

**HENDRY-GLADES**  
**MENTAL HEALTH CLINIC, INC.**

**CLEWISTON, FLORIDA**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

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Fred B. Dees, C.P.A.  
Fred B. Dees, Jr., C.P.A.

**INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
Hendry-Glades Mental Health Clinic, Inc.  
Clewiston, Florida**

We have audited the accompanying statements of financial position of **Hendry-Glades Mental Health Clinic, Inc.** (a non-profit organization) as of **June 30, 2012 and 2011**, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Hendry-Glades Mental Health Clinic, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued a report dated December 6, 2012, on our consideration of **Hendry-Glades Mental Health Clinic, Inc.'s** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing and the results of that testing, and not to provide an opinion on the internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of **Hendry-Glades Mental Health Clinic, Inc.** taken as a whole. The supplemental information on pages 16 through 24 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Chapter 10.650 Rules of the Auditor General and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



DEES & DEES, C.P.A.'s, P.A.  
Port Charlotte, Florida  
December 6, 2012

**COMPLIANCE AND INTERNAL CONTROL**

Fred B. Dees, C.P.A.  
Fred B. Dees, Jr., C.P.A.

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

**Board of Directors  
Hendry-Glades Mental Health Clinic, Inc.  
Clewiston, Florida**

We have audited the financial statements of **Hendry-Glades Mental Health Clinic, Inc.** as of and for the year ended **June 30, 2012**, and have issued our report thereon dated December 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

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

A handwritten signature in blue ink, appearing to read 'Dees & Dees', is written over a horizontal line.

DEES & DEES, C.P.A.'s, P.A.

Port Charlotte, Florida

December 6, 2012

Fred B. Dees, C.P.A.  
Fred B. Dees, Jr., C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER COMPLIANCE APPLICABLE TO EACH MAJOR STATE PROJECT**

**Board of Directors  
Hendry-Glades Mental Health Clinic, Inc.  
Clewiston, Florida**

Compliance

We have audited the compliance of **Hendry-Glades Mental Health Clinic, Inc.** with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major state projects for the year ended **June 30, 2012**. The **Hendry-Glades Mental Health Clinic, Inc.** major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state projects is the responsibility of **Hendry-Glades Mental Health Clinic, Inc.'s** management. Our responsibility is to express an opinion on **Hendry-Glades Mental Health Clinic, Inc.'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; and Chapter 10.650, Rules of the Auditor General. Those standards, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state projects occurred. An audit includes examining, on a test basis, evidence about **Hendry-Glades Mental Health Clinic, Inc.'s** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Hendry-Glades Mental Health Clinic, Inc.'s** compliance with those requirements.

In our opinion, **Hendry-Glades Mental Health Clinic, Inc.** complied, in all material respects, with the requirement referred to above that could have a direct and material effect on each of its major state projects for the year ended **June 30, 2012**.

Internal Control over Compliance

The management of **Hendry-Glades Mental Health Clinic, Inc.** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state project. In planning and performing our audit, we considered **Hendry-Glades Mental Health Clinic, Inc.'s** internal control over compliance with requirements that could have a direct and material effect on a major state project to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the **Hendry-Glades Mental Health Clinic, Inc.'s** internal control over compliance.

**Hendry-Glades Mental Health Clinic, Inc.**

**December 6, 2012**

**Page 2**

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 for the information of the Board of Directors, management and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read 'Dees & Dees', is written across the page.

DEES & DEES, C.P.A.'s, P.A.

Port Charlotte, Florida

December 6, 2012



**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**STATE PROJECTS**  
**FOR YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued: unqualified

Internal Control over Financial Reporting

Significant deficiencies indicator? \_\_\_yes X no

Material weaknesses indicator? \_\_\_yes X no

Material noncompliance indicator? \_\_\_Yes X no

Compliance Applicable to Each Major Project and on Internal Control over Compliance

Significant deficiencies indicator? \_\_\_yes X no

Material weakness indicator? \_\_\_yes X no

Type of auditor's report issued on compliance for major state projects: unqualified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650 Rules of The Auditor General? \_\_\_yes X no

Identification of major projects:

<u>State Projects</u>	<u>CSFA Numbers</u>
Adult Community Mental Health Community Support Services	60.053
Substance Abuse and Treatment/Aftercare for Children	60.030

The threshold for distinguishing Type A and Type B programs/projects was \$206,810 for major state projects.

Auditee qualified as low-risk auditee? Xyes \_\_\_no

Section II - Financial Statement Findings

There were no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements.

