

**HENDERSON BEHAVIORAL HEALTH, INC. AND  
SUBSIDIARIES**

**COMBINED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

June 30, 2012

HENDERSON BEHAVIORAL HEALTH, INC.  
AND SUBSIDIARIES  
COMBINED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
June 30, 2012

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# FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Henderson Behavioral Health, Inc. and Subsidiaries  
Fort Lauderdale, Florida

We have audited the accompanying combined statement of financial position of Henderson Behavioral Health, Inc. and Subsidiaries (a not-for-profit organization) (the "Organization") as of June 30, 2012, and the related combined statements of activities, functional expenses and cash flows for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2011 combined financial statements and, in our report dated October 18, 2011, we expressed an unqualified opinion on those combined financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2012 on our consideration of Henderson Behavioral Health, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Henderson Behavioral Health, Inc. and Subsidiaries

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements of Henderson Behavioral Health, Inc. and Subsidiaries taken as a whole. The accompanying schedule of expenditures of Federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations* and the Florida Single Audit Act, and is not a required part of the basic combined financial statements. Further, the schedules of other state funding, local financial assistance, program/cost center actual expenses and revenues, state earnings, and bed-day availability payments are also presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

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

Fort Lauderdale, Florida  
October 24, 2012

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
June 30, 2012  
(with comparative totals as of June 30, 2011)

**A S S E T S**

	2012	2011
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 6,345,946	\$ 5,436,443
Restricted cash	2,291,319	2,297,987
Investments	3,355,641	3,318,502
Accounts receivable, less allowance for doubtful accounts of \$ 235,243 in 2012 and 2011	1,659,981	1,806,515
Grants and contracts receivable	4,736,446	5,590,608
Promises to give	243,801	358,632
Prepaid expenses	201,082	75,754
Property and equipment, less accumulated depreciation of \$ 9,588,209 and \$ 8,745,933 in 2012 and 2011, respectively	11,957,940	12,428,061
Deposits and other assets	103,075	159,465
Total assets	\$ 30,895,231	\$ 31,471,967

**L I A B I L I T I E S   A N D   N E T   A S S E T S**

<b>LIABILITIES:</b>		
Accounts payable	\$ 188,667	\$ 363,147
Accrued expenses and other liabilities	371,267	389,193
Deferred revenue	7,500	21,797
Accrued employee compensation	633,130	1,367,846
Accrued employee leave benefits	556,455	505,489
Obligation under interest rate swap	1,582,654	979,753
Capital lease payable	222,043	285,176
Debt	6,633,943	7,035,892
Total liabilities	10,195,659	10,948,293

**COMMITMENT AND CONTINGENCIES**  
(Notes 4, 9 and 20)

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**NET ASSETS:**

Unrestricted:

Undesignated	7,533,850	7,407,267
Board designated (Note 15)	12,000,000	12,000,000
Total unrestricted net assets	19,533,850	19,407,267
Temporarily restricted	413,801	364,486
Permanently restricted	751,921	751,921
Total net assets	20,699,572	20,523,674

Total liabilities and net assets	\$ 30,895,231	\$ 31,471,967
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The accompanying notes to combined financial statements are an integral part of these statements.

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**COMBINED STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2012  
(with comparative totals for the year ended June 30, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>					
Grants from governmental agencies	\$ 25,415,409	\$ -	\$ -	\$ 25,415,409	\$ 26,303,267
Net client service revenue	7,796,939	-	-	7,796,939	6,737,385
Donated in facility use, goods and services	1,021,906	-	-	1,021,906	1,292,181
Student counseling	934,154	-	-	934,154	781,775
Rental income	898,299	-	-	898,299	920,666
Miscellaneous	359,217	-	-	359,217	424,804
Received directly - contributions	324,980	170,000	-	494,980	658,879
Investment income	62,735	-	-	62,735	332,193
	<u>36,813,639</u>	<u>170,000</u>	<u>-</u>	<u>36,983,639</u>	<u>37,451,150</u>
Net assets released from restrictions:					
Expiration of time and donor restrictions	<u>120,685</u>	<u>(120,685)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>36,934,324</u>	<u>49,315</u>	<u>-</u>	<u>36,983,639</u>	<u>37,451,150</u>
<b>EXPENSES:</b>					
Program services:					
Case management	4,717,085	-	-	4,717,085	4,658,887
Medical services	3,240,612	-	-	3,240,612	3,368,598
Crisis support/emergency	2,539,383	-	-	2,539,383	2,550,119
Non-state funded SAMH cost centers	2,326,770	-	-	2,326,770	2,314,500
Crisis stabilization	2,105,059	-	-	2,105,059	2,148,779
Outpatient	2,095,506	-	-	2,095,506	2,116,007
In-home and on-site	1,990,623	-	-	1,990,623	1,996,256
Florida assertive community treatment (FACT) team	2,033,997	-	-	2,033,997	1,981,150
Intensive case management	1,717,514	-	-	1,717,514	1,718,824
Residential level II	1,086,318	-	-	1,086,318	1,077,002
Day/night	1,043,755	-	-	1,043,755	1,033,874
Intervention	762,271	-	-	762,271	763,556
Room and board with supervision level II	702,771	-	-	702,771	693,702
Residential level III	406,837	-	-	406,837	394,975
Community comprehensive service (CCST) team	356,498	-	-	356,498	354,749
Incidental expenses	347,453	-	-	347,453	310,402
Outreach	307,973	-	-	307,973	309,826
Residential level I	271,144	-	-	271,144	269,741
Room and board with supervision Level I	230,648	-	-	230,648	229,107
Room and board with supervision level III	242,003	-	-	242,003	232,007
Supported employment	176,235	-	-	176,235	176,612
	<u>28,700,455</u>	<u>-</u>	<u>-</u>	<u>28,700,455</u>	<u>28,698,673</u>

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

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**COMBINED STATEMENT OF ACTIVITIES**

(continued)

For the Year Ended June 30, 2012

(with comparative totals for the year ended June 30, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
Support services:					
Administrative and general	4,197,539	-	-	4,197,539	4,213,866
Branch services	1,588,540	-	-	1,588,540	1,587,348
Headway New Vistas, LLC	1,570,470	-	-	1,570,470	1,595,323
Fundraising	147,836	-	-	147,836	144,451
	<u>7,504,385</u>	<u>-</u>	<u>-</u>	<u>7,504,385</u>	<u>7,540,988</u>
Total support services					
Total expenses	<u>36,204,840</u>	<u>-</u>	<u>-</u>	<u>36,204,840</u>	<u>36,239,661</u>
Change in net assets before change in fair value of interest rate swap	<u>729,484</u>	<u>49,315</u>	<u>-</u>	<u>778,799</u>	<u>1,211,489</u>
Change in fair value of interest rate swap	<u>(602,901)</u>	<u>-</u>	<u>-</u>	<u>(602,901)</u>	<u>159,441</u>
Change in net assets	<u>126,583</u>	<u>49,315</u>	<u>-</u>	<u>175,898</u>	<u>1,370,930</u>
NET ASSETS, AT BEGINNING OF YEAR	<u>19,407,267</u>	<u>364,486</u>	<u>751,921</u>	<u>20,523,674</u>	<u>19,152,744</u>
NET ASSETS, AT END OF YEAR	<u>\$ 19,533,850</u>	<u>\$ 413,801</u>	<u>\$ 751,921</u>	<u>\$ 20,699,572</u>	<u>\$ 20,523,674</u>

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



**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2012  
(with comparative totals for the year ended June 30, 2011)

	Program Services								
	Case Management	Crisis Support/ Emergency	Day/Night	In-Home and On-Site	Intensive Case Management	Florida Assertive Community Treatment (FACT) Team	Medical Services	Outpatient	Outreach
<b>PROGRAM EXPENSES:</b>									
Salaries	\$ 2,922,934	\$ 1,833,401	\$ 581,796	\$ 1,436,734	\$ 1,226,038	\$ 1,065,393	\$ 1,046,456	\$ 1,373,221	\$ 237,936
Fringe benefits	579,614	363,560	115,369	284,903	243,121	211,267	326,490	272,307	47,183
Other	617,245	11,330	22,200	20,766	22,113	497,889	18,206	143,155	1,179
Building occupancy	115,490	122,838	86,514	67,988	82,116	80,116	154,547	95,217	5,804
In-kind donations	-	-	-	-	-	-	612,743	104,527	-
Professional services	56,780	81,602	11,467	30,333	8,313	21,201	20,356	4,251	1,966
Insurance	34,960	19,422	35,853	11,171	18,845	22,244	34,601	22,353	5,501
Operating supplies and expenses	22,342	27,832	16,203	5,980	14,459	16,107	26,360	13,115	-
Equipment	39,248	29,802	19,869	23,589	38,428	49,367	19,637	10,236	2,551
Food service	7,582	1,112	96,532	9,771	11,506	4,242	-	192	-
Travel	215,097	29,839	14,279	98,681	36,203	16,191	8,053	52,824	1,811
Medical and pharmacy	94,154	3,109	1,204	437	2,098	18,115	372,453	341	-
Interest expense	-	-	-	-	-	-	-	-	-
Total direct expenses	4,705,446	2,523,847	1,001,286	1,990,353	1,703,240	2,002,132	3,239,902	2,091,739	303,931
Provision for depreciation	11,639	15,536	42,469	270	14,274	31,865	710	3,767	4,042
Total functional expenses	\$ 4,717,085	\$ 2,539,383	\$ 1,043,755	\$ 1,990,623	\$ 1,717,514	\$ 2,033,997	\$ 3,240,612	\$ 2,095,506	\$ 307,973
Allocation of branch services	\$ 280,131	\$ 153,334	\$ 62,171	\$ 120,031	\$ 103,350	\$ 119,123	\$ 203,148	\$ 127,232	\$ 18,629
Allocation of administration	\$ 644,681	\$ 352,877	\$ 143,064	\$ 276,236	\$ 238,845	\$ 274,145	\$ 471,124	\$ 292,806	\$ 42,873

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

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

(continued)

For the Year Ended June 30, 2012  
(with comparative totals for the year ended June 30, 2011)

