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,063,617	\$ -	\$ -	\$ 1,063,617
TOTAL OTHER EXPENSES =	\$ 2,503,678	\$ 261,655	\$ 151,509	\$ 1,061	\$ 46,057	\$ 482,281	\$ 3,446,241	\$ 316,977	\$ 600,548	\$ 4,363,766
TOT. PERSONNEL & OTH. EXP. =	\$ 3,290,442	\$ 1,135,056	\$ 322,215	\$ 4,001	\$ 219,307	\$ 1,637,329	\$ 6,608,350	\$ 418,071	\$ 1,611,840	\$ 8,638,261
IIIC. DISTRIBUTED INDIRECT COSTS										
(b) Administration	\$ 315,625	\$ 393,813	\$ 111,794	\$ 1,388	\$ 76,090	\$ 568,079	\$ 1,466,789	\$ 145,052	\$ (1,611,841)	\$ -
TOT. DISTR'D INDIRECT COSTS =	\$ 315,625	\$ 393,813	\$ 111,794	\$ 1,388	\$ 76,090	\$ 568,079	\$ 1,466,789	\$ 145,052	\$ (1,611,841)	\$ -
TOTAL ACTUAL OPER. EXPENSES =	\$ 3,606,067	\$ 1,528,869	\$ 434,009	\$ 5,389	\$ 295,397	\$ 2,205,408	\$ 8,075,139	\$ 563,123	\$ (1,611,841)	\$ 8,638,262

AUDIT SCHEDULE

Schedule of Bed-Day Availability Payments
For Fiscal Year Ending 06/30/2012

Program	Cost Center	C	D	E	F	G	H	I
		State Contracted Rate	Total Units of Service Provided	Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies	Maximum # of Units Eligible for Payment by Department	Amount Paid for Services by the Department	Maximum \$ Value of Units in Column F	(G-H or \$0, whichever is greater)
A	B	C	D	E	F	G	H	I
Children's MH	Crisis Stabilization Unit				0		\$0.00	\$0.00
Adult MH	Crisis Stabilization Unit				0		\$0.00	\$0.00
Children's SA	Substance Abuse Detox				0		\$0.00	\$0.00
Adult SA	Substance Abuse Detox				0		\$0.00	\$0.00
Adult MH	Short-term Residential Treatment				0		\$0.00	\$0.00
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
					0		\$0.00	\$0.00
	<u>No Bed Day Availability Payments</u>							\$0.00
						Total Amount Owed to Department =		\$0.00

AUDIT SCHEDULE

**Schedule of Related Party Transaction Adjustments
for the Fiscal Year Ending 06/30/2012**

	Related Party	Allocation of Related Party Transactions Adjustment				
		State-Designated Cost Centers				
		1	2	3	Total
Revenues From Grantee						
Rent	XXX					
Services	XXX					
Interest	XXX					
Other	XXX					
Total Revenue From Grantee	XXX					
Expenses Associated with Grantee Transactions						
Personnel Services	YYY					
Depreciation	YYY					
Interest	YYY					
Other	YYY					
Total Associated Expenses	YYY					
Related Party Transaction Adjustment	<u>ZZZ</u>	<u>ZZZ</u>	<u>ZZZ</u>	<u>ZZZ</u>	<u>ZZZ</u>	<u>None</u>

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INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE

The Board of Directors
Douglas Gardens Community Mental Health Center
Of Miami Beach, Inc.
1680 Meridian Avenue
Miami, Florida 33139

We have audited the Schedule of Expenditures of Federal Awards and State Financial Assistance of the Douglas Gardens Community Mental Health Center of Miami Beach, Inc. for the year ended June 30, 2012. The Schedule of Expenditures of Federal Awards and State Financial Assistance is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Schedule of Expenditures of Federal Awards and State Financial Assistance based on our audit.

We conducted our audit 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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.650, Rules of the Auditor General, which require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on the state project occurred. An audit includes examining, on a test basis, evidence about Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s compliance with those requirements.