Section III - State Projects Findings and Questioned Costs – Other Issues

- A. There were no audit findings related to State projects required to be reported under Chapter 10.650, Rules of Auditor General. No management letter (AG Rule Section 10.656 (3)(e) is required because there were no findings to be reported in the Management Letter.
- B. Resolution of Prior Year Findings – there were no prior year findings to be resolved. No summary schedule of Prior Audit Findings (AG Rules 10.557 (3)(d)5 and 10.656 (3)(d)6) is required because there were no prior year audit findings related to State projects.
- C. Corrective Action Plan - For the year ended June 30, 2011, there were no audit findings to be reported under Chapter 10.650, Rules of the Auditor General. Accordingly, no corrective action plan is required. No Corrective Action Plan (AG Rules 10.557 (3)(d)6) and 10.656 (3)(d)7) is required because there were no findings required to be reported under the Florida Single Audit Act.

**FINANCIAL STATEMENTS**

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 94,892	\$ 62,754
Accounts receivable	102,049	110,734
Prepaid expenses	<u>10,807</u>	<u>16,126</u>
Total Current Assets	207,748	189,614
Property and equipment, net	194,728	216,853
Other assets	<u>7,254</u>	<u>8,218</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 409,730</u></b>	<b><u>\$ 414,685</u></b>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 28,727	\$ 35,101
Accrued liabilities	19,405	45,098
Deferred revenue	10,817	10,817
Line of credit	99,111	31,369
Current maturities of long-term debt	<u>27,143</u>	<u>25,168</u>
Total Current Liabilities	<u>185,203</u>	<u>147,553</u>
 <u>Noncurrent liabilities:</u>		
Accrued vacation and sick leave	57,016	41,658
Long-term debt	<u>284,179</u>	<u>311,007</u>
Total Noncurrent Liabilities	<u>341,195</u>	<u>352,665</u>
Total Liabilities	<u>526,398</u>	<u>500,218</u>
 <u>Net Assets (deficit):</u>		
<u>Unrestricted</u>		
Undesignated	(74)	33,789
Equity (deficit) in fixed assets	<u>(116,594)</u>	<u>(119,322)</u>
Total Net Assets (deficit)	<u>(116,668)</u>	<u>(85,533)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 409,730</u></b>	<b><u>\$ 414,685</u></b>

Read Independent Auditors' Report  
The accompanying notes are an integral part of this statement.

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

<u>Support and Revenue:</u>	<u>2012</u>	<u>2011</u>
Grants	\$ 1,195,851	\$ 1,273,192
Fees and charges	486,701	473,418
In-kind revenues	22,363	26,799
Contributions	2,695	150
Other revenues	<u>9,700</u>	<u>7,820</u>
Total Support and Revenue	<u>1,717,310</u>	<u>1,781,379</u>
 <u>Expenses:</u>		
Program Services		
Case management	138,965	122,371
Crisis support	24,225	32,636
CCST	430,652	479,392
Outpatient	335,645	365,594
Medical outpatient	411,962	459,705
Drop in center	44,109	39,530
Outreach	12,133	14,524
In-home/On-site	95,865	66,881
Non ADM	<u>48,237</u>	<u>9,183</u>
Total Program Services	1,541,793	1,589,816
Supporting Services		
Administration and support	<u>206,652</u>	<u>193,959</u>
Total Expenses	<u>1,748,445</u>	<u>1,783,775</u>
Change in net assets	(31,135)	(2,396)
Net assets (deficit) beginning of year	<u>(85,533)</u>	<u>(83,137)</u>
Net assets (deficit), end of year	<b><u>\$ (116,668)</u></b>	<b><u>\$ (85,533)</u></b>

Read Independent Auditors' Report  
The accompanying notes are an integral part of this statement.

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

<u>Cash Flows from Operating Activities:</u>	<u>2012</u>	<u>2011</u>
Increase (decrease) in net assets	\$ (31,135)	\$ (2,396)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,009	37,396
(Increase) decrease in operating assets		
Accounts receivable	8,685	10,677
Other assets	964	964
Prepaid expenses	5,319	(12,194)
Increase (decrease) in operating liabilities		
Accounts payable	(6,374)	6,314
Accrued liabilities	(25,693)	(4,717)
Deferred revenue	-0-	9,192
Accrued leave	<u>15,358</u>	<u>(14,537)</u>
Net cash provided by operating activities	<u>(867)</u>	<u>30,699</u>
<u>Cash Flows from Investing Activities:</u>		
Payments for property and equipment	<u>(9,884)</u>	<u>(1,057)</u>
Net cash (used) by investing activities	<u>(9,884)</u>	<u>(1,057)</u>
<u>Cash Flows from Financing Activities:</u>		
Proceeds from short-term borrowing	139,800	146,369
Payments on short-term debt	(72,058)	(115,000)
Payments on long-term debt	<u>(24,853)</u>	<u>(103,638)</u>
Net cash provided (used) by financing activities	<u>42,889</u>	<u>(72,269)</u>
Net increase (decrease) in cash and cash equivalents	32,138	(42,627)
Cash and cash equivalents at beginning of year	<u>62,754</u>	<u>105,381</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 94,892</u>	 <u>\$ 62,754</u>

Read Independent Auditors' Report

The accompanying notes are an integral part of this statement.