	Program Services									
	Residential Level I	Room and Board with Supervision Level I	Residential Level II	Room and Board with Supervision Level II	Residential Level III	Room and Board with Supervision Level III	Non-State Funded SAMH Cost Centers	Supported Employment	Intervention	Crisis Stabilization
<b>PROGRAM EXPENSES:</b>										
Salaries	\$ 139,314	\$ 109,461	\$ 633,266	\$ 365,488	\$ 252,864	\$ 175,533	\$ 1,464,422	\$ 124,678	\$ 548,833	\$ 1,013,983
Fringe benefits	27,626	21,706	125,576	72,476	50,143	34,808	379,900	24,723	108,832	201,071
Other	1,906	2,006	34,544	8,952	16,015	4,597	81,174	-	20,157	121,383
Building occupancy	29,917	25,709	66,813	74,219	1,488	900	127,494	16,921	28,708	53,945
In-kind donations	-	-	-	-	-	-	-	-	-	197,710
Professional services	26,897	25,523	25,549	15,699	15,631	982	30,762	985	360	267,515
Insurance	5,729	6,257	21,674	11,454	16,447	-	-	3,451	8,398	21,667
Operating supplies and expenses	1,050	1,271	9,950	9,601	794	1,030	16,419	2,024	6,053	20,578
Equipment	4,357	6,087	23,100	9,752	2,490	2,280	17,605	3,308	1,692	48,845
Food service	28,871	27,545	130,004	116,261	7,478	4,838	106,546	134	219	116,485
Travel	190	154	5,335	212	3,810	108	13,921	-	39,019	3,128
Medical and pharmacy	341	179	568	197	28	70	1,956	-	-	22,610
Interest expense	-	-	-	-	33,185	10,446	-	-	-	-
Total direct expenses	266,198	225,898	1,076,379	684,311	400,373	235,592	2,240,199	176,224	762,271	2,088,920
Provision for depreciation	4,946	4,750	9,939	18,460	6,464	6,411	86,571	11	-	16,139
Total functional expenses	\$ 271,144	\$ 230,648	\$ 1,086,318	\$ 702,771	\$ 406,837	\$ 242,003	\$ 2,326,770	\$ 176,235	\$ 762,271	\$ 2,105,059
Allocation of branch services	\$ 16,219	\$ 13,776	\$ 64,758	\$ 41,711	\$ 24,603	\$ 14,598	\$ -	\$ 10,619	\$ 45,911	\$ 129,202
Allocation of administration	\$ 37,326	\$ 31,703	\$ 149,032	\$ 95,992	\$ 56,621	\$ 33,594	\$ 320,273	\$ 24,439	\$ 105,658	\$ 298,841

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

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

(continued)

For the Year Ended June 30, 2012  
(with comparative totals for the year ended June 30, 2011)

	Program Services				Support Services				Total 2011
	Community Comprehensive Service (CCST) Team	Incidental Expenses	Total Program Services	Administrative and General	Branch Services	Headway New Vistas LLC	Fundraising	Total Support Services	
<b>PROGRAM EXPENSES:</b>									
Salaries	\$ 219,420	\$ -	\$ 17,371,171	\$ 2,315,189	\$ 1,120,889	\$ 140,889	\$ 77,553	\$ 3,654,520	\$ 21,025,691
Fringe benefits	43,511	-	3,534,186	460,451	222,271	27,938	15,379	726,039	4,260,225
Other	5,039	316,130	1,965,986	207,762	9,530	16,483	36,349	270,124	2,236,110
Building occupancy	16,954	-	1,253,698	254,121	23,342	344,365	5,570	627,398	1,999,578
In-kind donations	-	-	914,980	106,927	-	-	-	106,927	1,881,096
Professional services	-	-	646,172	142,135	2,743	184,817	2,252	331,947	1,021,907
Insurance	5,690	-	305,717	84,272	-	115,391	-	199,663	978,119
Operating supplies and expenses	1,995	-	213,163	365,512	50,703	665	9,004	425,884	505,380
Equipment	5,979	-	358,222	157,794	82,691	22,155	634	263,274	639,047
Food service	175	-	669,493	-	-	3,495	-	3,495	621,496
Travel	43,863	-	582,718	41,482	2,743	3,114	1,095	48,434	672,988
Medical and pharmacy	5,718	31,323	554,901	-	-	-	-	-	631,152
Interest expense	-	-	43,631	-	-	290,821	-	290,821	554,901
Total direct expenses	348,344	347,453	28,414,038	4,135,645	1,514,912	1,150,133	147,836	6,948,526	334,452
Provision for depreciation	8,154	-	286,417	61,894	73,628	420,337	-	555,859	35,362,564
Total functional expenses	\$ 356,498	\$ 347,453	\$ 28,700,455	\$ 4,197,539	\$ 1,588,540	\$ 1,570,470	\$ 147,836	\$ 7,504,385	\$ 36,204,840
Allocation of branch services	\$ 21,330	\$ 18,664	\$ 1,588,540	\$ -	\$ (1,588,540)	\$ -	\$ -	\$ (1,588,540)	\$ -
Allocation of administration	\$ 49,089	\$ 42,953	\$ 3,982,172	\$ (4,197,539)	\$ -	\$ 195,377	\$ 19,990	\$ (3,982,172)	\$ -

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

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**COMBINED STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2012  
(with comparative totals for the year ended June 30, 2011)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 175,898	\$ 1,370,930
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for depreciation	842,276	792,769
Realized/unrealized (gains) losses on investments	(33,707)	(221,066)
Gain on disposal of fixed assets	-	(37,700)
Change in fair value of interest rate swap	602,901	(159,441)
Changes in assets and liabilities:		
(Increase) decrease in restricted cash (Note 18)	6,668	(247,887)
(Increase) decrease in accounts receivable	146,534	(361,529)
(Increase) decrease in grants and contracts receivable	854,162	(972,274)
(Increase) decrease in promises to give	114,831	135,874
(Increase) decrease in prepaid expenses	(125,328)	97,073
(Increase) decrease in deposits and other assets	56,390	38,806
Increase (decrease) in accounts payable	(174,480)	24,361
Increase (decrease) in accrued expenses and other liabilities	(17,926)	(149,457)
Increase (decrease) in deferred revenue	(14,297)	(30,327)
Increase (decrease) in accrued employee compensation	(734,716)	1,302,165
Increase (decrease) in accrued employee leave benefits	50,966	(13,116)
	<b>1,750,172</b>	<b>1,569,181</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	1,460,288	1,433,540
Proceeds from sale of fixed assets	-	37,700
Purchase of investments	(1,463,720)	(1,517,775)
Purchases of property and equipment	(372,155)	(758,103)
	<b>(375,587)</b>	<b>(804,638)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on capital lease	(63,133)	(45,409)
Principal payments on debt	(401,949)	(551,950)
	<b>(465,082)</b>	<b>(597,359)</b>
Net increase in cash and cash equivalents	909,503	167,184
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR</b>	<b>5,436,443</b>	<b>5,269,259</b>
<b>CASH AND CASH EQUIVALENTS, AT END OF YEAR</b>	<b>\$ 6,345,946</b>	<b>\$ 5,436,443</b>

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

HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2012  
(with comparative totals for the year ended June 30, 2011)

NOTE 1 - ORGANIZATION AND OPERATIONS

Henderson Behavioral Health, Inc. and Subsidiaries (the "Organization") provides behavioral health care throughout Broward and Palm Beach Counties, Florida. The Organization charges fees based upon its patients' ability to pay for clinical services and receive grants, contracts and contributions from various governmental and charitable agencies. Gifts, donations and volunteer services are also received from individuals and corporations.

A summary of the Organization's significant accounting policies consistently applied in the preparation of the combined financial statements follows:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958 *Not-for-Profit Entities*. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The combined financial statements include the accounts of Henderson Behavioral Health, Inc. (a not-for-profit, tax exempt organization), the parent and sole member of its two Limited Liability Company (LLC) subsidiaries, Henderson Behavioral Health, LLC and Headway New Vistas, LLC. Henderson Behavioral Health, LLC (the "Center") is responsible for delivering health services, management and other administrative services and functions. Headway New Vistas, LLC ("Headway") owns all the real estate property, which is leased to third-party tenants and the Center (Notes 9 and 12). Both of these entities operate to further enhance Henderson Behavioral Health, Inc.'s 501(c)(3) not-for-profit status.

Use of estimates:

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

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Noncash contributions are recorded at their fair value on the date received.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to give (Notes 3 and 16):

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At June 30, 2012 and 2011, the Organization had no conditional promises to give.

Accounts receivable:

Accounts receivable are carried at amounts estimated to be realized by the Organization based on past experience.

Client services are provided at rates established periodically, primarily by Medicaid intermediaries and state and local funding authorities. Payments for services may differ from the amounts billed due to subsequent changes in rates, discrepancies as to eligibility dates and approved services, and other similar issues. Allowances for doubtful accounts are recorded to reflect the differences between the amounts billed for services and expected reimbursement. The expense for these billing differences is recorded as an offset to revenue.

The Organization has established a sliding fee scale based on the Federal poverty guidelines wherein the clients are expected to pay amounts based upon their individual financial ability. Client services rendered to Medicaid program beneficiaries are reimbursed under a maximum fee for service methodology. The Organization is reimbursed at a predictable rate.

Inventories:

Inventories consist of drugs. Donated drugs are stated at fair market value. Purchased drugs are stated at current replacement cost and the resulting carrying amounts are not significantly different from that which would result if the lower of cost (first-in, first-out method) or market were used. At June 30, 2012 and 2011, drug inventory amounted to \$ 55,599 and \$ 83,183, respectively, and is included in deposits and other assets in the accompanying combined statement of financial position.

Prepaid expenses/deposits and other assets:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Deposits and other assets primarily include security deposits, utility deposits and drug inventories.

Property and equipment:

Property and equipment are carried at cost if purchased or, if donated, at fair value on the date of donation, less accumulated depreciation. The Organization follows the policy of providing for depreciation using the straight-line method over the estimated useful life of each type of asset which is as follows:

Buildings and improvements	10-39.50 years
Equipment, including air-conditioning	5-20 years
Vehicles	5 years
Furniture and fixtures	5-10 years
Landscaping, parking lot, sprinklers	10-20 years
Leasehold improvements	Lesser of lease term or 39.50 years



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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time.

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renovations are capitalized.

Functional expenses:

The Organization has a number of programs (reporting units) and maintains accounting records separately for each of them. Expenses incurred are charged to each program for direct expenditures incurred. All expenses not directly chargeable to a program are allocated based on the program's proportionate share of total expenditures.

Grant and contract revenue:

Grant and contract revenue is recognized when the allowable costs as defined by the individual grants or contracts are incurred and/or the unit of service has been performed. Grant and contracts receivable at year end represent units of service performed and/or allowable expenditures, which have not yet been reimbursed by the granting agency.

