

**NEW HORIZONS COMMUNITY
MENTAL HEALTH CENTER, INC.**

FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION, AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Horizons Community Mental Health Center, Inc.
Miami, Florida

We have audited the accompanying statements of financial position of New Horizons Community Mental Health Center, Inc. (the "Center"), a nonprofit 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 the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 opinion.

As discussed in Note 2, the Center is dependent upon governmental and public support for its operation. The amount and timeliness in which the support from government and local agency grants are collected are essential to meet the normal cash flow needs of the Center.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2013, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650 Rules of the Auditor General of the State of Florida, and the schedules of state earnings, cost center actual expenses and revenues, and bed day availability payments as required by the Florida Department of Children and Families (the "Department"), *Guide to Performance Contracting for Alcohol, Drug Abuse and Mental Health Services*, are presented for purposes of additional analysis and are not a required part of the basic 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.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
January 22, 2013

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2012	2011
ASSETS		
CURRENT ASSETS		
Cash	\$ 187,771	\$ 235,734
Funds for clients - social security benefits	22,241	29,499
Receivables (pledged):		
Grants	862,276	1,121,992
Medicaid and Medicare, net	1,710,835	1,393,153
Other receivables	58,369	99,480
Prepaid and other assets	79,487	32,075
TOTAL CURRENT ASSETS	<u>2,920,979</u>	<u>2,911,933</u>
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization	5,643,819	5,884,924
OTHER ASSETS		
Pledges receivable - long-term	-	1,376
Long term investments	144,263	163,860
TOTAL OTHER ASSETS	<u>144,263</u>	<u>165,236</u>
TOTAL ASSETS	<u><u>\$ 8,709,061</u></u>	<u><u>\$ 8,962,093</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 557,494	\$ 259,824
Accrued expenses and other liabilities	960,546	688,894
Line of credit	926,000	926,000
Loan payable - current portion	35,502	32,700
TOTAL CURRENT LIABILITIES	<u>2,479,542</u>	<u>1,907,418</u>
Loan payable - long-term portion	465,720	501,166
TOTAL LIABILITIES	<u>2,945,262</u>	<u>2,408,584</u>
NET ASSETS - UNRESTRICTED		
Undesignated	5,563,799	6,353,509
Board designated	200,000	200,000
TOTAL NET ASSETS-UNRESTRICTED	<u>5,763,799</u>	<u>6,553,509</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,709,061</u></u>	<u><u>\$ 8,962,093</u></u>

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

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENTS OF ACTIVITIES

	For the Year Ended June 30,	
	2012	2011
SUPPORT		
Governmental and local agency grants, including United Way support of \$9,748 and \$52,861 in 2012 and 2011, respectively	\$ 10,545,305	\$ 8,901,906
Contributions and other support	116,516	57,278
TOTAL SUPPORT	<u>10,661,821</u>	<u>8,959,184</u>
REVENUE		
Patient, net	3,464,105	3,742,424
In-kind revenue	223,732	223,732
TOTAL REVENUE	<u>3,687,837</u>	<u>3,966,156</u>
TOTAL SUPPORT AND REVENUE	<u>14,349,658</u>	<u>12,925,340</u>
EXPENSES		
Program services		
Mental health and substance abuse services	11,743,644	9,597,446
Other services	1,590,680	1,485,244
Supporting services		
Administration	1,805,044	1,774,706
TOTAL EXPENSES	<u>15,139,368</u>	<u>12,857,396</u>
(DECREASE) INCREASE IN NET ASSETS	(789,710)	67,944
NET ASSETS, at beginning of year	<u>6,553,509</u>	<u>6,485,565</u>
NET ASSETS, at end of year	<u>\$ 5,763,799</u>	<u>\$ 6,553,509</u>

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

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Mental Health and Substance Abuse Services	Other Services	Administration	Total
PERSONNEL EXPENSES				
Salaries	\$ 7,310,405	\$ 1,120,370	\$ 778,130	\$ 9,208,905
Fringe benefits	1,199,513	239,665	148,950	1,588,128
TOTAL PERSONNEL EXPENSES	8,509,918	1,360,035	927,080	10,797,033
OPERATING EXPENSES				
Professional services	732,045	57,509	233,084	1,022,638
Building occupancy	493,370	14,257	141,502	649,129
Operating supplies and expenses	563,678	107,732	295,402	966,812
Food services	543,893	3,191	-	547,084
Subcontracted services	-	-	-	-
Insurance	185,460	5,181	18,552	209,193
Donated items (IDP Line of Credit)	223,732	-	-	223,732
Travel	63,606	16,998	18,489	99,093
Depreciation and amortization	214,811	25,777	45,826	286,414
Equipment cost	157,335	-	21,860	179,195
Other	-	-	19,936	19,936
Interest	-	-	83,313	83,313
Medical and pharmacy	55,796	-	-	55,796
TOTAL OPERATING EXPENSES	3,233,726	230,645	877,964	4,342,335
TOTAL EXPENSES	\$ 11,743,644	\$ 1,590,680	\$ 1,805,044	\$ 15,139,368