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR YEAR ENDED JUNE 30, 2012 AND 2011**

PROGRAM SERVICES

	<u>CCST</u>	<u>Case Management</u>	<u>Crisis Support</u>	<u>Drop-In Center</u>	<u>In-Home On-Site</u>	<u>Medical Out Pt.</u>
<b><u>Operating Expenses:</u></b>						
Personnel	\$ 153,763	\$ 60,540	\$ 12,793	\$ 12,848	\$ 42,427	\$ 171,836
Fringe benefits	68,019	19,976	2,542	8,481	12,098	23,911
Building/occupancy	28,014	7,259	1,033	3,736	4,300	6,217
Professional fees	14,339	4,553	376	1,663	5,875	81,055
Travel	9,026	3,269	492	110	2,745	8,891
Equipment	7,315	1,900	222	978	1,124	1,606
Food services	-0-	-0-	-0-	240	-0-	-0-
Medical and pharmacy	60	15	2	8	9	27,437
Insurance	12,250	3,178	371	1,635	1,882	2,684
Interest	11,561	3,000	349	1,543	1,776	2,533
Operating supplies & expenses	24,236	5,299	617	2,725	3,140	4,475
Other	14,416	213	25	1,393	126	180
Program support	<u>87,653</u>	<u>29,763</u>	<u>5,403</u>	<u>8,749</u>	<u>20,363</u>	<u>81,137</u>
Total Operating Expenses	<u>430,652</u>	<u>138,965</u>	<u>24,225</u>	<u>44,109</u>	<u>95,865</u>	<u>411,962</u>
<b><u>Distributed Administrative Costs:</u></b>						
Administration	30,773	11,172	2,128	2,960	7,566	27,160
Human resources	5,452	1,979	377	524	1,340	4,812
Accounting	<u>21,104</u>	<u>7,662</u>	<u>1,459</u>	<u>2,030</u>	<u>5,188</u>	<u>18,627</u>
Total Distributed Administrative Costs	<u>57,329</u>	<u>20,813</u>	<u>3,964</u>	<u>5,514</u>	<u>14,094</u>	<u>50,599</u>
<b>TOTAL PROGRAM EXPENSES</b>	<b><u>\$ 487,981</u></b>	<b><u>\$ 159,778</u></b>	<b><u>\$ 28,189</u></b>	<b><u>\$ 49,623</u></b>	<b><u>\$ 109,959</u></b>	<b><u>\$ 462,561</u></b>

PROGRAM SERVICES					SUPPORTING SERVICES			
<u>Out Patient</u>	<u>Outreach</u>	<u>Non ADM Programs</u>	<u>Program Support</u>	<u>Total Program Services</u>	<u>Administrative</u>	<u>Total 2012</u>	<u>Total 2011</u>	
\$ 127,061	\$ 4,540	\$ 26,242	\$ 239,600	\$ 851,650	\$ 133,639	\$ 985,289	\$ 976,107	
48,412	2,106	531	17,225	203,301	26,106	229,407	239,353	
41,533	844	107	625	93,668	5,223	98,891	108,885	
8,536	377	7,366	45,163	169,303	15,831	185,134	187,355	
4,794	148	2,722	9,535	41,732	5,765	47,497	52,467	
5,020	222	55	221	18,663	4,512	23,175	27,606	
-0-	-0-	-0-	-0-	240	-0-	240	160	
41	2	-0-	-0-	27,574	-0-	27,574	39,629	
8,320	370	93	-0-	30,783	1,692	32,475	34,992	
7,921	349	87	-0-	29,119	1,911	31,030	32,619	
14,697	615	154	2,717	58,675	9,313	67,988	84,602	
561	25	86	60	17,085	2,660	19,745	-0-	
<u>68,749</u>	<u>2,535</u>	<u>10,794</u>	<u>(315,146)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
<u>335,645</u>	<u>12,133</u>	<u>48,237</u>	<u>-0-</u>	<u>1,541,793</u>	<u>206,652</u>	<u>1,748,445</u>	<u>1,783,775</u>	
24,347	922	4,056	-0-	111,084	(111,084)	-0-	-0-	
4,314	164	658	-0-	19,620	(19,620)	-0-	-0-	
<u>16,698</u>	<u>632</u>	<u>2,548</u>	<u>-0-</u>	<u>75,948</u>	<u>(75,948)</u>	<u>-0-</u>	<u>-0-</u>	
<u>45,359</u>	<u>1,718</u>	<u>7,262</u>	<u>-0-</u>	<u>206,652</u>	<u>(206,652)</u>	<u>-0-</u>	<u>-0-</u>	
<b><u>\$ 381,004</u></b>	<b><u>\$ 13,851</u></b>	<b><u>\$ 55,499</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$1,748,445</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$1,748,445</u></b>	<b><u>\$1,783,775</u></b>	

Read Independent Auditors' Report  
The accompanying notes are an integral part of this statement.