Donated services, goods, and facilities:

The Organization pays for most services requiring specific expertise. However, a number of volunteers have donated their time in certain of the Organization's program service areas. Because these donated services do not require specialized skills, its value has not been recorded in the accompanying combined financial statements. However, when the value of donated services requires specific expertise, they are reflected in the combined financial statements as revenues and expenses. For the years ended June 30, 2012 and 2011, the Organization recorded \$ 128,492 and \$ 132,172, respectively, for donated services, which related to medical services (therapists and psychiatrists) and \$ 35,000 and \$ 135,207, respectively, for advertising and public relations. Donated goods are recorded as contributions and a corresponding expense at their estimated fair value at the date of donation. During the years ended June 30, 2012 and 2011, the Center recorded \$ 608,414 and \$ 774,802, respectively, in such donations, consisting principally of drugs allocated to several of the Organization's programs.

For the years ended June 30, 2012 and 2011, the Organization also recorded donated facilities space at its fair rental value estimated at \$ 250,000 to be used for the Crisis Stabilization Unit.

Investments:

Readily marketable investments are primarily held in brokerage accounts administered for the Organization. The broker is responsible for the custody and disbursement of funds on instructions from the Board of Directors/Finance Committee of the Organization.

Readily marketable investments are stated at fair value using quoted market prices. In accordance with the policy of stating investments at fair value, net unrealized appreciation or depreciation for the year is reflected in the accompanying statements of activities.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents:

The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains its cash balances in one financial institution located in Florida, which at times, has exceeded federally insured limits.

The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Joint costs of fundraising appeals:

The Organization utilizes various pamphlets, brochures and information methods to inform the general public of their activities and to solicit funds. These costs are charged to fundraising.

Accrued employee leave benefits:

The Organization accrues for employee vacation time up to a maximum of 80 hours per employee. The accrual is calculated at current salary rates.

Deferred revenue:

Grant and contract revenue that is not recognized because the allowable cost as defined by the individual contract has not been incurred is considered deferred revenue.

Derivative financial instruments (Note 10):

The Organization makes limited use of derivative instruments for the purpose of managing interest rate risks. An interest rate swap agreement is used to partially convert the Organization's variable rate long-term debt to a fixed rate.

Reclassifications:

Certain accounts in the prior year combined financial statements have been reclassified to conform with the presentation in the current year combined financial statements.

Date of management review:

Subsequent events were evaluated through October 24, 2012, which is the date the combined financial statements were available for issuance.



**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
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**NOTE 3 - PROMISES TO GIVE**

The composition of unconditional promises to give (Notes 2 and 16) is as follows:

		2012		2011
Receivable in less than one year	\$	152,214	\$	142,004
Receivable in one to five years		102,600		238,600
Total unconditional promises to give		254,814		380,604
Less allowance for uncollectible promises		-		-
Less discounts to net present value at 3.25 %		(11,013)		(21,972)
Net unconditional promises to give	\$	243,801	\$	358,632

Promises to give are expected to be fully collected in the year they are due and no allowance for uncollectible promises to give was recorded as of June 30, 2012 and 2011.

**NOTE 4 - GRANTS AND CONTRACTS FOR ORGANIZATION OPERATIONS**

Funding agreements for services to be provided are generally entered into on an annual basis. The release of funds are subject to monies being made available by the Federal government, the Florida Legislature, the Broward County Board of County Commissioners and certain other grantor agencies. Generally, agreements may be terminated by either party upon thirty to ninety days written notice. However, such an event would be unlikely if contract performance continues to be satisfactory.

In addition, certain funding arrangements require the Organization to provide additional services on a specified matching basis. In all such contract arrangements, the Organization has met its matching requirements.

Program expenditures made by the Organization are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In certain instances, the grantor may increase its grant of funds to the Organization to offset amounts which would otherwise be refundable based on audits. As of June 30, 2012, the Organization had no amounts required to be returned as a result of such audits.

Matching requirements, which are based on revenues earned for the year ended June 30, 2012, rather than contractual amounts, are as follows:

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NOTE 4 - GRANTS AND CONTRACTS FOR ORGANIZATION OPERATIONS (continued)

<u>Grantor</u>	<u>Contract Number</u>	<u>Matching Requirement</u>
State of Florida Department of Children and Families	JH-327	\$ 2,258,227
Broward County	12-CP-CSA-8263-01	78,710
	08-CSAD-8263-02	19,591
	08-CSAD-8263-01	22,197
	09-CSAD-8263-01/2	24,058
	12-CP-CSA-8263-03	51,558
	12-CP-CSA-8263-02	45,320
	10-CP-CSA-8263-01	55,672
	10-CP-CSA-8263-01/1	113,345
	10-HIP-8263-8	81,601
	10-HIP-8263-7	4,860
	10-CP-HIP-8263-7	17,185
	07-8263-HUD-2	68,920
Broward Healthy Start Coalition, Inc.	HMHC/CC10	85,466
Children's Services Council of Broward County	07-2159	5,812
	11-2153	15,581
	07-2150	33,972
	08-2151	16,948
	08-2152	11,426
	11-2154	18,994
		<u>\$ 3,029,443</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Buildings and improvements	\$ 15,027,516	\$ 14,961,724
Equipment, including air-conditioning	3,178,056	2,946,850
Vehicles	898,266	823,109
Furniture and fixtures	531,956	531,956
Landscaping, parking lot, sprinklers	77,977	77,977
Leasehold improvements	<u>61,309</u>	<u>61,309</u>
	19,775,080	19,402,925
Less accumulated depreciation	<u>(9,588,209)</u>	<u>(8,745,933)</u>
	10,186,871	10,656,992
Land	<u>1,771,069</u>	<u>1,771,069</u>
	<u>\$ 11,957,940</u>	<u>\$ 12,428,061</u>

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NOTE 5 - PROPERTY AND EQUIPMENT (continued)

The provision for depreciation for the years ended June 30, 2012 and 2011 was \$ 842,276 and \$ 792,769, respectively.

NOTE 6 - EMPLOYEE BENEFIT PLANS

The Organization provides a noncontributory revenue sharing retirement plan (the "Plan") covering substantially all of its employees. Contributions by the Organization to the Plan are determined annually by the Board of Directors and allocated based on participant compensation. The revenue sharing retirement plan contributions for the years ended June 30, 2012 and 2011 was \$ 650,513 and \$ 628,293, respectively.

The Organization also offers all employees a tax sheltered annuity program under Internal Revenue Code Section 403(b). Employees may contribute a maximum of 20% of their annual compensation to the program subject to certain limitations. No contributions are made by the Organization to this program.

In addition, the Organization maintains a Section 125 cafeteria plan for the benefit of its employees. No contribution is required of the Organization to this Plan.

NOTE 7 - INVESTMENTS

The Organization previously adopted Statement of Financial Accounting Standards in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures* for fair value measurements of investments that are recognized and disclosed at fair value in the combined financial statements on a recurring basis. ASC No. 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly (e.g. quoted prices in active markets for similar securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 inputs are unobservable inputs for the investments (e.g. information about assumptions, including risk, market participants would use in pricing a security).

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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NOTE 7 – INVESTMENTS (continued)

The following table represents the investments as held by the Organization at June 30, 2012:

ASSET CLASS:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2012</u>
Domestic fixed income securities	\$ 1,127,376	\$ -	\$ -	\$ 1,127,376
U.S. treasury securities	782,337	-	-	782,337
Domestic equities	637,390	-	-	637,390
International equities	315,335	-	-	315,335
Commodities	168,514	-	-	168,514
Real estate funds	116,235	-	-	116,235
International fixed income securities	108,293	-	-	108,293
Money market/cash	<u>100,161</u>	<u>-</u>	<u>-</u>	<u>100,161</u>
Total	<u>\$ 3,355,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,355,641</u>

The following table represents the investments as held by the Organization at June 30, 2011:

ASSET CLASS:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2011</u>
Domestic fixed income securities	\$ 889,565	\$ -	\$ -	\$ 889,565
Domestic equities	637,031	-	-	637,031
Money market/cash	592,452	-	-	592,452
U.S. treasury securities	510,634	-	-	510,634
International equities	379,409	-	-	379,409
Commodities	180,382	-	-	180,382
Real estate funds	75,346	-	-	75,346
International fixed income securities	<u>53,683</u>	<u>-</u>	<u>-</u>	<u>53,683</u>
Total	<u>\$ 3,318,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,318,502</u>

The input or methodology used for valuing securities is not necessarily an indicator of risk associated with investing in those securities.

Investment income (loss) relative to these investments is composed of:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 66,050	\$ 60,636
Investment fees and charges	(12,867)	(11,868)
Unrealized gain (loss) on investments	(114,083)	202,969
Realized gain (loss) on investments	<u>81,741</u>	<u>18,097</u>
	<u>\$ 20,841</u>	<u>\$ 269,834</u>

In addition, the Organization earned other interest income totaling \$ 41,894 and \$ 62,359 for 2012 and 2011, respectively.

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NOTE 7 – INVESTMENTS (continued)

At June 30, 2012, the Organization’s investments are categorized as follows:

		<u>2012</u>
Unrestricted	\$	2,603,720
Permanently restricted		<u>751,921</u>
	\$	<u><u>3,355,641</u></u>

At June 30, 2011, the Organization’s investments are categorized as follows:

		<u>2011</u>
Unrestricted	\$	2,566,581
Permanently restricted		<u>751,921</u>
	\$	<u><u>3,318,502</u></u>

NOTE 8 - DEFERRED COMPENSATION PLAN

The Organization has a nonqualified, unfunded deferred compensation plan for certain former executives providing for payments upon retirement, death or disability. Under the plan, certain retired employees receive payments for the remainder of their lives. Amounts accumulated for this purpose totaled \$ 1,188 and \$ 7,982 at June 30, 2012 and 2011, and is included in accrued employee compensation in the accompanying combined statement of financial position. Plan expense for the years ended June 30, 2012 and 2011 was \$ 405 and \$ 942, respectively.

NOTE 9 - LEASE COMMITMENTS

Operating leases:

The Organization maintains real estate rental arrangements at two locations, these respective leases have expired as of the year ended June 30, 2012. Rental payments are based upon verbal agreements on a month-to month basis of approximately \$ 10,500, plus applicable incidental expenses. Total rent expense in connection with these arrangements amounted to approximately \$ 126,000 and \$ 125,300 in 2012 and 2011, respectively.

In addition, the Organization leased certain real estate from Headway (Note 2) for approximately \$ 783,200 and \$ 781,500 in fiscal years 2012 and 2011, respectively.

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NOTE 9 - LEASE COMMITMENTS (continued)

Capital lease:

During the year ended June 30, 2011, the Organization entered into a lease agreement for office equipment that was classified as a capital lease. The cost of the equipment under this capital lease is included in the statement of financial position as property and equipment of \$ 330,585. Accumulated depreciation of the leased equipment at June 30, 2012 and 2011 was \$ 115,705 and \$ 49,588, respectively.