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

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Mental Health and Substance Abuse Services	Other Services	Administration	Total
PERSONNEL EXPENSES				
Salaries	\$ 6,184,617	\$ 1,087,193	\$ 817,250	\$ 8,089,060
Fringe benefits	1,002,494	209,929	168,372	1,380,795
TOTAL PERSONNEL EXPENSES	7,187,111	1,297,122	985,622	9,469,855
OPERATING EXPENSES				
Professional services	224,810	2,080	204,611	431,501
Building occupancy	417,924	8,081	118,045	544,050
Operating supplies and expenses	393,821	129,458	246,152	769,431
Food services	475,633	-	-	475,633
Insurance	202,320	8,874	26,523	237,717
Donated items (IDP Line of Credit)	223,732	-	-	223,732
Travel	47,200	12,160	25,065	84,425
Depreciation and amortization	228,908	27,469	48,835	305,212
Equipment cost	121,100	-	21,075	142,175
Interest	-	-	98,778	98,778
Medical and pharmacy	74,887	-	-	74,887
TOTAL OPERATING EXPENSES	2,410,335	188,122	789,084	3,387,541
TOTAL EXPENSES	\$ 9,597,446	\$ 1,485,244	\$ 1,774,706	\$ 12,857,396

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

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER INC.
STATEMENTS OF CASH FLOWS

	For the Year Ended	
	June 30,	
	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (789,710)	\$ 67,944
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	286,414	305,212
Realized/ Unrealized loss on investment	19,597	-
Changes in operating assets and liabilities:		
Decrease (increase) in funds for clients - social security benefits	7,258	(4,035)
(Increase) in receivables	(16,855)	(90,032)
(Increase) decrease in prepaid and other assets	(47,412)	25,067
Decrease in pledges receivable	1,376	3,158
Increase (decrease) in accounts payable	297,670	(232,720)
Increase in accrued expenses and other liabilities	271,652	124,656
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>29,990</u>	<u>199,250</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of long term investments	-	(17,725)
Purchases of fixed assets	(45,309)	(65,392)
NET CASH USED IN INVESTING ACTIVITIES	<u>(45,309)</u>	<u>(83,117)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net payments to line of credit	-	(65,000)
Payments to notes payable	(32,644)	(30,149)
NET CASH USED IN FINANCING ACTIVITIES	<u>(32,644)</u>	<u>(95,149)</u>
NET (DECREASE) INCREASE IN CASH	(47,963)	20,984
CASH, at beginning of year	<u>235,734</u>	<u>214,750</u>
CASH, at end of year	<u>\$ 187,771</u>	<u>\$ 235,734</u>

SUPPLEMENTAL DISCLOSURES

Cash paid for interest	<u>\$ 83,313</u>	<u>\$ 98,778</u>
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The accompanying notes are an integral part of these financial statements.

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Organization

New Horizons Community Mental Health Center, Inc. (the “Center”) commenced operations in March 1974, as the University of Miami Jackson Memorial Community Mental Health Center (“Jackson Memorial”). The Center started operating independently of Jackson Memorial in March 1981. The Center provides clinical care and therapy care for residents of Miami-Dade County and also provides training for mental health professionals and other practitioners who serve diverse cultural groups.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). In September 2010, the Financial Accounting Standards Board (“FASB”) implemented the Accounting Standards Codification (“ASC”) which establishes FASB ASC as the source of authoritative U.S. accounting and reporting standards for nongovernmental entities. Presented below is a summary of significant accounting principles followed in the preparation of the accompanying financial statements.

The Center has adopted the provisions of FASB ASC, “Accounting for Contributions Received and Contributions Made” and FASB ASC, “Financial Statements of Not-for-Profit Organizations”. FASB ASC requires the recognition of unconditional promises. FASB ASC establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and the classification of resources into three separate classes of net assets. At June 30, 2012 and 2011, all net assets were considered unrestricted.

Unrestricted

Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted

Net assets whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Center pursuant to those stipulations.

Permanently Restricted

Net assets whose use by the Center is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Center.

Restricted Contributions Whose Restrictions Are Met in the Same Reporting Period

Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted within the unrestricted fund.