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Purpose of Organization**

The purpose of the Hendry-Glades Mental Health Clinic, Inc.(the Clinic) is to promote good mental health, prevent serious mental illness, effectively evaluate and treat emotional, behavioral, and substance abuse problems. To achieve this purpose, the Clinic operates a variety of prevention, evaluation and treatment services and from time to time may add additional services to address unmet needs that exist or may arise in its service area.

**Income Tax Status**

Hendry-Glades Mental Health Clinic, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

**Basis of Accounting**

Hendry-Glades Mental Health Clinic, Inc. follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, state and local government and public grants are recorded as support when performance occurs under the terms of the grant agreement.

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Management and general service costs are allocated in the Statement of Functional Expenses based on total direct expenses.

**Recognition of Donor Restrictions**

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, temporarily restricted net assets are reclassified to unrestricted net assets.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Clinic considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less to be cash equivalents.

**Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value. Such donations 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 must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets



**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**JUNE 30, 2012 AND 2011**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**Property and Equipment (Cont.)**

must be maintained, the Clinic reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Clinic reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Clinic capitalizes all expenditures for equipment in excess of \$500; or if donated, at fair market value (at date of gift) in excess of \$500. Property and equipment are depreciated using the straight-line method.

**Advertising Costs**

Telephone advertising costs are charged to operations when incurred.

**Use of Property and Equipment**

Property and equipment purchases with state funds must be used for its original authorized purpose for a period of 20 years for property and for its useful life at acquisition for equipment. Items may be used for another purpose with state approval. If items are disposed of in the time frame mentioned above, the state has a right to an amount based on the state's share of the asset.

**Donated Space, Materials and Services**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor and have been treated as in-kind contributions for purposes of meeting state matching requirements.

**Estimates and Assumptions**

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

**Funding**

The Clinic's support and revenue primarily consists of grants received from the State of Florida Department of Children and Families (DCF) and Hendry and Glades Counties and third-party reimbursements from Medicare and Medicaid. The continued existence of the programs offered by the Clinic is dependent upon revenue received from grants offered by the State of Florida.

**Compensated Absences**

Clinic employees are allowed to accumulate unused paid time off up to 400 hours. All accumulated hours in excess of 400 must be cashed out by the employee semi-annually in January and July.

**Date of Management Review**

The Clinic has evaluated subsequent events and transactions after June 30, 2012 through December 6, 2012, the date the financial statements were available to be issued.

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**JUNE 30, 2012 AND 2011**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The Clinic maintains cash balances at Bank of America and First Bank. The Federal Deposit Insurance Corporation (FDIC) insures, up to \$250,000, the accounts at this institution. As of June 30, 2012 and 2011, the Clinic did not have any cash and cash equivalents in excess of the FDIC insurance.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Following is the summary of receivables at June 30:

	<u>2012</u>	<u>2011</u>
State of Florida	\$ 87,769	\$ 90,946
Client fees	4,072	1,130
Medicaid	3,800	12,147
Medicare	3,000	2,263
Children’s Network of Southwest Florida	900	1,200
Other	2,508	3,048
	<b><u>\$ 102,049</u></b>	<b><u>\$ 110,734</u></b>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, consisted of the following:

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 56,852	\$ 56,852
Buildings	616,615	616,615
Furniture and equipment	146,350	136,466
Leasehold improvements	12,139	12,139
	831,956	822,072
Less: accumulated depreciation	<u>(637,228)</u>	<u>(605,219)</u>
	<b><u>\$ 194,728</u></b>	<b><u>\$ 216,853</u></b>

**NOTE 5 – LONG-TERM DEBT**

- The Clinic has a promissory note with Bank of America dated January 13, 2006. The principle amount of the promissory note was \$445,841, and bears interest at the rate of 7.33% on the unpaid principle balance, payable in monthly installments of \$4,090.63, including interest through January 13, 2021 when any unpaid principal and interest are due. The promissory note is secured by a mortgage on the Clinic’s real property located at 601 W. Alverdez Avenue, Clewiston, Florida with a book value of \$163,572 at June 30, 2011. \$ 311,322

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**JUNE 30, 2012 AND 2011**

**NOTE 5 – LONG-TERM DEBT (Continued)**

Following are maturities of long-term debt for each of the next 5 years:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2013	\$ 27,143
2014	29,169
2015	31,381
2016	33,740
2017	36,340
Thereafter	<u>153,549</u>
Total	311,322
Less: Current maturities	<u>(27,143)</u>
	<b><u>\$ 284,179</u></b>

Interest expense for the year ended June 30, 2012 and 2011 was \$31,033 and \$32,619 respectively. No interest was capitalized.