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

In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance referred to above presents fairly, in all material respects, the financial position of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. for the year ended June 30, 2012 in conformity with United States of America accounting principles generally accepted.

In accordance with Government Auditing Standards, we have also issued a report dated December 20, 2012 on our consideration of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.


Certified Public Accountants

December 20, 2012

DOUGLAS GARDENS COMMUNITY
HEALTH CENTER OF MIAMI BEACH, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL/STATE AGENCIES PASS THROUGH GRANTOR PROGRAM TITLE	CFDA CFSA NUMBER	CONTRACT PASS-THROUGH AWARD NUMBER	EXPENDITURES	TRANSFERS TO SUBRECIPIENTS	ARRA FUNDS
FEDERAL AWARDS PROGRAMS:					
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH FROM MIAMI-DADE COUNTY HOMELESS TRUST SUCCESSFUL INVESTMENTS	14.235 14.238	FL0235B4D00080 FL0183B4D00080	\$ 151,946 33,179	\$ -	
PASSED THROUGH MIAMI-DADE HOUSING AUTHORITY SHELTER PLUS CARE - SCATTERED SITES	14.238	FL0229C4D00100	156,600		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES SHELTER PLUS CARE HUM SUBCONTRACT					
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES ADAMH BLOCK GRANT FUNDS	93.958	KH-200	237,251		
ADULT MENTAL HEALTH					
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 578,976		
STATE OF FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES					
MENTAL HEALTH ALCOHOL AND SUBSTANCE ABUSE INDIGENT PSYCHIATRIC OUTPATIENT SERVICES	60.039 60.053	KH-200 KH-200	13,293 2,500,158		
ADULT COMMUNITY MENTAL HEALTH SUPPORT SERVICES	60.054	KH-200	112,370		
ADULT COMMUNITY MENTAL HEALTH EMERGENCY STABILIZATION COMMUNITY FORENSIC BEDS	60.114	KH-200	16,000		
ADULT MH SPECIAL PROJECTS COMMUNITY SUPPORT SERVICES	60.063	KH-200	315,000		
STATE OF FLORIDA DEPARTMENT OF ELDER AFFAIRS					
AGING AND ALZHEIMER DISEASE INITIATIVE FUNDS IN-HOME RESPIRE	65.004	KZ-1095	185,113		
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 3,141,934		
MIAMI-DADE COUNTY					
AFTERCARE CASE MANAGEMENT	0.11.708.72	12-DOUG-PB	19,920		
CITY OF MIAMI BEACH					
SERVICES GRANT			21,660		
CDBG - MAYFAIR HOTEL AIR CONDITIONER REPLACEMENT PROJECT	14.218	B-10-MC-12-0014	43,844		
TOTAL CITY OF MIAMI BEACH			\$ 65,504		

DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012

1. General

The accompanying schedule of expenditures of federal awards and state financial assistance presents the activity of all federal awards and state financial assistance programs of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. for the year ended June 30, 2012. The Organization's reporting entity is described in Note 1 to the Organization's financial statements. Federal awards and State financial assistance expended from federal and state agencies, and federal awards and state financial assistance passed through other government agencies, are included on the schedule.

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 to the Organization's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and 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.

CALLAGHAN GLASSMAN & MARGOLIS, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

7369 SHERIDAN STREET, SUITE 201
HOLLYWOOD, FLORIDA 33024

TELEPHONE (954) 986-4780
TELEFAX (954) 981-7912

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

To the Board of Directors
Douglas Gardens Community Mental Health
Center of Miami Beach, Inc.
1680 Meridian Avenue
Miami, Florida 33139

We have audited the financial statements of Douglas Gardens Community Mental Health Center of Miami Beach, Inc., as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 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 Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Internal Controls over Financial Reporting (continued)

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

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

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

December 20, 2012


Certified Public Accountants

CALLAGHAN GLASSMAN & MARGOLIS, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