The future minimum lease payments required under this capital lease and the present value of the net minimum lease payments as of June 30, 2012 are as follows:

Year ending <u>June 30</u>	<u>Amount</u>
2013	\$ 72,612
2014	72,612
2015	72,612
2016	<u>18,153</u>
Total minimum lease payments	\$ <u><u>235,989</u></u>
	<u>Amount</u>
Total minimum lease payments	\$ 235,989
Less: amount representing interest at 3.25%	<u>13,946</u>
Present value of net minimum capital lease payments	\$ <u><u>222,043</u></u>

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NOTE 10 - DEBT

Debt at June 30, 2012 and 2011 is summarized as follows:

	2012	2011
<p>Broward County (FL) Health Facilities Authority Variable Rate (0.200% and 0.215%) at June 30, 2012 and 2011, respectively) Demand Revenue Bonds, Series 2004, payable in monthly installments of interest only through June 2018; and principal and interest monthly installments beginning July 2018 through July 2029 with principal amounts ranging from \$ 26,250 to \$ 46,666. Collateralized by a \$ 5,167,069 letter of credit expiring on December 15, 2012. The letter of credit which collateralizes the revenue bonds is secured by real property with a net book value of approximately \$ 6,882,000 (2012) and \$ 7,158,000 (2011) plus certain improvements, equipment, furniture and fixtures, and an assignment of rents/leases. Further, the letter of credit is cross-collateralized and cross-defaulted with the mortgage loan described below and the line of credit discussed in Note 11.</p>	\$ 5,100,000	\$ 5,100,000
<p>First mortgage loan, variable interest rate based on Prime plus .50% (3.75% at June 30, 2012 and 2011) payable in a monthly fixed principal amount of \$ 8,496 plus interest through December 2014, at which time a lump payment of approximately \$ 1,330,000 will be due. During the year ended June 30, 2012, the Organization prepaid \$ 300,000 of the previous outstanding principal balance reducing the lump payment to the amount noted above. This mortgage loan is secured by real property with a net book value of approximately \$ 6,882,000 (2012) and \$ 7,158,000 (2011) plus certain improvements, equipment, furniture and fixtures and an assignment of rents/leases. Further, this mortgage loan is cross-collateralized and cross-defaulted with the letter of credit described above and the line of credit discussed in Note 11.</p>	<u>1,533,943</u>	<u>1,935,892</u>
	\$ 6,633,943	\$ 7,035,892



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**NOTE 10 – DEBT (continued)**

In conjunction with the issuance of the Broward County (FL) Health Facilities Authority Variable Rate Demand Revenue Bonds, the Organization previously entered into an interest rate swap agreement with a bank that expires in July 2029. The agreement effectively converts the variable rate debt to fixed rate debt to the extent of the notional amount. For the notional principal amount of \$ 5,100,000, the fixed rate being paid to the bank is 4.13%, while the payment received from the bank is 0.16% and 0.13% as of June 30, 2012 and 2011, respectively (BMA index - Bond Market Association average market rate paid on tax exempt notes).

The fair value (obligation) of the interest rate swaps at June 30, 2012 and 2011 was \$ (1,582,654) and \$ (979,753), respectively. The net change in fair value of fixed interest rate swaps for the years ended June 30, 2012 and 2011 was \$ (602,901) and \$ 159,441, respectively. These negative values would have been incurred had the Organization elected to close this transaction at June 30, 2012 and 2011. However, it is management’s intention to carry this transaction through maturity.

Future maturities of debt are approximately as follows:

<u>Year Ending June 30</u>	<u>2012</u>	<u>2011</u>
2012	\$ -	\$ 101,900
2013	\$ 101,900	\$ 101,900
2014	\$ 101,900	\$ 101,900
2015	\$ 1,330,100	\$ 1,630,200
2016	\$ -	\$ -
Thereafter	\$ 5,100,000	\$ 5,100,000

**NOTE 11 - LINE OF CREDIT**

At June 30, 2012 and 2011, the Organization had available a \$ 500,000 revolving line of credit with a bank for working capital needs which will expire in December 2012. Interest is charged at a variable prime rate plus (3.25% at June 30, 2012 and 2011) and payable monthly on the outstanding balance. In addition, this line of credit is cross-collateralized and cross-defaulted with the debt agreements above (Note 10). At June 30, 2012 and 2011, the Organization had no outstanding balance on the line of credit. Furthermore, this line of credit establishes a number of restrictive covenants which must be adhered to by the Organization. At June 30, 2012, the Organization was in compliance with all of its covenants.

**NOTE 12 - INCOME TAXES**

Henderson Behavioral Health, Inc. is a not-for-profit organization, exempt from tax under Internal Revenue Code Section 501(c)(3). Henderson Behavioral Health, LLC and Headway New Vistas, LLC are both Florida limited liability companies wholly owned by Henderson Behavioral Health, Inc. Both limited liability companies are treated as disregarded entities for Federal and state income tax and exist to further enhance Henderson Behavioral Health, Inc.’s 501(c)(3) not-for-profit status. Therefore, no tax provision has been made in the accompanying combined financial statements (Note 2).



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**NOTE 13 - RELATED PARTY TRANSACTIONS**

The Organization is related to Henderson Center Residential Services, Inc., a Florida not-for-profit corporation, through common board members. The Organization has sponsored Henderson Center Residential Services, Inc. in a program with the United States Department of Housing and Urban Development (HUD).

The HUD program consists of operating a sixteen unit independent living facility in Pompano Beach, Florida. HUD granted Henderson Center Residential Services, Inc. a 9.25%, forty year mortgage note in 1990. Principal and interest are payable in monthly installments of \$ 4,524 over 40 years. This mortgage note had a balance of \$ 470,793 and \$ 481,015 as of June 30, 2012 and 2011, respectively. The Organization has guaranteed this mortgage obligation. The Organization would be required to perform under the guarantee in the event of nonpayment of mortgage note payments to HUD. At June 30, 2012, the maximum potential amount of future payments the Organization could be required to make under the agreement is the outstanding balance of the obligation and any accrued interest thereon. There are no Organizational assets held as security for the loan. Collateral for the mortgage note is the purchased facility.

Henderson Center Residential Services, Inc. relies on the Organization to provide it with support in areas such as management and accounting. The Organization charges Henderson Center Residential Services, Inc. a monthly management fee for these services. Total management fees for the years ended June 30, 2012 and 2011 were \$ 4,500. Additionally, the Organization had balances included in accounts receivable for the years ended June 30, 2012 and 2011 of \$ 430,784 and \$ 400,948 , respectively, relating to amounts paid by the Organization on behalf of Henderson Center Residential Services, Inc.; however, management maintains a reserve of \$ 235,242 as of June 30, 2012 and 2011 due to the remote likelihood of its collection in full.

**NOTE 14 - CONCENTRATION IN OPERATIONS**

The Organization received approximately 38% of its total revenues from the State of Florida Department of Children and Families for the years ended June 30, 2012 and 2011, respectively. The Organization also received 20% and 22% of its total funding from Broward County for the years ended June 30, 2012 and 2011, respectively. In addition, receivables due from the State of Florida Department of Children and Families and Broward County were approximately 53% and 33% of total grants and contract receivables at June 30, 2012 and 64% and 26% at June 30, 2011, respectively. A significant funding policy change at these governmental entities could have an adverse effect on the Organization's operations.

**NOTE 15 - DESIGNATED UNRESTRICTED NET ASSETS**

At June 30, 2012 and 2011, the Board of Directors had designated unrestricted net assets to be set-aside for the following purposes:

Operating expenses reserve	\$	9,000,000
Capital/technology purchases		<u>3,000,000</u>
	\$	<u><u>12,000,000</u></u>

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**NOTE 16 - TEMPORARY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of promises to give (Note 2 and 3) restricted for succeeding year's activities amounting to \$ 243,801 and \$ 358,632 at June 30, 2012 and 2011. Donor restricted support during the years ended June 30, 2012 and 2011 were \$ 170,000 and \$ 5,854, respectively.

**NOTE 17 - ENDOWMENTS**

The Organization's endowment consists of three individual funds established for a variety of purposes. These donor-restricted funds function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretations of Relevant Law:

The Organization has interpreted the State of Florida's Uniform Management of Institutional Funds Act ("FUMIFA") as requiring the preservation of the fair value of an original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUMIFA. In accordance with FUMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>
Donor-restricted endowment funds	\$ (1,329)	\$ -	\$ 751,921	\$ 750,592
Board-designated endowment funds	-	-	-	-
Total funds	<u>\$ (1,329)</u>	<u>\$ -</u>	<u>\$ 751,921</u>	<u>\$ 750,592</u>

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
 June 30, 2012  
 (with comparative totals for the year ended June 30, 2011)

NOTE 17 – ENDOWMENTS (continued)

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>
Donor-restricted endowment funds	\$ 3,577	\$ -	\$ 751,921	\$ 755,498
Board-designated endowment funds	-	-	-	-
Total funds	<u>\$ 3,577</u>	<u>\$ -</u>	<u>\$ 751,921</u>	<u>\$ 755,498</u>

Changes in endowment net assets for the year ended June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>
Endowment net assets, at beginning of year	\$ 3,577	\$ -	\$ 751,921	\$ 755,498
Investment income	5,293	-	-	5,293
Net depreciation (realized and unrealized)	(1,049)	-	-	(1,049)
Contributions	-	-	-	-
Expenditures	(9,150)	-	-	(9,150)
Other transfers	-	-	-	-
Endowment net assets, at end of year	<u>\$ (1,329)</u>	<u>\$ -</u>	<u>\$ 751,921</u>	<u>\$ 750,592</u>

Changes in endowment net assets for the year ended June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>
Endowment net assets, at beginning of year	\$ 24,402	\$ -	\$ 751,921	\$ 776,323
Investment income	5,606	-	-	5,606
Net appreciation (realized and unrealized)	5,347	-	-	5,347
Contributions	-	-	-	-
Expenditures	(31,778)	-	-	(31,778)
Other transfers	-	-	-	-
Endowment net assets, at end of year	<u>\$ 3,577</u>	<u>\$ -</u>	<u>\$ 751,921</u>	<u>\$ 755,498</u>

Effective July 1, 2012, the State of Florida adopted its version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) which is applicable to the Organization. The Organization does not expect any significant impact on its policies.

HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2012  
(with comparative totals for the year ended June 30, 2011)

NOTE 17 – ENDOWMENTS (continued)

Funds with Deficiencies:

From time to time the fair value of certain endowments may fall under historical values (original gift/book values), and therefore, are considered to be underwater. The fair value of deficiencies of underwater investments was \$ 1,329 at June 30, 2012. This deficiency has been recorded as reductions in unrestricted net assets in accordance with accounting principles generally accepted in the United States of America. Future gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the historical cost value of such funds increases unrestricted net assets.