**NOTE 6 – NET ASSETS – EQUITY (Deficit)**

Net assets-equity (deficit) in fixed assets is determined as follows:

	<u>2012</u>	<u>2011</u>
Fixed assets	\$ 831,956	\$ 822,072
Less:		
Accumulated depreciation	(637,228)	(605,219)
Related debt	<u>(311,322)</u>	<u>(336,175)</u>
	<b><u>\$(116,594)</u></b>	<b><u>\$(119,322)</u></b>

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

**Government Grants**

The Clinic receives a portion of its revenues from government grants and contracts, all of which are subject to audit by the grantor agency. The ultimate determination of amounts received under these programs generally is based upon allowable costs or units of service reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs or units of service. Management is of the opinion that no material liability will result for such audits.

**Internal Revenue Service-Assessment**

In April 2009, the Internal Revenue Service assessed payroll taxes and penalties of \$430,000 for tax periods dating back to 1999. The Clinic staff had incorrectly prepared payroll tax quarterly reports that reported gross wages rather than gross wages less tax sheltered wages. The Clinic staff has prepared and submitted corrected payroll quarterly reports for all affected quarters. The Clinic has paid a total of \$40,496 since November 2009 to clear all of the affected quarters and they have received a letter from the service confirming the fact that all quarters are clear. The Clinic again requested an appeal hearing with the IRS on August 27, 2010 in an effort to receive a refund of the various penalties paid. As of the audit date, the IRS has not scheduled their appeal hearing.

**ACCOMPANYING INFORMATION**

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS**  
**AND STATE PROJECTS**  
**FOR YEAR ENDED JUNE 30, 2012**

<u>Grantor/Program Title</u>	<u>CFDA CFSA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>
<b>Federal Awards</b>			
<u>Department of Health and Human Services</u>			
Passed through Florida Department of Children and Families:			
Community Mental Health Services Block Grant	93.958	QD1A9	\$ 68,533*
Temporary Assistance for Needy Families (TANF)	93.558	QD1A9	91,177*
Substance Abuse Prevention and Treatment Block Grant	93.959	QD1A9	<u>103,318*</u>
TOTAL			<b><u>\$ 268,028</u></b>

**State Financial Assistance**

Department of Children and Families

Children's Baker Act Services	60.001	QD1A9	\$ 2,812*
Children's Mental Health Community Support Services	60.055	QD1A9	34,313*
Substance Abuse and Treatment/Aftercare for Children	60.030	QD1A9	109,847*
Substance Abuse Treatment/Aftercare Services for Adults	60.033	QD1A9	76,673*
Adult Community Mental Health Community Support Service	60.053	QD1A9	447,958*
Baker Act	60.006	QD1A9	<u>17,763*</u>
TOTAL			<b><u>\$ 689,366</u></b>

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Programs and State Projects is prepared on the accrual basis of accounting.

NOTE 2 – SERVICE PROVIDED CONTRACTS

Contracts that have an asterisk (\*) next to the expenditure are reimbursed on a service provided basis. This means that the Clinic is reimbursed on a fixed dollar amount per unit of service provided in accordance with the contract terms, rather than on the basis of the actual cost of providing the service. Therefore, only revenues earned in accordance with the contract terms are reported as expenditures above.

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**SCHEDULE OF REVENUES**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<u>Grants:</u>		
Department of Children and Families	\$ 957,394	\$1,031,328
Hendry County	158,419	158,400
Glades County	37,966	39,165
Other grants	<u>42,072</u>	<u>44,299</u>
Total Grants	<u>1,195,851</u>	<u>1,273,192</u>
 <u>Fees and Charges:</u>		
Medicaid	414,807	399,926
Client fees	51,277	47,249
Medicare/Third Party	<u>20,617</u>	<u>26,243</u>
Total Fees and Charges	<u>486,701</u>	<u>473,418</u>
 <u>Other Revenues:</u>		
Contributions	2,695	150
In-Kind	22,363	26,799
Other revenues	<u>9,700</u>	<u>7,820</u>
Total Other Revenues	<u>34,758</u>	<u>34,769</u>
Total Support and Revenue	<b><u>\$1,717,310</u></b>	<b><u>\$1,781,379</u></b>

Read Independent Auditors' Report regarding Supplementary  
Information and accompanying notes to financial statements.

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**SCHEDULE OF STATE EARNINGS**  
**FOR YEAR ENDED JUNE 30, 2012**

1. Total Expenditures			\$1,748,445
2. Less other State and Federal Funds:	\$	933,679	
3. Less Non-Match ADM Funds		-0-	
4. Less Unallowable Costs 65E-14, FAC		-0-	<u>933,679</u>
5. Total Allowable Expenditures			<u>814,766</u>
			<u>x 75%</u>
6. Maximum Available Earnings			<u>611,074</u>
7. Amount of State Funds Received Requiring Match			<u>452,565</u>
8. Amount Due to Department			<b><u>\$ 158,509*</u></b>

\* Note: If line 8 is zero or positive, there is no overpayment. If line 8 is negative, the negative amount represents an overpayment and the amount due back to the Department.