7369 SHERIDAN STREET, SUITE 201
HOLLYWOOD, FLORIDA 33024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A - 133 AND APPLICABLE TO EACH MAJOR STATE PROJECTS

To the Board of Directors
Douglas Gardens Community Mental Health
Center of Miami Beach, Inc.
1680 Meridian Avenue
Miami, Florida 33139

We have audited the financial statement of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012. We conducted our audit in accordance with auditing standards generally accepted applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

We have audited Douglas Garden Community Mental Health Center of Miami Beach, Inc. compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, that could have a direct and material effect on each of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s major federal programs and requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended June 30, 2012. Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s management. Our responsibility is to express an opinion on Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s compliance based on our audit.

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

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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A - 133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and a state project occurred.

An audit includes examining, on a test basis, evidence about Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s compliance with those requirements.

In our opinion, Douglas Gardens Community Mental Health Center of Miami Beach, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. 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 the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal programs or state projects in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test the 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 the Entity's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement

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

of a federal program or state project on a timely basis. A material weakness 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 and state project that is more inconsequential will not be prevented or detected and correct 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 would not necessarily identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

Douglas Gardens Community Mental Health Center of Miami Beach, Inc. responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s responses and accordingly, we express no opinion on such responses.

This report is intended solely for the information and use of the Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s board of directors, management and federal, state and local awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Catherine Slosser + Co.
Certified Public Accountants

December 20, 2012

DOUGLAS GARDEN COMMUNITY MENTAL HEALTH
 CENTER OF MIAMI BEACH, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FEDERAL PROGRAMS AND STATE PROJECTS
 YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Reportable condition(s) identified not
 Considered to be material weaknesses yes none reported

Noncompliance material to financial
 statements noted

yes no

Federal Awards & State Financial Assistance

Internal control over major federal programs
 and/or state project:

Material weakness(es) identified? yes no

Reportable condition(s) identified
 not considered to be material weaknesses(es) yes none reported

Type of auditor's report issued on compliance for
 major federal programs and/or state projects:

Unqualified

Any audit findings disclosed that are
 required to be reported in accordance with
 Circular A-133, Section 510(a) and/or 10.656

yes no

Identification of major federal programs
 And state projects:

<u>Name of Federal Program of Cluster</u>	<u>CFDA Number(s)</u>
Substance Abuse and Mental Health Service Administration Center	93.243
Residential Substance Abuse	16.593

DOUGLAS GARDENS COMMUNITY MENTAL HEALTH
 CENTER OF MIAMI BEACH, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FEDERAL PROGRAMS AND STATE PROJECTS
 YEAR ENDED JUNE 30, 2012 (Continued)

<u>Name of State Project</u>	<u>CFSA Number(s)</u>
Baker Act	60.006
Adult Community Mental Health Community Support Services	60.053
Treatment and Aftercare Child/Adolescent	60.030
Dollar threshold used to distinguish between Type A and Type B programs for federal awards:	\$ 300,000
Dollar threshold used to distinguish between Type A and Type B projects for major state Financial assistance:	\$2,089,643
Auditee qualified as low-risk auditee pursuant to OMB Circular A-133	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE REPORTED

**SECTION III - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FINDINGS AND RESPONSES**

NONE REPORTED

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

NONE REPORTED

SECTION V - FINANCIAL ASSISTANCE - MANAGEMENT LETTER

THERE IS NO MANAGEMENT LETTER

AUDITOR GENERAL
FLORIDA SINGLE AUDIT ACT – NONPROFIT AND FOR-PROFIT ENTITIES
FINANCIAL REPORTING PACKAGE SUBMITTAL CHECKLIST
(SECTION 215.97, FLORIDA STATUTES)