Fair Value Measurement

The Center adopted FASB ASC, *Fair Value Measurements*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Center uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Center measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

SFAS 157 establishes a three-level valuation hierarchy for measurement and disclosure of fair value. The valuation hierarchy is based upon the transparency of inputs used to measure fair value. The three levels are as follows:

Level 1 – asset value is based on actual quoted prices in active markets for identical securities (mark-to-market).

Level 2 – other significant observable inputs are used to arrive at fair value (including yield, quality, coupon rate, maturity, issue type, quoted prices for similar securities, prepayment speeds, trading characteristics, etc.).

Level 3 – significant unobservable inputs (including management’s own assumptions in determining the fair value of investments). The Center’s management believes that the fair value of these investments approximates its cost.

Property and Equipment

Property and equipment are recorded at cost. Repairs and maintenance costs are expensed as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets.

The lives used for computing depreciation and amortization are as follows:

Furniture and office equipment	5 years
Transportation improvements	3-5 years
Leasehold improvements	Term of lease

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the entity reports the support as unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed property and equipment are recorded at fair value at the date of the donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as restricted support; otherwise, the contributions are recorded as unrestricted support.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individual possessing those skills and would typically need to be purchased if not provided by donation.

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Third-Party Reimbursements

Net patient service revenue is reported at the estimated net realizable amounts from third-party payors. The Center participates in the Medicare Part A Partial Hospitalization Program. In connection with this program, the Center is required to file a Medicare cost report, which is subject to audit. Any adjustments to the cost report are recorded in the year they become known.

Allocation of Administrative and Indirect Costs

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Significant expenses are allocated to program and supporting services on the following bases:

- Rental costs are allocated on the basis of square footage when programs share space.
- Insurance expense is allocated on the basis of number and category of employee.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts and assets and liabilities and disclosure of 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.

Income Taxes

The Center is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Center qualifies for the charitable contribution deduction under Section 170 (b) (1) (A) and has been classified as an organization other than a private foundation under Section 509 (a) (2).

There are no reserves held for uncertain tax positions at June 30, 2012. Tax years that are open under the statute of limitations remain subject to examination by the IRS.

Subsequent Events

The Center has evaluated subsequent events through January 22, 2013, which is the date the financial statements were available to be issued.

NOTE 2 – SUPPORT AND REVENUE

Financial resources are provided by government and local agency grants, patient care and public support revenues. The Center is dependent upon government support for its operation and the timeliness in which the grants are collected is essential to meet the normal cash flow needs of the Center. For financial statement purposes, revenue is recognized either pro rata based on the periods covered by the grants or based on expenses incurred for reimbursable grants, dependent on the type of grant. Deferred support represents cash received in advance of the related expenditure.

The Center provides clinical care and therapy services to residents of Miami-Dade County. Most of those patients are classified as indigent and are covered by Medicaid.

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 3 – CONCENTRATION OF CREDIT RISK FOR CASH HELD AT BANKS

Financial instruments which potentially subject the Center to concentrations of credit risk consist primarily of cash maintained in financial institutions in excess of federally insured limits. The Center generally limits the amount of credit exposure by maintaining its cash balances under these limits. Although cash balances may exceed federally insured limits at times during the year, the Center has not experienced and does not expect to incur any losses in such amounts.

NOTE 4 – RESTRICTED CASH

The Center receives social security benefits on behalf of patients. These funds are available to the patients for withdrawal at any time and are disbursed upon request. At June 30, 2012 and 2011, the restricted cash totaled \$22,241 and \$29,499, respectively.

NOTE 5 – PLEDGES RECEIVABLE

Unconditional promises are expected to be realized as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ -	\$ -
One to five years	-	1,376
	<u>\$ -</u>	<u>\$ 1,376</u>

The discount rate used was 5 percent.

NOTE 6 – MEDICAID AND MEDICARE, GRANTS, AND OTHER RECEIVABLES

As of June 30, 2012 and 2011, Medicaid and Medicare receivables were \$3,420,835 and \$2,348,153, net of an allowance for doubtful accounts of \$1,710,000 and \$955,000, respectively. Grants and other receivables at June 30, 2012 and 2011 were \$920,645 and \$1,221,472, respectively. Management believes that all grants and other receivables are fully collectible as of June 30, 2012 and 2011, respectively, and therefore, has not provided a related valuation allowance on these amounts.

NOTE 7 – PROPERTY AND EQUIPMENT, NET

	<u>2012</u>	<u>2011</u>
Land	\$ 1,697,986	\$ 1,697,986
Furniture and equipment	1,404,073	1,377,906
Leasehold improvements	4,889,459	4,889,459
Buildings	2,703,143	2,703,143
	<u>\$ 10,694,661</u>	<u>\$ 10,668,494</u>
Less accumulated depreciation and amortization	<u>(5,050,842)</u>	<u>(4,783,570)</u>
	<u>\$ 5,643,819</u>	<u>\$ 5,884,924</u>

Depreciation and amortization expense as of June 30, 2012 and 2011 was \$286,414 and \$305,212, respectively.