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**NOTES TO SCHEDULE OF STATE EARNINGS**  
**FOR YEAR ENDED JUNE 30, 2012**

NOTE 1 – DESCRIPTION OF SCHEDULE

This schedule computes the matching requirements of the Department of Children and Families under Contract # QD1A9. It is not practical to calculate separate match amounts for each grant due to the way cost center information is kept.

NOTE 2 – STATE ADM FUNDS REQUIRING MATCH

<u>Grant</u>	<u>Total Contract Received</u>	<u>Match Funds</u>	<u>Non-Match Funds</u>
QD1A9	\$ <u>957,394</u>	\$ <u>452,565</u>	\$ <u>518,872</u>

NOTE 3 – OTHER STATE AND FEDERAL FUNDS

Federal Funds

Federal funds not eligible as match	-0-
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Other State Funds

ADM funds not subject to match	518,872
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Medicaid	<u>414,807</u>
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Total Other State and Federal Funds	<u>\$ 933,679</u>
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**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**SCHEDULE OF PROGRAM/COST CENTER FUNDING SOURCE/REVENUE AND EXPENSES**  
**FOR YEAR ENDED JUNE 30, 2012**

	<u>PROGRAM SERVICES</u>					
	<u>CCST</u>	<u>Case Management</u>	<u>Crisis Support</u>	<u>Drop-In Center</u>	<u>In-Home On-Site</u>	<u>Medical Out Pt.</u>
<b><u>Revenues:</u></b>						
State contracts	\$ 170,714	\$ 30,535	\$ 26,199	\$ 37,500	\$ 47,531	\$ 330,486
CFBHN ME Administration fee	-0-	-0-	-0-	-0-	-0-	-0-
Other state	-0-	-0-	-0-	-0-	-0-	7,697
Local government	-0-	-0-	-0-	-0-	-0-	-0-
Medicaid	55,572	42,182	-0-	-0-	732	148,644
Medicare/Third Party	5,715	-0-	-0-	-0-	293	17,645
Client Fees	2,222	-0-	5	-0-	-0-	8,773
Contributions	-0-	-0-	-0-	-0-	-0-	-0-
Other contracts	1,790	-0-	-0-	-0-	-0-	17,750
Other revenues	-0-	-0-	-0-	-0-	-0-	-0-
In-Kind	-0-	-0-	-0-	-0-	-0-	-0-
<b>Total Revenue</b>	<b><u>236,013</u></b>	<b><u>72,717</u></b>	<b><u>26,204</u></b>	<b><u>37,500</u></b>	<b><u>48,556</u></b>	<b><u>530,995</u></b>
<b><u>Operating Expenses:</u></b>						
Personnel	\$ 153,763	\$ 60,540	\$ 12,793	\$ 12,848	\$ 42,427	\$ 171,836
Fringe benefits	68,019	19,976	2,542	8,481	12,098	23,911
Building/occupancy	28,014	7,259	1,033	3,736	4,300	6,217
Professional fees	14,339	4,553	376	1,663	5,875	81,055
Travel	9,026	3,269	492	110	2,745	8,891
Equipment	7,315	1,900	222	978	1,124	1,606
Food services	-0-	-0-	-0-	240	-0-	-0-
Medical and pharmacy	60	15	2	8	9	27,437
Insurance	12,250	3,178	371	1,635	1,882	2,684
Interest	11,561	3,000	349	1,543	1,776	2,533
Operating supplies & expenses	24,236	5,299	617	2,725	3,140	4,475
Other	14,416	213	25	1,393	126	180
Program support	87,653	29,763	5,403	8,749	20,363	81,137
<b>Total Operating Expenses</b>	<b><u>430,652</u></b>	<b><u>138,965</u></b>	<b><u>24,225</u></b>	<b><u>44,109</u></b>	<b><u>95,865</u></b>	<b><u>411,962</u></b>
<b><u>Distributed Administrative Costs:</u></b>						
Administration	30,773	11,172	2,128	2,960	7,566	27,160
Human resources	5,452	1,979	377	524	1,340	4,812
Accounting	21,104	7,662	1,459	2,030	5,188	18,627
<b>Total Distributed Administrative Costs</b>	<b><u>57,329</u></b>	<b><u>20,813</u></b>	<b><u>3,964</u></b>	<b><u>5,514</u></b>	<b><u>14,094</u></b>	<b><u>50,599</u></b>
<b>TOTAL PROGRAM EXPENSES</b>	<b><u>487,981</u></b>	<b><u>159,778</u></b>	<b><u>28,189</u></b>	<b><u>49,623</u></b>	<b><u>109,959</u></b>	<b><u>462,561</u></b>
<b>NET PROFIT (LOSS)</b>	<b><u>\$(251,968)</u></b>	<b><u>\$(87,061)</u></b>	<b><u>\$(1,985)</u></b>	<b><u>\$(12,123)</u></b>	<b><u>\$(61,403)</u></b>	<b><u>\$ 68,434</u></b>