Return Objectives and Risk Parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce expected returns of the consumer price index plus 500 basis points while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that includes equity investments, fixed income investments, mutual funds, treasury securities, money markets, and cash using prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Organization has a policy of appropriating for distribution each year 5 percent of the trailing three years average market value on June 30<sup>th</sup> of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an annual rate equal or greater than the consumer price index. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Permanent Endowment:

The Organization previously entered into agreements with the Community Foundation of Broward, Inc., a Florida non-profit corporation (the "Foundation") to create designated funds to serve as permanent endowments on behalf of the Organization. Distributions from the funds will only be made with the approval and authorization of the Board of Trustees of the Foundation and the funds are the property of the Foundation. As such, they are not carried as an asset of the Organization. It is the general policy of the Foundation to make distributions to the Organization from the endowments at least once annually. The ending asset value of the endowments at June 30, 2012 and 2011 was \$ 172,918 and \$ 185,764, respectively.

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
 June 30, 2012  
 (with comparative totals for the year ended June 30, 2011)

**NOTE 18 – RESTRICTED CASH**

Restricted cash consists of cash deposited in the Organization’s bank accounts on behalf of clients. The Organization is trustee for client funds which are expended on behalf of the clients for personal items. The related liability is included in “accrued expenses and other liabilities” on the combined statement of financial position. The total amount of restricted cash held on behalf of clients at June 30, 2012 and 2011 was \$ 301,319 and \$ 307,987, respectively.

In addition, the Organization is also required to have collateral for the interest rate swap agreement (Note 10) which is also classified as restricted cash. The balance of this collateral account was \$ 1,990,000 at June 30, 2012 and 2011, respectively and is recorded in a separate account held by the same financial institution which holds the interest rate swap.

**NOTE 19 - SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental Disclosure of Other Cash Flow Information:

	2012	2011
Cash received during the year for - Interest and dividend income	\$ 66,050	\$ 122,995
Cash paid during the year for - Interest expense	\$ 353,203	\$ 364,064

**NOTE 20 - CONTINGENCIES**

The Organization is subject to claims and litigations arising in the normal course of operations. The Organization does not believe the outcome of any such claims will be material to its financial position.

At June 30, 2012 and 2011, a portion of the Organization’s real property, with a net book value of approximately \$ 1,391,900 and \$ 1,451,900, respectively, was originally acquired with funds provided under a contract with Broward County, Florida. Certain “special provisions” of the contract require that the property shall be used for the originally authorized purpose for a period ending September 2023. If the property is no longer necessary for operations prior to September 2023, the Organization must obtain approval from Broward County, Florida to use the property for other purposes. After September 2023, Broward County, Florida will no longer have a claim to the property. Broward County’s claim to the property is evidenced by recorded mortgages. Such liens reported an outstanding balance as of June 30, 2012 and 2011 of approximately \$ 678,200 and \$ 792,900, respectively.

In addition, Broward County has awarded the Organization funds to provide for the rehabilitation of several properties. Certain “special provisions” of the contracts restrict the use of the facilities through January 2016. Broward County’s claim to the properties is evidenced by recorded mortgages. Such liens reported an outstanding balance as of June 30, 2012 and 2011 of approximately \$ 7,000 and \$ 8,900, respectively.

# SUPPLEMENTAL INFORMATION

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2012

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
<b>FEDERAL AGENCY NAME:</b>				
Indirect Programs:				
Department of Health and Human Services - Passed through the State of Florida	93.767	JH-328	\$ 1,058,000	\$ -
Department of Children and Families - Alcohol, Drug Abuse and Mental Services	93.150	JH-328	267,855	-
	93.959	JH-328	35,025	-
	93.958	JH-306	156,002	-
	* 93.778	JH-306	281,666	-
	93.958	IH-595	156,002	-
	* 93.778	IH-595	281,666	-
Passed through University of South Florida - Research on Healthcare Costs	93.226	6119-1275-00-B	22,500	-
Quality and Outcomes	* 93.778	5820-1161-00-J	30,000	-
Research on Medical Assistance Program	* 93.778	5820-1161-00-K	16,641	-
Research on Medical Assistance Program				
Passed through Child Net, Inc. - Placement Partnership Program	93.958	HEN11PPP	394,313	-
Project Connect	93.958	HEN11FRS	498,717	-
Residential Group Care Program Services	93.658	HEN11RGC	180,367	-
	93.667	HEN11RGC	126,347	-
Residential Group Care Program Services	93.658	HEN11RGC2	82,388	-
	93.667	HEN11RGC2	57,713	-
Passed through Broward Healthy Start Coalition, Inc. - Care Coordination Services	93.994	HMHCC/CC10	22,231	-
	* 93.778	HMHCC/CC10	122,096	-



**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**

(continued)

For the Year Ended June 30, 2012

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
<b>FEDERAL AGENCY NAME (continued):</b>				
Indirect Programs (continued):				
Department of Housing and Urban Development - Passed through Broward County, Florida Supportive Housing Program	* 14.235	07-8263-HUD-2	289,462	-
Passed through Hollywood Housing Authority - Shelter Plus Care	* 14.238	FL14K001003	216,475	-
Passed through Broward County Emergency Solutions Grant Program	14.231	-	57,328	-
Department of Education - Passed through the State of Florida Department of Education Supported Employment Services	84.126 84.126	VJ-962 VJ-608	38,900 63,037	- -
Department of Agriculture - Passed through State of Florida Department of Elder Affairs Child and Adult Care Food Program	10.558 10.558	Y-2050 Y-1050	27,684 15,345	- -
Total expenditures of Federal Awards			\$ 4,497,760	\$ -



**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**

(continued)

For the Year Ended June 30, 2012

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
<b>STATE AGENCY NAME:</b>				
<b>Direct Projects:</b>				
State of Florida, Department of Children and Families - Alcohol, Drug Abuse and Mental Health Services	*	JH-327	\$ 5,162,110	\$ -
	60.053	JH-327	2,824,516	-
	60.006	JH-327	534,779	-
	*	JH-327	469,128	-
	60.001	JH-327	379,450	-
	60.057	JH-327	270,000	-
	60.054	JH-327	253,400	-
	60.100	JH-306	253,400	-
	60.042	IH-595	188,000	-
	60.042	JH-327	113,795	-
	60.114	JH-327	90,000	-
	60.048	JH-327	68,295	-
	60.063	JH-327	51,851	-
	60.033	JH-327		
	60.039	JH-327		
State of Florida, Department of Juvenile Justice - Mental Health and Substance Abuse Services	80.011	X-1433	100,344	-
	80.011	X-1557	22,650	-
	80.011	X-2049	28,497	-
State of Florida, Department of Corrections - Substance Abuse Services - Recently Assertive Community Treatment	70.016	HENDERSON	48,382	-

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**

(continued)

For the Year Ended June 30, 2012

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
<b>Indirect Projects:</b>				
State of Florida, Department of Children and Families - Passed through Child Net, Inc. -				
Residential Group Care	60.094	HEN10RGC	144,185	-
Residential Group Care	60.094	HEN10RGC2	<u>65,861</u>	<u>-</u>
<b>Total Expenditures of State Financial Assistance</b>			<b>\$ <u>11,068,643</u></b>	<b><u>-</u></b>

\* Denotes a major program/project

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF OTHER STATE FUNDING**  
 For the Year Ended June 30, 2012

<u>Grantor</u>	<u>Program Title</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
OTHER STATE FUNDING Department of Children and Families -	Alcohol, Drug Abuse and Mental Health Services	JH-306 IH-595	\$ 563,330 <u>563,330</u>	\$ - <u>-</u>
Total Expenditures of Other State Financial Assistance			\$ <u><u>1,126,660</u></u>	\$ <u><u>-</u></u>

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF LOCAL FINANCIAL ASSISTANCE**  
 For the Year Ended June 30, 2012

<u>Grantor</u>	<u>Program Title</u>	<u>Contract Number</u>	<u>County Taxonomy Code</u>	<u>Expenditures</u>
LOCAL FINANCIAL ASSISTANCE: Broward County	Local Match	12-CP-HCS-8263-LM	PH-100, RR-650, TJ-650.630, RP-655, RM-700, LX-825, RR	\$ 1,153,598
	Co-Occurring	12-CP-CSA-8263 03	LX-150, LX-650.820, LX-700, RF-200, RF-330, RF-250, RF-650 RM-330.650-15, RR-500.150, RR-680.500, RD-100.100, TP-850.850	756,433
	Family Intervention Team	10-CP-CSA-8263-01	RF-330, RF-200, RF-250	518,946
	General Case Management	12-CP-CSA-8263-01	PH-100, PH-236,950, TJ300.800	600,573
	Wraparound Case Management	12-CP-CSA-8263-01	PH-100, PH-236,950, TJ300.800	604,408
	Family Counseling	10-CP-CSA-8263-01/2	RF-330, RF-200, RF-250	554,976
	ART Behavioral	12-CP-CSA-8263-03	RP-330, RF-200, RF-250, TP-850.850	114,003
	Family Counseling - Expansion	09-CSAD-8263-01	PH-100, PH-236,950, TJ300.800	61,275
	Crisis Stabilization	12-CP-HCS-8263-LM	RM-330.330	509,597
	Safe Haven - Board and Care	10-HIP-8263-8	PF-100	816,010
	Mobile Crisis Services	08-SAHCS-8263-01	RP-150	404,090
	Court Project - Crisis Shelter, Transitional Shelter and Rental Assistance	10-CP-HIP-8263-7	BH-180.150, BH-18-950,	220,452

HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES  
 SCHEDULE OF LOCAL FINANCIAL ASSISTANCE

(continued)

For the Year Ended June 30, 2012

Grantor	Program Title	Contract Number	County Taxonomy Code	Expenditures
LOCAL FINANCIAL ASSISTANCE (continued):				
Broward County (continued)	Chronic Homeless Initiative (HHOPE) - Supported Employment Services, Co-Occurring Treatment and Peer Mentoring	12-CP-HIP-8263-01	ND-360,825, RF-650, RD-150	259,030
	Responding Effectively to Adolescents and Children at Home			453,195
	(REACH) -	12-CP-CSA-8263-02	--	8,580
	Charlee House Renovations	10-HSD-8263-01	--	<u>7,035,166</u>
Broward County - Sheriff's Office	Drug Court - Medical Director	P.O.#00700411	--	<u>63,859</u>
Child Net, Inc. -	Residential Group Care Residential Group Care	HEN10RGC HEN10RGC2	--	11,860 <u>2,523</u>
				<u>14,383</u>

HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES  
 SCHEDULE OF LOCAL FINANCIAL ASSISTANCE

(continued)

For the Year Ended June 30, 2012

Grantor	Program Title	Contract Number	County Taxonomy Code	Expenditures
LOCAL FINANCIAL ASSISTANCE (continued):				
Children Services Council of Broward County	Family Strengthening - Multi-Systemic Therapy	07-2153	--	423,841
	Family Strengthening - Family Resource Team	07-2150	--	93,157
	Diversion Wraparound	10-2152	--	217,140
	Wilson Gardens	08-2151	--	82,094
	Preventing Unnecessary Placements (PUP)	11-2154		<u>382,906</u>
Broward Healthy Start Coalition, Inc. -	Case Management Services	HMHC/CC10		<u>1,199,138</u>
City of Fort Lauderdale	Youth Emergency Services	RQ-19210363	--	11,250
	Youth Emergency Services	RQ-10240454	--	<u>3,750</u>
Dade Community Foundation	Victory Program	HENDERSON	--	<u>15,000</u>
				<u>43,045</u>
	Total expenditures of Local Financial Assistance			<u>\$ 8,505,216</u>

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL**  
**ASSISTANCE, OTHER STATE FUNDING AND LOCAL FINANCIAL ASSISTANCE**  
June 30, 2012

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance, Other State Funding and Local Financial Assistance include the grant activity of Henderson Behavioral Health, Inc. and Subsidiaries and are presented on the accrual basis of accounting. The information in the Schedule of Expenditures of Federal Awards and State Financial Assistance is presented in accordance with the requirements of by U.S. Office of Management and Budget (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 these schedules may differ from amounts presented in or used in the preparation of the financial statements.

**NOTE 2 – CONTINGENCY**

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

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**  
**For the Year Ended June 30, 2012**

Funding Sources and Revenues	Adult Mental Health						
	Case Management	Intensive Case Management	Outpatient	Medical Services	In-Home and On-Site	Day/Night	Outreach
<b>STATE SAMH FUNDING:</b>							
From the District funding these contracts							
Circuit 15 and 17	\$ 721,931	\$ 436,886	\$ 758,820	\$ 1,327,431	\$ 69,878	\$ -	\$ -
Total state SAMH funding	<u>721,931</u>	<u>436,886</u>	<u>758,820</u>	<u>1,327,431</u>	<u>69,878</u>	<u>-</u>	<u>-</u>
<b>OTHER GOVERNMENT FUNDING:</b>							
Local government	283,973	-	18,696	330,665	-	197,285	197,460
Medicaid	570,154	929,852	179,185	769,579	329,259	1,562,179	6,830
Other state agency funding	-	61,495	-	-	-	64,430	-
Total other government funding	<u>854,127</u>	<u>991,347</u>	<u>197,881</u>	<u>1,100,244</u>	<u>329,259</u>	<u>1,823,894</u>	<u>204,290</u>
<b>ALL OTHER REVENUES:</b>							
Other	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-
Student counseling	-	-	934,154	-	-	-	-
In-kind	-	-	128,492	608,414	-	-	-
Contributions and donations	4,691	2,418	-	-	-	-	-
First and second party payments	2,846	-	44,937	58,277	330	-	-
Medicare	-	-	-	342,521	-	-	-
Total all other revenues	<u>7,537</u>	<u>2,418</u>	<u>1,107,583</u>	<u>1,009,212</u>	<u>330</u>	<u>-</u>	<u>-</u>
Total funding	<u>\$ 1,583,595</u>	<u>\$ 1,430,651</u>	<u>\$ 2,064,284</u>	<u>\$ 3,436,887</u>	<u>\$ 399,467</u>	<u>\$ 1,823,894</u>	<u>\$ 204,290</u>



**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**

(continued)

For the Year Ended June 30, 2012

Funding Sources and Revenues	Adult Mental Health							
	Crisis Stabilization	Crisis/ Support Emergency	Florida Assertive Community Treatment (FACT)Team	Residential Level I	Room and Board with Supervision Level I	Residential Level II	Room and Board with Supervision Level II	Residential Level III
STATE SAMH FUNDING:								
From the District funding these contracts								
Circuit 15 and 17	\$ 1,993,134	\$ 1,137,832	\$ 2,508,800	\$ 383,913	\$ 116,795	\$ 920,793	\$ 307,790	\$ 285,938
Total state SAMH funding	<u>1,993,134</u>	<u>1,137,832</u>	<u>2,508,800</u>	<u>383,913</u>	<u>116,795</u>	<u>920,793</u>	<u>307,790</u>	<u>285,938</u>
OTHER GOVERNMENT FUNDING:								
Local government	515,253	326,620	-	-	-	586,166	-	284,150
Medicaid	534	11,704	-	-	31,875	14,700	75,885	-
Other state agency funding	-	-	-	-	-	-	-	-
Total other government funding	<u>515,787</u>	<u>338,324</u>	<u>-</u>	<u>-</u>	<u>31,875</u>	<u>600,866</u>	<u>75,885</u>	<u>284,150</u>
ALL OTHER REVENUES:								
Other	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-
Student counseling	-	-	-	-	-	-	-	-
In-kind	250,000	-	-	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-	-
First and second party payments Medicare	34,121	17,473	-	56,077	47,395	108,692	108,692	-
Total all other revenues	<u>284,121</u>	<u>17,473</u>	<u>-</u>	<u>56,077</u>	<u>47,395</u>	<u>108,692</u>	<u>108,692</u>	<u>-</u>
Total funding	<u>\$ 2,793,042</u>	<u>\$ 1,493,629</u>	<u>\$ 2,508,800</u>	<u>\$ 439,990</u>	<u>\$ 196,065</u>	<u>\$ 1,630,351</u>	<u>\$ 492,367</u>	<u>\$ 570,088</u>

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**

(continued)

For the Year Ended June 30, 2012

Funding Sources and Revenues	Adult Mental Health				Children's Mental Health				
	Room and Board with Supervision Level III	Incidental Expenses	Community Comprehensive (CCST) Service Team	Supported Employment	Total for Adult Mental Health	Case Management	Outpatient	Medical Services	In-Home and On-Site
<b>STATE SAMH FUNDING:</b>									
From the District funding these contracts									
Circuit 15 and 17	\$ 122,186	\$ 302,721	\$ 281,887	\$ -	\$ 11,676,735	\$ 1,058,000	\$ -	\$ 58,313	\$ 82,412
Total state SAMH funding	122,186	302,721	281,887	-	11,676,735	1,058,000	-	58,313	82,412
<b>OTHER GOVERNMENT FUNDING:</b>									
Local government	-	-	-	131,744	2,872,012	2,045,458	1,142,258	-	1,411,039
Medicaid	5,561	-	102,152	29,449	4,618,898	1,025,040	246,404	165,575	329,296
Other state agency funding	-	-	-	72,233	198,158	-	131,110	18,246	-
Total other government funding	5,561	-	102,152	233,426	7,689,068	3,070,498	1,519,772	183,821	1,740,335
<b>ALL OTHER REVENUES:</b>									
Other	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Student counseling	-	-	-	-	934,154	-	-	-	-
In-kind	-	-	-	-	986,906	-	-	-	-
Contributions and donations	-	-	-	-	7,109	23,504	-	-	-
First and second party payments	-	-	-	-	478,840	36,282	1,003	17,333	3,514
Medicare	-	-	-	-	342,521	-	-	-	-
Total all other revenues	-	-	-	-	2,749,530	59,786	1,003	17,333	3,514
Total funding	\$ 127,747	\$ 302,721	\$ 384,039	\$ 233,426	\$ 22,115,333	\$ 4,188,284	\$ 1,520,775	\$ 259,467	\$ 1,826,261

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**

(continued)

For the Year Ended June 30, 2012

Funding Sources and Revenues	Children's Mental Health					Adult Substance Abuse		
	Intervention	Crisis Support/ Emergency	Residential Level II	Residential Level III	Incidental Expenses	Total For Children's Mental Health	Outpatient	Day/Night
<b>STATE SAMH FUNDING:</b>								
From the District funding these contracts								
Circuit 15 and 17	\$ 238,071	\$ 1,003,907	\$ -	\$ -	\$ 5,000	\$ 2,445,703	\$ 44,335	\$ 23,963
Total state SAMH funding	<u>238,071</u>	<u>1,003,907</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>2,445,703</u>	<u>44,335</u>	<u>23,963</u>
<b>OTHER GOVERNMENT FUNDING:</b>								
Local government	461,294	13,998	453,747	69,990	-	5,597,784	-	-
Medicaid	87,125	16,589	142,061	-	-	2,012,090	24,630	298,337
Other state agency funding	-	-	-	-	-	149,356	-	-
Total other government funding	<u>548,419</u>	<u>30,587</u>	<u>595,808</u>	<u>69,990</u>	<u>-</u>	<u>7,759,230</u>	<u>24,630</u>	<u>298,337</u>
<b>ALL OTHER REVENUES:</b>								
Other	99,504	-	-	-	-	99,504	-	-
Rental income	-	-	-	-	-	-	-	-
Student counseling	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-
Contributions and donations	-	-	-	30,138	-	53,642	-	-
First and second party payments	1,165	-	-	-	-	59,297	-	-
Medicare	-	-	-	-	-	-	-	-
Total all other revenues	<u>100,669</u>	<u>-</u>	<u>-</u>	<u>30,138</u>	<u>-</u>	<u>212,443</u>	<u>-</u>	<u>-</u>
Total funding	<u>\$ 887,159</u>	<u>\$ 1,034,494</u>	<u>\$ 595,808</u>	<u>\$ 100,128</u>	<u>\$ 5,000</u>	<u>\$ 10,417,376</u>	<u>\$ 68,965</u>	<u>\$ 322,300</u>

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**

(continued)