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 8 – LINE OF CREDIT

During the year ended June 30, 2012 and 2011, the Center had available a bank line of credit in the amount of \$1,000,000. Advances on this line of credit bear interest at 4%. Balance outstanding on this line of credit at June 30, 2012 and 2011 was \$926,000. The accounts receivables of the Center are pledged as security on the line of credit. The line of credit is currently under negotiation.

As of June 30, 2012, the Center was not in compliance with the debt service coverage ratio covenant. The lending institution has waived this non-compliance.

NOTE 9 – LOAN PAYABLE

During the year ended June 30, 2007, the Center borrowed \$650,000 from a financial institution to pay for building improvements. The loan bears interest at a rate of 8.25% and is payable in monthly installments of principal and interest of \$6,306. The note's maturity date is January 25, 2022. The terms of the loan require maintenance of various covenants.

Aggregate maturities of the loan payable for years subsequent to June 30, 2012 are as follows:

Year ending June 30,	Amount
2013	\$ 35,502
2014	38,544
2015	41,847
2016	45,433
2017	49,326
Thereafter	290,570
	<u>\$ 501,222</u>

NOTE 10 – ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of:

	2012	2011
Accrued salaries and payroll taxes	\$938,305	\$ 657,283
Other (including funds received on behalf of patients, Note 4)	22,241	31,611
Total	<u>\$ 960,546</u>	<u>\$ 688,894</u>

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Center operates in various leased premises. Lease terms generally range from monthly to ten years and, in some cases, provide options to renew for additional periods.

The following is a schedule of future minimum lease payments required under non-cancelable operating leases that have initial lease terms of one year or more as of June 30, 2012:

Years Ending June 30,	Amount
2013	\$ 4,800
2014	4,800
2015	4,800
2016	4,800
2017	4,800
Total	<u>\$ 24,000</u>

Total rental expense amounted to \$79,426 and \$19,666 for the years ended June 30, 2012 and 2011, respectively.

The Center is subject to federal, state and local government audit. These audits could result in the questioning of expenditures relating to certain grants under various technical compliance provisions of the individual grants. Adjustments, if any, from these audits will be recognized in the year they become known.

NOTE 12 – DEFINED CONTRIBUTION PLAN

The Center has established a tax-deferred group annuity plan for the benefit of employees under Section 403(b) of the Internal Revenue Code. Employees that meet certain criteria are eligible to participate in the Plan. Employees may elect to contribute to the Plan up to a certain percentage of their compensation; however the Center does not match any contributions. Accordingly, no expense for contributions has been recorded on the accompanying statement of activities for the years ended June 30, 2012 and 2011.

NOTE 13 – STATEMENT OF CASH FLOWS DISCLOSURE

The Center paid approximately \$83,000 and \$99,000 in interest during the years ended June 30, 2012 and 2011, respectively.

NOTE 14 – LONG-TERM INVESTMENT

During the year ended June 30, 2008, the Center entered into agreements to purchase percentages in limited liability companies. As of June 30, 2012 and 2011, the percentage owned by the Center was approximately 1-2% of the limited liability company. The value of this investment at June 30, 2012 and 2011 was approximately \$92,000 and \$112,000, respectively.

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 15 – FAIR VALUE MEASUREMENTS

The following table represents the Center’s financial instruments measured at fair value on a recurring basis at June 30, 2012 for each of the fair value hierarchy levels:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Limited Liability Companies	\$ 108,297	\$ -	\$ -	\$ 108,297
Fixed income securities	34,593	34,593	-	-
Money markets	1,373	1,373	-	-
Total	\$ 144,263	\$ 35,966	\$ -	\$ 108,297

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012.

Fixed Income- Consist of investments that provide returns in the form of periodic payments and eventual return of principal at maturity.

Money Markets- Portfolio is valued at cost, which approximates fair value.

The following tables present additional information about Level 3 assets measured at fair value.