Entity Name DOUGLAS GARDENS COMMUNITY MENTAL HEALTH CENTER OF MIAMI BEACH, INC.
 Entity Type (Nonprofit, For-Profit) Nonprofit
 Contact Person Name and Title LARRY LONG, BUSINESS MANAGER
 Contact Person Mailing Address 1680 MERIDIAN AVE SUITE 501
MIAMI BEACH, FL 35139
 Contact Person Phone Number 786 439 1154
 Contact Person Email Address llong@dgcmbc.org
 Fiscal Period Audited June 30, 2012
 Date Auditor Delivered Audit Report to Entity December 20, 2012

Does the financial reporting package include the following items required by Auditor General Rule 10.656(3):

Required for State single audits as defined by Section 215.97(2)(w), Florida Statutes, and project-specific audits as defined by Section 215.97(2)(v), Florida Statutes:

- A schedule of expenditures of State financial assistance as described in Auditor General Rule 10.656(3)(d)1.? NOTE: The schedule of expenditures of State financial assistance, when applicable, is required to be combined with the schedule of expenditures of Federal awards.
- The auditor's report on the schedule of State financial assistance as described in Auditor General Rule 10.656(3)(d)2.?
- The auditor's report on internal control and compliance related to major State projects as described in Auditor General Rule 10.656(3)(d)3.?
- A schedule of findings and questioned costs as described in Auditor General Rule 10.656(3)(d)4.?
- NA A summary schedule of prior audit findings as described in Auditor General Rule 10.656(3)(d)5.?
NOTE: If a schedule of prior audit findings is not presented because there are no prior audit findings to be reported, this should be stated in the schedule of findings and questioned costs.
- NA A corrective action plan as described in Auditor General Rule 10.656(3)(d)6.?
- NA The management letter defined in Auditor General Rule 10.654(1)(e), and, if applicable, a written statement of explanation or rebuttal, including corrective action to be taken, concerning the deficiencies cited in the management letter (see AG Rule 10.656(3)(e)).
NOTE: If a management letter is not presented because there are no items related to State financial assistance required to be reported in the management letter, this should be stated in the schedule of findings and questioned costs.

Are all of the above elements of the financial reporting package included in a *single document* as required by Auditor General Rule 10.656(3)?

Is *one* paper copy and *one* electronic copy of the financial reporting package being submitted as required by Auditor General Rule 10.657(1)? NOTE: There are no provisions in the statutes for any extension for filing the financial reporting package.

Is the electronic copy named using all lower case letters as follows? [fiscal year] [name of entity].pdf. For example, the converted document for the 2010-11 fiscal year for "Example Nonprofit" entity should be named 2011 example nonprofit.pdf.

Is the financial reporting package being submitted within 45 days after receipt of the financial reporting package from the auditor, but no later than 9 months after the end of the fiscal year as required by Auditor General Rule 10.657(2)?

~~Required only for State single audits as defined by Section 215.97(2)(w), Florida Statutes.~~

The annual financial statements described in Auditor General Rule 10.655, as applicable, together with related notes to the financial statements (see Auditor General Rule 10.656(3)(f))?

Required supplementary information (RSI) such as the Management's Discussion and Analysis, or the Budgetary Comparison Schedule required as RSI if not presented as part of the financial statements (see Auditor General Rule 10.655(3))? NOTE: This applies only to nonprofit organizations that are determined to be governmental entities.

The auditor's report on the financial statements as described in Auditor General Rule 10.656(3)(b)1.?

The auditor's report on compliance and internal control based on an audit of the financial statements as described in Auditor General Rule 10.656(3)(b)2.?

If applicable, the auditor's reports and related financial information required pursuant to the Federal *Single Audit Act Amendments of 1996*, OMB Circular A-133, or other applicable Federal law (see AG Rule 10.656(3)(c))?

This checklist should accompany the financial reporting package. It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact this office if assistance or clarification is needed regarding reporting requirements. Our telephone and fax numbers, and electronic addresses, are as follows:

Address –
Auditor General
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

Telephone: (850) 487-9031
Fax: (850) 487-4403

Email Address: flaudgen_localgovt@aud.state.fl.us
Web site Address: www.myflorida.com/audgen