For the Year Ended June 30, 2012

Funding Sources and Revenues	Adult Substance Abuse		Total for Non-State Funded SAMH Cost Centers	Total All State - Designated SAMH Cost Centers	Non-SAMH Cost Centers	Fundraising	Total Funding
	Intervention	Total Adult Substance Abuse					
<b>STATE SAMH FUNDING:</b>							
From the District funding these contracts							
Circuit 15 and 17	\$ 35,022	\$ 103,320	\$ -	\$ 14,225,758	\$ -	\$ -	\$ 14,225,758
Total State SAMH funding	35,022	103,320	-	14,225,758	-	-	14,225,758
<b>OTHER GOVERNMENT FUNDING:</b>							
Local government	-	-	2,303,200	10,772,996	-	-	10,772,996
Medicaid	-	322,967	-	6,953,955	-	-	6,953,955
Other state agency funding	-	-	-	347,514	-	-	347,514
Total other government funding	-	322,967	2,303,200	18,074,465	-	-	18,074,465
<b>ALL OTHER REVENUES:</b>							
Other	-	-	94,457	193,961	259,458	-	453,419
Rental income	-	-	-	-	898,299	-	898,299
Student counseling	-	-	-	934,154	-	-	934,154
In-kind	-	-	-	986,906	-	35,000	1,021,906
Contributions and donations	-	-	-	60,751	-	434,229	494,980
First and second party payments	-	-	-	538,137	-	-	538,137
Medicare	-	-	-	342,521	-	-	342,521
Total all other revenues	-	-	94,457	3,056,430	1,157,757	469,229	4,683,416
Total funding	\$ 35,022	\$ 426,287	\$ 2,397,657	\$ 35,356,653	\$ 1,157,757	\$ 469,229	\$ 36,983,639

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**  
(continued)  
For the Year Ended June 30, 2012

Expense Categories	Adult Mental Health							
	Case Management	Intensive Case Management	Outpatient	Medical Services	In-Home and On-Site	Day/Night	Outreach	Crisis Stabilization
<b>PERSONNEL EXPENSES</b>								
Salaries	\$ 687,492	\$ 1,226,038	\$ 424,403	\$ 1,427,077	\$ 113,200	\$ 524,843	\$ 237,936	\$ 1,013,983
Fringe benefits	136,329	243,121	84,158	282,987	22,447	104,075	47,183	201,071
Total personnel expenses	823,821	1,469,159	508,561	1,710,064	135,647	628,918	285,119.00	1,215,054
<b>OTHER EXPENSES:</b>								
Other	162,526	22,113	40,204	14,789	3,360	18,345	1,179	121,383
Building occupancy	42,566	82,116	32,537	133,329	11,155	80,525	5,804	53,945
In-kind donations	-	-	104,527	612,743	-	-	-	197,710
Professional services	10,044	8,313	1,016	17,622	1,927	10,254	1,966	267,515
Insurance	15,088	18,845	6,614	28,928	1,136	29,400	5,501	21,667
Operating supplies and expenses	9,652	14,459	4,324	23,343	1,309	14,961	-	20,578
Equipment	28,546	52,702	3,324	18,284	3,276	55,954	6,593	64,984
Food service	2,188	11,506	192	-	1,656.00	96,532	-	116,485
Travel	61,680	36,203	19,026	7,832	8,270	13,354	1,811	3,128
Medical and pharmacy	24,336	2,098	-	345,898	96	1,204	-	22,610
Interest expense	-	-	-	-	-	-	-	-
Total other expenses	356,626	248,355	211,764	1,202,768	32,185	320,529	22,854	890,005
Total personnel and other expenses	1,180,447	1,717,514	720,325	2,912,832	167,832	949,447	307,973	890,005
<b>DISTRIBUTED INDIRECT COSTS:</b>								
Allocation of other support costs	69,903	103,350	44,856	183,560	10,078	56,507	18,629	129,202
Allocation of administration	160,872	238,845	103,230	426,044	23,193	130,043	42,873	298,841
Total distributed indirect costs	230,775	342,195	148,086	609,604	33,271	186,550	61,502	428,043
Total actual operating expenses	1,411,222	2,059,709	868,411	3,522,436	201,103	1,135,997	369,475	1,318,048
<b>UNALLOWABLE COSTS</b>								
Total allowed operating expenses	9,192	17,077	135	697	232	27,577	3,654	5,671
Total allowed operating expenses	\$ 1,402,030	\$ 2,042,632	\$ 868,276	\$ 3,521,739	\$ 200,871	\$ 1,108,420	\$ 365,821	\$ 1,312,377
<b>CAPITAL EXPENDITURES</b>								
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**

(continued)  
 For the Year Ended June 30, 2012

Expense Categories	Adult Mental Health								
	Crisis Support/ Emergency	Florida Assertive Community Treatment (FACT) Team	Residential Level I	Room and Board with Supervision Level I	Residential Level II	Room and Board with Supervision Level II	Residential Level III	Room and Board with Supervision Level III	Incidental Expenses
<b>PERSONNEL EXPENSES</b>									
Salaries	\$ 1,250,950	\$ 1,065,393	\$ 139,314	\$ 109,461	\$ 287,169	\$ 365,488	\$ 190,161	\$ 175,533	\$ -
Fringe benefits	248,061	211,267	27,626	21,706	56,945	72,476	37,709	34,808	-
Total personnel expenses	1,499,011	1,276,660	166,940	131,167	344,114	437,964	227,870	210,341	-
<b>OTHER EXPENSES:</b>									
Other	7,901	497,889	1,906	2,006	6,715	8,952	4,550	4,597	309,296
Building occupancy	86,904	80,116	34,863	30,459	44,317	92,679	6,954	7,311	-
In-kind donations	-	-	-	-	-	-	-	-	-
Professional services	64,248	21,201	26,897	25,523	9,849	15,699	1,209	982	-
Insurance	12,864	22,244	5,729	6,257	9,448	11,454	16,157	-	-
Operating supplies and expenses	18,761	16,107	1,050	1,271	4,276	9,601	628	1,030	-
Equipment	34,643	81,232	4,357	6,087	6,362	9,752	699	2,280	-
Food service	733	4,242	28,871	27,545	56,232	116,261	2,840	4,838	-
Travel	24,654	16,191	190	154	205	212	518	108	-
Medical and pharmacy	3,013	18,115	341	179	227	197	28	70	29,011
Interest expense	-	-	-	-	-	-	33,185	10,446	-
Total other expenses	253,721	757,337	104,204	99,481	137,631	264,807	66,768	31,662	338,307
Total personnel and other expenses	1,752,732	2,033,997	271,144	230,648	481,745	702,771	294,638	242,003	338,307
<b>DISTRIBUTED INDIRECT COSTS:</b>									
Allocation of other support costs	105,808	119,123	16,219	13,776	28,768	41,711	17,890	14,598	18,174
Allocation of administration	243,502	274,145	37,326	31,703	66,205	95,992	41,172	33,594	41,824
Total distributed indirect costs	349,310	393,268	53,545	45,479	94,973	137,703	59,062	48,192	59,998
Total actual operating expenses	2,102,042	2,427,265	324,689	276,127	576,718	840,474	353,700	290,195	398,305
<b>UNALLOWABLE COSTS</b>									
Total allowed operating expenses	\$ 2,101,573	\$ 2,424,306	\$ 323,425	\$ 276,127	\$ 574,178	\$ 840,474	\$ 353,284	\$ 290,195	\$ 398,305
<b>CAPITAL EXPENDITURES</b>	\$ -	\$ -	\$ 21,930	\$ -	\$ 21,930	\$ -	\$ 21,930	\$ -	\$ -

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**

(continued)  
 For the Year Ended June 30, 2012

Expense Categories	Adult Mental Health			Children's Mental Health					
	Community Comprehensive Service (CCST) Team	Supported Employment	Total for Adult Mental Health	Case Management	Outpatient	Medical Services	In-Home and On-Site	Intervention	Crisis Support/ Emergency
<b>PERSONNEL EXPENSES</b>									
Salaries	\$ 219,420	\$ 124,678	\$ 9,582,539	\$ 2,235,442	\$ 889,902	\$ 219,379	\$ 1,323,534	\$ 529,238	\$ 582,451
Fringe benefits	43,511	24,723	1,900,203	443,285	176,466	43,503	262,456	104,947	115,499
Total personnel expenses	262,931	149,401	11,482,742	2,678,727	1,066,368	262,882	1,585,990	634,185	697,950
<b>OTHER EXPENSES:</b>									
Other	5,039	-	1,232,750	454,719	95,060	3,417	17,406	20,157	3,429
Building occupancy	16,954	16,921	859,455	72,924	57,256	21,218	56,833	25,309	35,934
In-kind donations	-	-	914,980	-	-	-	-	-	-
Professional services	-	985	485,250	46,736	2,947	2,734	28,406	360	17,354
Insurance	5,690	3,451	220,473	19,872	14,747	5,673	10,035	7,740	6,558
Operating supplies and expenses	1,995	2,024	145,369	12,690	8,086	3,017	4,671	6,053	9,071
Equipment	14,133	3,319	396,527	22,341	9,756	2,063	20,583	1,692	10,695
Food service	175	134	470,430	5,394	-	-	8,115	219	379
Travel	43,863	-	237,399	153,417	32,923	221	90,411	37,538	5,185
Medical and pharmacy	5,718	-	453,141	69,818	341	26,555	341	-	96
Interest expense	-	-	43,631	-	-	-	-	-	-
Total other expenses	93,567	26,834	5,459,405	857,911	221,116	64,898	236,801	99,068	88,701
Total personnel and other expenses	356,498	176,235	16,942,147	3,536,638	1,287,484	327,780	1,822,791	733,253	786,651
<b>DISTRIBUTED INDIRECT COSTS:</b>									
Allocation of other support costs	21,330	10,619	1,024,101	210,228	77,135	19,588	109,953	44,165	47,526
Allocation of administration	49,089	24,439	2,362,932	483,809	177,516	45,080	253,043	101,639	109,375
Total distributed indirect costs	70,419	35,058	3,387,033	694,037	254,651	64,668	362,996	145,804	156,901
Total actual operating expenses	426,917	211,293	20,329,180	4,230,675	1,542,135	392,448	2,185,787	879,057	943,552
<b>UNALLOWABLE COSTS</b>									
Total allowed operating expenses	3,414	2,551	77,848	21,415	7,515	163	15,973	10,854	3,126
Total allowed operating expenses	\$ 423,503	\$ 208,742	\$ 20,251,332	\$ 4,209,260	\$ 1,534,620	\$ 392,285	\$ 2,169,814	\$ 868,203	\$ 940,426
<b>CAPITAL EXPENDITURES</b>									
	\$ -	\$ -	\$ 65,790	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,580

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**

(continued)