Changes in Level 3 assets measured at fair value are as follows for the year ended June 30, 2012:

Investment Category	Beginning Balance	Total Gains or Losses	Interest Credited	Purchases, Issuances, Settlements	Ending Balance	Unrealized Gains or Losses
Limited Liability Companies	\$ 127,894	\$ (19,597)	\$ -	\$ -	\$ 108,297	\$ -
Total	\$ 127,894	\$ (19,597)	\$ -	\$ -	\$ 108,297	\$ -

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

The following table represents the Center’s financial instruments measured at fair value on a recurring basis at June 30, 2011 for each of the fair value hierarchy levels:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Limited Liability Companies	\$ 127,894	\$ -	\$ -	\$ 127,894
Fixed income securities	31,382	31,382	-	-
Money markets	4,584	4,584	-	-
Total	\$ 163,860	\$ 35,966	\$ -	\$ 127,894

Changes in Level 3 assets measured at fair value are as follows for the year ended June 30, 2011:

Investment Category	Beginning Balance	Total Gains or Losses	Interest Credited	Purchases, Issuances, Settlements	Ending Balance	Unrealized Gains or Losses
Limited Liability Companies	\$ 114,000	\$ -	\$ -	\$ 13,894	\$ 127,894	\$ -
Total	\$ 114,000	\$ -	\$ -	\$ 13,894	\$ 127,894	\$ -

The investment in the limited liability companies are recorded at cost. The Center’s management believes that the fair value of this investment approximates its cost.

SUPPLEMENTAL INFORMATION

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER INC.
SCHEDULE OF STATE EARNINGS
FOR THE YEAR ENDED JUNE 30, 2012

1. Total Expenditures	\$ 15,139,368
2. Less Other State and Federal Funds	(3,792,453)
3. Less Non-Match SAMH Funds	(2,237,152)
4. Less Unallowable Costs per 65E-14, F.A.C.	<u>(1,661,248)</u>
5. Total Allowable Expenditures (Sum of lines 1, 2, 3 and 4)	\$ 7,448,515
6. Maximum Available Earnings (Line 5 times 75%)	\$ 5,586,386
7. Amount of State Funds Requiring Match	<u>\$ 4,812,943</u>
8. Amount Due to Department, if negative (Subtract Line 6 from Line 7)	<u><u>NONE</u></u>

See Independent Auditor's Report
on Supplemental Information.

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER INC.
 SCHEDULE OF COST CENTER ACTUAL EXPENSES AND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2012

Part I: Actual Funding Sources and Revenues	Outpatient	Medical Services	Residential Level 3	Day/Night	Crisis Support Emergency	Crisis Stabilization	CCST	Case Management	Intensive Case Management	Prevention	In-home & On-Site Services	Supported Housing	Outreach	Incidental Expenses	Assessment	Total ADM	Non-ADM	Total all Cost Centers
IA. State ADM Funding																		
1. AESS1 AMH	\$ -	\$ -	\$ -	\$ -	\$ 132,254	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,254	\$ -	\$ 132,254
2. AESS1 AMH					35,746											35,746		35,746
3. AESS1 General Revenue			159,048				9,783									168,831		168,831
4. GX018 PATH			438,100													438,100		438,100
5. AESS1 Baker Act						953,031										953,031		953,031
6. CRRS1 CMH		20,000					190,096									210,096		210,096
7. PRIVAS										2,053						2,053		2,053
8. 27PR2 Prevention										101,783						101,783		101,783
9. ARBS1		346,402					1,005,975						644,500	43,460		2,040,337		2,040,337
10. ARBS1 Special Provision		13,785														13,785		13,785
11. CFBAS			256,992													256,992		256,992
12. TRTCS		33,206												9,000		42,206		42,206
13. TRTAS				46,776				4,873								182,093		182,093
14. DPG08		12,330		1,150												18,353		18,353
15. ADTR1 General Revenue																90,000		90,000
16. SPAS		90,000																
17. DPG08																1,662,313		1,662,313
18. CCH11							1,662,313									60,000		60,000
19. GMDW1						45,347								14,653		60,000		60,000
SUBTOTAL STATE ADM FUNDING	\$ 135,536	\$ 515,504	\$ 854,140	\$ 47,926	\$ 168,000	\$ 953,031	\$ 2,913,514	\$ 4,873	\$ -	\$ 103,836	\$ 173,256	\$ -	\$ 644,500	\$ 67,113	\$ -	\$ 6,407,973	\$ -	\$ 6,407,973
20. TANF 39A18	24,693			95,550			11,620						82,527			487,646		487,646
21. 39TCO TANF	48,322			1,818			12,394									62,534		62,534
SUBTOTAL TANF FUNDS	73,015			97,368			124,014				173,256		82,527			550,180		550,180
TOTAL STATE ADM FUNDING	\$ 208,551	\$ 515,504	\$ 854,140	\$ 145,294	\$ 168,000	\$ 953,031	\$ 2,913,514	\$ 128,887	\$ -	\$ 103,836	\$ 173,256	\$ -	\$ 727,027	\$ 67,113	\$ -	\$ 6,958,153	\$ -	\$ 6,958,153
IB. Other Government Funding																		
1. Other State Funding																		
IDP	\$ -	\$ 223,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,732	\$ -	\$ 223,732
Elderly																135,356		135,356
Juvenile Justice				135,356												102,830		102,830
Department of Corrections				102,830														
Alliance of Aging																		
Family Preservation																	149,607	149,607
2. Medicaid	345,237	305,666		286,584		636	2,146,439				190,404				55,548	3,330,534	372,028	3,702,562
3. Local Government	122,445		182,979	122,445			122,445									550,314	151,813	702,127
4. Federal Grants and Contracts										361,020						361,020	839,523	1,200,543
5. Childrens Trust																		
In-kind Expenditures																		
TOTAL OTHER GOVERNMENT FUNDING	\$ 467,702	\$ 529,398	\$ 182,979	\$ 647,215	\$ -	\$ 636	\$ 2,268,884	\$ -	\$ 361,020	\$ -	\$ 190,404	\$ -	\$ -	\$ -	\$ 55,548	\$ 4,703,786	\$ 1,312,971	\$ 6,216,757
IC. All Other Revenues																		
First and Third Party Fees, Medicare Contributions and Donations			129,460		45,235	293,776										129,460	1,675	131,135
Other			575,903							9,747						339,011	6,962	345,973
In-kind Expenditures																583,650	111,990	695,640
TOTAL NON-GOVERNMENT FUNDING	\$ -	\$ -	\$ 705,363	\$ -	\$ 45,235	\$ 293,776	\$ -	\$ -	\$ 9,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,054,121	\$ 120,627	\$ 1,174,748
TOTAL ALL FUNDING AND REVENUES	\$ 676,253	\$ 1,044,902	\$ 1,742,482	\$ 792,509	\$ 213,235	\$ 1,247,443	\$ 2,913,514	\$ 2,397,771	\$ -	\$ 474,603	\$ 363,660	\$ -	\$ 727,027	\$ 67,113	\$ 55,548	\$ 12,716,060	\$ 1,633,598	\$ 14,349,658

**NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER INC.
SCHEDULE OF COST CENTER ACTUAL EXPENSES AND REVENUES
FOR THE YEAR ENDED JUNE 30, 2012**

Part II: Actual Expenses

EXPENSE CATEGORIES

	Outpatient	Outpatient Medical Services	Residential Level 3	Day/Night	Crisis Support Emergency	C.S.U.	CCST	Case Management	Prevention	Income & On-Site Services	Outreach	Incidental expenses	Assessment	Total ADM	Non-ADM	Other Support	Administration	Total	
IIA. Personnel Expenses																			
(a) Salaries	\$ 486,926	\$ 418,114	\$ 845,686	\$ 394,310	\$ 154,051	\$ 540,633	\$ 1,385,048	\$ 1,618,161	\$ 277,051	\$ 215,216	\$ 485,669	\$ -	\$ 140,777	\$ 6,961,662	\$ 1,120,370	\$ 348,743	\$ 778,130	\$ 9,208,905	
(b) Fringe	90,885	71,252	121,080	99,227	17,297	130,842	195,708	193,138	38,119	34,569	92,938	-	44,728	1,119,543	239,665	79,970	148,950	1,588,128	
Total Personnel Expenses	577,791	489,366	966,766	493,537	171,348	671,195	1,580,816	1,811,319	315,170	239,785	578,607	-	185,505	8,081,205	1,360,035	428,713	927,080	10,797,033	
IIB. Other Expenses																			
(a) Building Occupancy	27,969	16,588	154,774	125,351	3,378	90,491	169,629	316,659	30,075	22,416	12,892	-	4,693	694,915	40,034	13,265	187,338	935,542	
(b) Professional Services	124,264	140,302	-	-	-	121,397	280,272	-	-	-	6,450	-	150	672,835	57,509	59,211	233,084	1,023,639	
(c) Travel	15,433	-	628	8,003	-	105	5,899	799	5,641	-	26,820	-	-	63,328	16,998	277	18,489	99,092	
(d) Equipment Cost	-	-	-	64,846	-	3	22,635	-	37	-	-	-	-	87,521	-	69,814	21,860	179,195	
(e) Food Service	-	-	131,810	242,854	-	76,768	92,461	-	-	-	-	-	-	543,893	3,191	-	-	547,084	
(f) Medical and Pharmacy	16,395	-	1,066	-	-	38,158	178	-	-	-	-	-	-	55,797	-	-	-	55,797	
(g) Subcontracted Services	-	-	-	-	-	-	-	75,053	5,885	13,585	5,038	-	-	185,460	5,181	-	18,552	209,193	
(h) Insurance	16,643	5,500	32,593	1,837	3,663	19,250	6,413	-	-	-	-	-	-	-	-	-	83,313	209,193	
(i) Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(j) Operating Supplies and Expenses	40,453	26,334	88,314	8,624	153	63,332	100,687	13,940	8,459	-	12,169	67,114	4,186	433,785	107,732	129,893	295,402	966,812	
(k) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,935	19,935	
(l) Donated Items (DIP Line of Credit)	-	233,732	-	-	-	-	-	-	-	-	-	-	-	233,732	-	-	-	233,732	
Total Other Expenses	291,157	412,456	409,185	451,515	7,194	409,324	678,174	126,451	50,097	36,001	63,369	67,114	9,029	2,961,266	230,645	272,460	877,963	4,342,335	
Total Personnel and Expenses	818,948	901,822	1,375,951	945,052	178,542	1,080,719	2,258,990	1,937,770	365,267	275,786	641,976	67,114	194,534	11,045,471	1,590,680	701,173	1,805,043	15,139,268	
IIIC. Distributed Indirect Costs																			
(a) Other Support (Optical)	50,454	30,053	81,460	52,453	9,910	59,983	150,380	107,551	18,273	15,307	35,631	-	5,797	637,252	65,921	(701,173)	-	-	
(b) Administration	117,013	133,854	210,180	135,031	25,510	154,415	322,768	276,872	47,190	39,405	66,727	-	27,795	1,576,760	228,286	-	(1,805,046)	-	
Total Distributed Indirect cost	167,467	203,907	291,640	187,484	35,420	214,398	473,148	384,423	65,463	54,712	102,358	-	33,592	2,214,012	294,207	-	-	-	
Total Actual Operating Expenses	986,413	1,105,729	1,667,592	1,132,534	213,961	1,295,116	2,732,138	2,322,194	430,730	330,498	744,334	67,114	228,127	13,256,480	1,885,888	-	-	15,139,368	
IIID. Unallowable Cost	7,043	5,553	8,473	5,819	1,099	6,655	13,910	12,915	2,249	1,698	3,953	-	1,198	70,565	-	-	-	70,565	
Total Allowable Operating Expenses	\$ 979,370	\$ 1,100,176	\$ 1,659,119	\$ 1,126,715	\$ 212,862	\$ 1,288,461	\$ 2,718,228	\$ 2,309,279	\$ 428,481	\$ 328,800	\$ 740,281	\$ 67,114	\$ 226,929	\$ 13,185,915	\$ 1,885,888	\$ -	\$ -	\$ 15,068,803	
IIIE. Capital Expenditures																			
				\$ 10,000		\$ 16,165								\$ 26,165				\$ 26,165	