PROGRAM SERVICES					SUPPORTING SERVICES	Total	Total
Out Patient	Outreach	Non ADM Programs	Program Support	Total Program Services	Administrative	2012	2011
\$ 259,727	\$ 54,702	\$ -0-	\$ -0-	\$ 957,394	\$ -0-	\$ 957,394	\$1,031,328
-0-	-0-	-0-	-0-	-0-	(8,550)	(8,550)	-0-
-0-	-0-	-0-	-0-	7,697	-0-	7,697	8,417
-0-	-0-	-0-	-0-	-0-	202,885	202,885	204,144
70,021	-0-	-0-	-0-	317,151	97,656	414,807	399,926
639	-0-	40	-0-	24,332	(3,715)	20,617	26,243
2,475	-0-	40,433	-0-	53,908	(2,631)	51,277	47,249
-0-	-0-	-0-	-0-	-0-	2,695	2,695	150
-0-	-0-	16,885	-0-	36,425	-0-	36,425	29,303
-0-	-0-	-0-	5,164	5,164	4,536	9,700	7,820
<u>22,363</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>22,363</u>	<u>-0-</u>	<u>22,363</u>	<u>26,799</u>
<u>355,225</u>	<u>54,702</u>	<u>57,358</u>	<u>5,164</u>	<u>1,424,434</u>	<u>292,876</u>	<u>1,717,310</u>	<u>1,781,379</u>
\$ 127,061	\$ 4,540	\$ 26,242	\$ 239,600	\$ 851,650	\$ 133,639	\$ 985,289	\$ 976,107
48,412	2,106	531	17,225	203,301	26,106	229,407	239,353
41,533	844	107	625	93,668	5,223	98,891	108,885
8,536	377	7,366	45,163	169,303	15,831	185,134	187,355
4,794	148	2,722	9,535	41,732	5,765	47,497	52,467
5,020	222	55	221	18,663	4,512	23,175	27,606
-0-	-0-	-0-	-0-	240	-0-	240	160
41	2	-0-	-0-	27,574	-0-	27,574	39,629
8,320	370	93	-0-	30,783	1,692	32,475	34,992
7,921	349	87	-0-	29,119	1,911	31,030	32,619
14,697	615	154	2,717	58,675	9,313	67,988	84,602
561	25	86	60	17,085	2,660	19,745	-0-
<u>68,749</u>	<u>2,535</u>	<u>10,794</u>	<u>(315,146)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>335,645</u>	<u>12,133</u>	<u>48,237</u>	<u>-0-</u>	<u>1,541,793</u>	<u>206,652</u>	<u>1,748,445</u>	<u>1,783,775</u>
24,347	922	4,056	-0-	111,084	(111,084)	-0-	-0-
4,314	164	658	-0-	19,620	(19,620)	-0-	-0-
<u>16,698</u>	<u>632</u>	<u>2,548</u>	<u>-0-</u>	<u>75,948</u>	<u>(75,948)</u>	<u>-0-</u>	<u>-0-</u>
<u>45,359</u>	<u>1,718</u>	<u>7,262</u>	<u>-0-</u>	<u>206,652</u>	<u>(206,652)</u>	<u>-0-</u>	<u>-0-</u>
<u>381,004</u>	<u>13,851</u>	<u>55,499</u>	<u>-0-</u>	<u>1,748,445</u>	<u>-0-</u>	<u>1,748,445</u>	<u>1,783,775</u>
<b><u>\$ (25,779)</u></b>	<b><u>\$ 40,851</u></b>	<b><u>\$ 1,859</u></b>	<b><u>\$ 5,164</u></b>	<b><u>\$ (324,011)</u></b>	<b><u>\$ 292,876</u></b>	<b><u>\$ (31,135)</u></b>	<b><u>\$ (2,396)</u></b>

Read Independent Auditors' Report regarding Supplementary Information and accompanying notes to financial statements.

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**SUPPLEMENTAL SCHEDULE OF RATIO CALCULATIONS**  
**FOR YEAR ENDED JUNE 30, 2012**