For the Year Ended June 30, 2012

Expense Categories	Children's Mental Health				Total for Children's Mental Health			Adult Substance Abuse			Total for Adult Substance Abuse	
	Residential Level II	Residential Level III	Incidental Expenses		Residential Level III	Incidental Expenses	Children's Mental Health	Outpatient	Day/Night	Intervention		
<b>PERSONNEL EXPENSES</b>												
Salaries	\$ 346,097	\$ 62,703	\$ -	\$ -	\$ 6,188,746	\$ 58,916	\$ 56,953	\$ 19,595	\$ 135,464			
Fringe benefits	68,631	12,434	-	-	1,227,221	11,683	11,294	3,885	26,862			
Total personnel expenses	414,728	75,137	-	-	7,415,967	70,599	68,247	23,480	162,326			
<b>OTHER EXPENSES:</b>												
Other	27,829	11,465	6,834	-	640,316	7,891	3,855	-	11,746			
Building occupancy	32,435	998	-	-	302,907	5,424	5,989	3,399	14,812			
In-kind donations	-	-	-	-	-	-	-	-	-			
Professional services	15,700	14,422	-	-	128,659	288	1,213	-	1,501			
Insurance	12,226	290	-	-	77,141	992	6,453	658	8,103			
Operating supplies and expenses	5,674	166	-	-	49,428	705	1,242	-	1,947			
Equipment	16,738	1,791	-	-	85,659	923	6,384	-	7,307			
Food service	73,772	4,638	-	-	92,517	-	-	-	-			
Travel	5,130	3,292	-	-	328,117	875	925	1,481	3,281			
Medical and pharmacy	341	-	2,312	-	99,804	-	-	-	-			
Interest expense	-	-	-	-	-	-	-	-	-			
Total other expenses	189,845	37,062	9,146	-	1,804,548	17,098	26,061	5,538	48,697			
Total personnel and other expenses	604,573	112,199	9,146	-	9,220,515	87,697	94,308	29,018	211,023			
<b>DISTRIBUTED INDIRECT COSTS:</b>												
Allocation of other support costs	35,990	6,713	490	-	551,788	5,241	5,664	1,746	12,651			
Allocation of administration	82,827	15,449	1,129	-	1,269,867	12,060	13,021	4,019	29,100			
Total distributed indirect costs	118,817	22,162	1,619	-	1,821,655	17,301	18,685	5,765	41,751			
Total actual operating expenses	118,817	134,361	10,765	-	11,042,170	104,998	112,993	34,783	252,774			
<b>UNALLOWABLE COSTS</b>												
Total allowed operating expenses	3,126	5,704	-	-	67,876	8	207	-	215			
Total allowed operating expenses	115,691	128,657	10,765	-	10,254,030	104,990	112,786	34,783	252,559			
<b>CAPITAL EXPENDITURES</b>												
	\$ -	\$ -	\$ -	\$ -	\$ 8,580	\$ -	\$ -	\$ -	\$ -			



**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES**

(continued)  
 For the Year Ended June 30, 2012

Expense Categories	Total for State Funded SAMH Cost Centers	Total for Non-State Funded SAMH Cost Centers	Total for All State-Designated SAMH Cost Centers	Non-SAMH Cost Center	Fundraising	Other Support Costs	Administration	Total Expenses
<b>PERSONNEL EXPENSES</b>								
Salaries	\$ 15,906,749	\$ 1,464,422	\$ 17,371,171	\$ 140,889	\$ 77,553	\$ 1,120,889	\$ 2,315,189	\$ 21,025,691
Fringe benefits	<u>3,154,286</u>	<u>379,900</u>	<u>3,534,186</u>	<u>27,938</u>	<u>15,379</u>	<u>222,271</u>	<u>460,451</u>	<u>4,260,225</u>
Total personnel expenses	<u>19,061,035</u>	<u>1,844,322</u>	<u>20,905,357</u>	<u>168,827</u>	<u>92,932</u>	<u>1,343,160</u>	<u>2,775,640</u>	<u>25,285,916</u>
<b>OTHER EXPENSES:</b>								
Other	1,884,812	81,174	1,965,986	16,483	36,349	9,530	207,762	2,236,110
Building occupancy	1,177,174	214,065	1,391,239	764,702	5,570	96,970	316,015	2,574,496
In-kind donations	914,980	-	914,980	-	-	-	106,927	1,021,907
Professional services	615,410	30,762	646,172	184,817	2,252	2,743	142,135	978,119
Insurance	305,717	-	305,717	115,391	-	-	84,272	505,380
Operating supplies and expenses	196,744	16,419	213,163	665	9,004	50,703	365,512	639,047
Equipment	489,493	17,605	507,098	22,155	634	82,691	157,794	770,372
Food service	562,947	106,546	669,493	3,495	-	-	-	672,988
Travel	568,797	13,921	582,718	3,114	1,095	2,743	41,482	631,152
Medical and pharmacy	552,945	1,956	554,901	-	-	-	-	554,901
Interest expense	43,631	-	43,631	290,821	-	-	-	334,452
Total other expenses	<u>7,312,650</u>	<u>482,448</u>	<u>7,795,098</u>	<u>1,401,643</u>	<u>54,904</u>	<u>245,380</u>	<u>1,421,899</u>	<u>10,918,924</u>
Total personnel and other expenses	<u>26,373,685</u>	<u>2,326,770</u>	<u>28,700,455</u>	<u>1,570,470</u>	<u>147,836</u>	<u>1,588,540</u>	<u>4,197,539</u>	<u>36,204,840</u>
<b>DISTRIBUTED INDIRECT COSTS:</b>								
Allocation of other support costs	1,588,540	-	1,588,540	-	-	(1,588,540)	-	-
Allocation of administration	3,661,899	320,273	3,982,172	195,377	19,990	-	(4,197,539)	-
Total distributed indirect costs	<u>5,250,439</u>	<u>320,273</u>	<u>5,570,712</u>	<u>195,377</u>	<u>19,990</u>	<u>(1,588,540)</u>	<u>(4,197,539)</u>	<u>-</u>
Total actual operating expenses	<u>31,624,124</u>	<u>2,647,043</u>	<u>34,271,167</u>	<u>1,765,847</u>	<u>167,826</u>	<u>-</u>	<u>-</u>	<u>36,204,840</u>
<b>UNALLOWABLE COSTS</b>								
Total allowed operating expenses	<u>145,939</u>	<u>1,635</u>	<u>147,574</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>147,924</u>
Total allowed operating expenses	<u>\$ 31,478,185</u>	<u>\$ 2,645,408</u>	<u>\$ 34,123,593</u>	<u>\$ 1,765,847</u>	<u>\$ 167,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,056,916</u>
<b>CAPITAL EXPENDITURES</b>								
Total capital expenditures	<u>\$ 74,370</u>	<u>\$ -</u>	<u>\$ 74,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,785</u>	<u>\$ 372,155</u>

HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES  
SCHEDULE OF STATE EARNINGS  
For the Year Ended June 30, 2012

TOTAL EXPENDITURES	\$ 36,204,840
Less other state and Federal funds	(9,625,414)
Less nonmatch SAMH funds	(7,433,922)
Less unallowable costs per 65E-14, F.A.C.	<u>(147,925)</u>
 TOTAL ALLOWABLE EXPENDITURES	 \$ <u>18,997,579</u>
 MAXIMUM AVAILABLE EARNINGS	 \$ <u>14,248,184</u>
 AMOUNT OF STATE FUNDS REQUIRING MATCH	 \$ <u>6,485,435</u>
 AMOUNT DUE TO DEPARTMENT	 \$ <u>NONE</u>

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS**  
**For the Year Ended June 30, 2012**

Program	Cost Center	State Contracted Rate	Total Units of Service Provided	Total Units of Services Paid by Third Party Contracts, Local Government or Other State Agencies	Maximum Number of Units Eligible For Payment by Department	Amount Paid For Services by the Department	Maximum Dollar Value of Units Eligible for Payment by the Department	Amount Owed to Department
Adult Mental Health	Crisis Stabilization	\$ 302.54	8,418	1,830	6,588	\$ 1,993,134	\$ 1,993,134	NONE

# INTERNAL CONTROLS AND COMPLIANCE



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

To the Board of Directors  
Henderson Behavioral Health, Inc. and Subsidiaries  
Fort Lauderdale, Florida

We have audited the combined financial statements of Henderson Behavioral Health, Inc. and Subsidiaries (a not-for-profit organization) (the "Organization") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 24, 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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined 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 combined 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 Board of Directors, Finance Committee, management, the Auditor General for the State of Florida, Federal and state awarding agencies, and other grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
October 24, 2012



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

To the Board of Directors  
Henderson Behavioral Health, Inc. and Subsidiaries  
Fort Lauderdale, Florida

Compliance

We have audited Henderson Behavioral Health, Inc. and Subsidiaries' (a not-for-profit organization) (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that are applicable to each of its major Federal programs and state projects for the year ended June 30, 2012. The Organizations major Federal programs and 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 Federal programs and state projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance 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 Nonprofit 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

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

Internal Control over Compliance

The management of the Organization 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 the requirements that could have a direct and material effect on a major Federal program or state project in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a Federal program and/or a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program and/or 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, Finance Committee, management, the Auditor General for the State of Florida, Federal and state awarding agencies, and other grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Fort Lauderdale, Florida  
October 24, 2012



**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2012

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Henderson Behavioral Health, Inc. and Subsidiaries.
2. No material weaknesses relating to the audit of the combined financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the combined financial statements of Henderson Behavioral Health, Inc. and Subsidiaries were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal programs or state projects are reported in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB A-133 and Chapter 10.650, Rules of the Auditor General.
5. The auditors' report on compliance for the major Federal programs and state projects for Henderson Behavioral Health, Inc. and Subsidiaries expresses an unqualified opinion.
6. There are no audit findings relative to the major Federal programs and state projects for Henderson Behavioral Health, Inc. and Subsidiaries reported in Part C of this schedule.
7. The programs/projects tested as major programs/projects are the following:

<b>Federal Program</b>	<b>Federal CFDA No.</b>
United States Department of Health and Human Services, Medical Assistance Program	93.778
United States Department of Housing and Urban Development, Supportive Housing Program	14.235
United States Department of Housing and Urban Development, Shelter Plus Care	14.238
<b>State Project</b> <span style="float: right;"><b>State CSFA No.</b></span>	
State of Florida Department of Children and Families, Adult Community Mental Health - Community Support Services	60.053
State of Florida Department of Children and Families, Children's Baker Act Services	60.001

**HENDERSON BEHAVIORAL HEALTH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
(continued)  
For the Year Ended June 30, 2012

8. The threshold for distinguishing Type A and B programs/projects was \$ 300,000 for both the major Federal programs and state projects.
9. Henderson Behavioral Health, Inc. and Subsidiaries was determined to be a low risk auditee pursuant to OMB Circular A-133.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

No matters were reported.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS AUDITS**

No matters were reported.

**D. OTHER ISSUES**

1. No management letter is required because there were no findings required to be reported in a separate management letter.
2. No summary schedule of prior audit findings is required because there were no prior audit findings related to Federal programs or state projects.
3. No corrective action plan is required because there were no findings reported under OMB Circular A-133 or the Florida Single Audit Act.