See Independent Auditor's Report on Supplemental Information.

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
 FOR THE YEAR ENDED JUNE 30, 2012

Program A	Cost Center B	State Contracted Rate C	Total Units of Service Provided D	Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies E	Maximum # of Units Eligible for Payment by Department (D-E) F	Amount Paid for Services by the Department G	Maximum \$ Value of Units in Column F (F x C) H	Amount Owed to Department (G-H or \$0, whichever is greater) I
Children's MH	Crisis Stabilization Unit	-	-	-	-	-	-	-
Adult MH	Crisis Stabilization Unit	\$ 213.50	5,840	1,376	4,464	\$ 953,028	\$ 953,064	-
Children's SA	Substance Abuse Detox	-	-	-	-	-	-	-
Adult SA	Substance Abuse Detox	-	-	-	-	-	-	-
Adult MH	Short-term Residential Treatment	-	-	-	-	-	-	-
Total Amount Owed to Department								\$ -

See Independent Auditor's Report
 on Supplemental Information.

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
NOTE TO THE SCHEDULES OF STATE EARNINGS, COST CENTER ACTUAL EXPENSES
AND REVENUES AND BED-DAY AVAILABILITY PAYMENTS
FOR THE YEAR ENDED JUNE 30, 2012

General

The Schedules of State Earnings, Cost Center Actual Expenses and Revenues and Bed-Day Availability Payments were prepared in accordance with the requirements included in the South Florida Behavioral Health Network Contract ME 225-15.

The Schedule of Cost Center Actual Expenses and Revenues includes the line of credit for drugs for the indigent in the amount of \$223,732.

NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor Pass-through Grantor/ Program Title	Federal CFDA Number	Contract or Pass-Through Number	Expenditures	Transfers to Subrecipients
Department of Health and Human Services				
<i>Pass-through South Florida Behavioral Health Network</i>				
Public Health and Social Services Emergency Fund	93.003	ME 225-15	\$ 1,662,313	\$ -
SFPC Temporary Assistance for Needy Families (TANF)	93.558	ME 225-15	550,180	-
Projects for Assistance in Transition from Homelessness	93.150	ME 225-15	438,100	-
Block Grant for Community and Mental Health Services	93.958	ME 225-15	283,372	-
Block Grant for Community and Mental Health Services	93.959	ME 225-15	248,590	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	ME 225-15	60,000	-
Social Services Block Grant	93.667	ME 225-15	13,129	-
Child Welfare Services	93.645	OKOP175-16	12,223	-
Child Abuse and Neglect Grant	93.669	OKOP175-16	11,530	-
<i>Pass-through Alliance for Aging</i>				
Neighborhood Family Service	93.044	AA1121	77,271	-
Neighborhood Family Service	93.044	AA1221	72,336	-
Department of Agriculture				
<i>Pass-through Florida Department of Elder Affairs</i>				
Pass-through Florida Department of Elder Affairs	10.558	Y1044	34,722	-
Pass-through Florida Department of Elder Affairs	10.558	Y2044	100,634	-
<i>Total Federal Awards</i>			\$ 3,564,400	\$ -
South Florida Behavioral Health Network				
Mental Health Community Support Services	60.053	ME 225-15	\$ 2,040,337	\$ -
Baker Act	60.006	ME 225-15	953,031	-
Children Mental Health Community Support Services	60.114	ME 225-15	256,992	-
Children Mental Health Community Support Services	60.048	ME 225-15	118,543	-
Mental Health Emergency Stabilization	60.054	ME 225-15	132,254	-
Mental Health Indigent Psychiatric Outpatient Services	60.039	ME 225-15	13,785	-
Substance Abuse Treatment and Aftercare Services	60.033	ME 225-15	89,880	-
Substance Abuse Community Support Services	60.101	ME 225-15	51,949	-
Substance Abuse Prevention Services	60.032	ME 225-15	94	-
Children's Substance Abuse	60.030	ME 225-15	35,983	-
Children Substance Abuse Prevention Services	60.029	ME 225-15	9,623	-
Community Based Care Support	60.094	OKOP175-16	348,275	-
Florida Department of Juvenile Justice System				
Children and Adolescent - DJJ Day treatment	80.011	X1669	102,830	-
<i>Total State Financial Assistance</i>			\$ 4,153,576	\$ -

See Independent Auditor's Report
on Supplemental Information.

**NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012**

General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") presents the activity of all federal and state award programs of New Horizons Community Health Center, Inc. for the year ended June 30, 2012 on the accrual basis of accounting. All federal and state awards received directly from federal and state agencies, as well as federal and state awards received from other government agencies are included in the Schedule. The information in this schedule is in accordance with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and with State of Florida Rules of the Auditor General Chapter 10.650, *State Single Audits Non-Profit and For-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

The Schedule does not include the line of credit for drugs for the indigent in the amount of \$223,732.

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 of
New Horizons Community Mental Health Center, Inc.

We have audited the financial statements of New Horizons Community Mental Health Center, Inc. (the "Center"), a nonprofit organization, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 22, 2013. 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 the Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Center in a separate letter dated January 22, 2013.

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
January 22, 2013

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 of
New Horizons Community Mental Health Center, Inc.

Compliance

We have audited New Horizons Community Mental Health Center, Inc.'s (the "Center"), a nonprofit 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 could have a direct and material effect on each of the Center's major federal programs and state projects for the year ended June 30, 2012. The Center's 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 Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General of the State of Florida* 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 Center'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 of the Center's compliance with those requirements.

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

Internal Control Over Compliance

The management of the Center 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 Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650 Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center'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 or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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 of the Center, audit committee, management, federal and state awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
January 22, 2013

**NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
 FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
 FOR THE 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:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

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

Unqualified

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

yes no

Identification of major programs:

Federal Program or Cluster	CFDA Number	Expenditures
Public Health and Social Services Emergency Fund	93.003	\$ 1,662,313
Projects for Assistance in Transition from Homelessness	93.150	438,100
Temporary Assistance for Needy Families	93.558	550,181

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

\$ 300,000

Auditee qualified as low-risk auditee?

yes no

**NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
 FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

State Financial Assistance

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

Unqualified

Internal control over major projects:

- Material weakness(es) identified? ___ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? ___ yes X no

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:

Name of State Project or Cluster	CSFA Number	Expenditures
Block Grants for Prevention and Treatment of Substance Abuse	60.006	\$ 953,031
Block Grants for Community Mental Health Services	60.053	2,040,337
Dollar threshold used to distinguish between type A and type B projects.	<u>\$ 300,000</u>	
Auditee qualified as low-risk auditee?	N/A	

**NEW HORIZONS COMMUNITY MENTAL HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no matters that are reportable.

SECTION III – FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS

The audit disclosed no matters that are reportable.

SECTION IV - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

The audit disclosed no matters that are reportable.

SECTION V - OTHER ISSUES

1. A management letter was issued and reported to management in a separate letter dated January 22, 2013.
2. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal award programs or state financial assistance projects.
3. No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.