PROGRAM SERVICES

	<u>CCST</u>	<u>Case Management</u>	<u>Crisis Support</u>	<u>Drop-In Center</u>	<u>In-Home On-Site</u>	<u>Medical Out Pt.</u>
Direct expenses	\$ 430,652	\$ 138,965	\$ 24,225	\$ 44,109	\$ 95,865	\$ 411,962
Indirect expenses	<u>57,329</u>	<u>20,813</u>	<u>3,964</u>	<u>5,514</u>	<u>14,094</u>	<u>50,599</u>
Total Expenses	<u>487,981</u>	<u>159,778</u>	<u>28,189</u>	<u>49,623</u>	<u>109,959</u>	<u>462,561</u>
Actual Units (Produced)	5,112	745	629	249	677	722
Service expense rate	84.24	186.53	38.51	177.14	141.60	570.58
Administrative expense rate	<u>11.21</u>	<u>27.94</u>	<u>6.30</u>	<u>22.14</u>	<u>20.82</u>	<u>70.08</u>
Total Rate	95.45	214.47	44.81	199.28	162.42	640.66
Contracted rate	36.96	61.71	42.15	289.28	70.20	360.79
		61.55	39.93		70.20	358.72
Calculated service expense rate	36.96	61.71	42.15	203.40	70.20	360.79
Calculated administrative expense rate	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>85.88</u>	<u>0.00</u>	<u>0.00</u>
Provider reimbursed rate	36.96	61.71	42.15	289.28	70.20	360.79
Service expense ratio	100%	100%	100%	70.31%	100%	100%
Administrative expense ratio	0.00%	0.00%	0.00%	29.69%	0.00%	0.00%

PROGRAM SERVICES

<u>Outpatient</u>	<u>Outreach</u>	<u>Total ADM Programs</u>
\$ 335,645	\$ 12,133	\$1,493,556
<u>45,359</u>	<u>1,718</u>	<u>199,390</u>
<u>381,004</u>	<u>13,851</u>	<u>1,692,946</u>
3,911	1,266*	
85.82	9.58	
<u>11.60</u>	<u>1.36</u>	
<u>97.42</u>	<u>10.94</u>	
91.09	43.20	
88.93	42.18	
91.09	16.61	
<u>0.00</u>	<u>26.59</u>	
<u>91.09</u>	<u>43.20</u>	
100%	38.45%	
0.00%	61.55%	

Read Independent Auditors' Report regarding Supplementary  
Information and accompanying notes to financial statements.

**HENDRY-GLADES MENTAL HEALTH CLINIC, INC.**  
**CLEWISTON, FLORIDA**  
**SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS**  
**FOR YEAR ENDED JUNE 30, 2012**

There were no related party transactions during the year ended June 30, 2012.

**DEES & DEES**  
CERTIFIED PUBLIC ACCOUNTANTS  
PROFESSIONAL ASSOCIATION

Fred B. Dees, C.P.A.  
Fred B. Dees, Jr., C.P.A.

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December 6, 2012

**Board of Directors**  
**Hendry-Glades Mental Health Clinic, Inc.**  
**Clewiston, Florida**

We have audited the financial statements of **Hendry-Glades Mental Health Clinic, Inc.** as of and for the year ended **June 30, 2012**, and have issued our report thereon dated December 6, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 13, 2009, our responsibility, as described by professional standards, is to express an opinion whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated October 13, 2009.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by **Hendry-Glades Mental Health Clinic, Inc.** are described in the financial statements. No new accounting policies were adopted and the applications of existing policies were not changed during the year ended June 30, 2012. We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no particularly sensitive accounting estimates contained in these financial statements.

**Hendry-Glades Mental Health Clinic, Inc.**

**December 6, 2012**

**Page 2**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no particularly sensitive disclosures affecting these financial statements.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

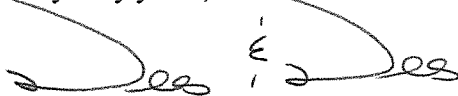
We have requested certain representations from management that are included in the management representation letter dated December 6, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

This communication is intended solely for the information and use of the management, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



DEES & DEES, C.P.A.'s, P.A.

December 6, 2012

**DEES & DEES**  
CERTIFIED PUBLIC ACCOUNTANTS  
PROFESSIONAL ASSOCIATION

3440 Conway Boulevard  
Suite 2-C  
Post Office Box 494457  
Port Charlotte, Florida 33949-4457  
Phone: (941) 629-7595  
Fax: (941) 629-7596

Fred B. Dees, C.P.A.  
Fred B. Dees, Jr., C.P.A.

December 6, 2012

**Board of Directors**  
**Hendry-Glades Mental Health Clinic, Inc.**  
**Clewiston, Florida**

In planning and performing our audit of the financial statements of **Hendry-Glades Mental Health Clinic, Inc.** as of an for the year ended **June 30, 2012**, in accordance with auditing standards generally accepted in the United States of America, we considered **Hendry-Glades Mental Health Clinic, Inc.**'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Organization's financial statement that is more than inconsequential will not be prevented or detected by the Organization's internal control.

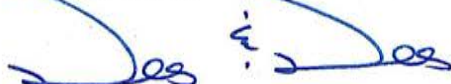
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

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

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comment and suggestion concerning this matter.

This communication is intended solely for the information and use of the management, audit committee, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



DEES & DEES, C.P.A.'s, P.A.



**INTERNAL CONTROL MEMORANDUM**

**Segregation of Duties:**

The size of the Organization's administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Trustees continues to remain actively involved in the financial affairs of the Organization to provide oversight and independent review functions. The Board of Directors continued involvement and updated policies and procedures will provide the Organization with a stronger system of internal controls over its operations.