

*Financial Statements and
Other Financial Information*

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

June 30, 2012

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

**Financial Statements and
Other Financial Information**

June 30, 2012

(With Independent Auditors' Report Thereon)

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

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Independent Auditors' Report

To the Board of Directors
Osceola Mental Health, Inc.
d/b/a Park Place Behavioral Health Care

We have audited the accompanying statement of financial position of Osceola Mental Health, Inc. (d/b/a Park Place Behavioral Health Care) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Osceola Mental Health, Inc.'s (d/b/a Park Place Behavioral Health Care) management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Osceola Mental Health, Inc. (d/b/a Park Place Behavioral Health Care) as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2012 on our consideration of Osceola Mental Health, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Osceola Mental Health, Inc. (d/b/a Park Place Behavioral Health Care) taken as a whole. The accompanying supplemental information on pages 19 to 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditure of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and Section 215.97 of the Florida Statutes of the Florida Single Audit Act, and is 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.

Schaefer, Tschoy, Whitcomb, Mitchell & Shulman, LLP

September 20, 2012
Altamonte Springs, Florida

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Statement of Financial Position

June 30, 2012

Assets

Current assets:	
Cash and cash equivalents	\$ 1,618,097
Patient accounts receivable (net of allowance for doubtful accounts of \$984,118)	381,130
Other accounts receivable	1,218,234
Prepaid expenses and other	114,226
Total current assets	<u>3,331,687</u>
Property and equipment (notes 2 and 6):	
Land	917,942
Buildings and improvements	4,545,613
Furniture and equipment	1,137,009
Vehicles	356,843
	<u>6,957,407</u>
Less accumulated depreciation	<u>3,196,293</u>
Total property and equipment	<u>3,761,114</u>
Deferred interest expense (notes 4 and 6)	230,080
Other assets	64,921
Assets held for sale (note 7)	2,807,505
	<u>10,195,307</u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 164,140
Accrued expenses	719,589
Current installments of long-term debt (notes 2 and 6)	94,270
Total current liabilities	<u>977,999</u>
Long-term debt, excluding current installments (notes 2 and 6)	2,133,120
Liabilities associated with assets held for sale (note 7)	1,600,000
Total liabilities	<u>4,711,119</u>
Net assets:	
Unrestricted	5,045,266
Temporarily restricted (note 4)	438,922
Total net assets	<u>5,484,188</u>
	<u>\$ 10,195,307</u>

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Statement of Activities

Year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Federal and state assistance	\$ 3,487,709	-	3,487,709
Osceola County	1,219,475	197,142	1,416,617
Cities of Kissimmee and St. Cloud	41,950	12,500	54,450
Total governmental financial assistance	4,749,134	209,642	4,958,776
Program service fees	8,134,649	-	8,134,649
Florida Health Partners	1,541,675	-	1,541,675
Interest income	3,083	-	3,083
Contributions	9,084	-	9,084
Other income	136,247	-	136,247
Net assets released from restrictions (note 4)	339,062	(339,062)	-
Total support and revenue	14,912,934	(129,420)	14,783,514
Expenses:			
Program services:			
Alcohol, drug and mental health	6,647,326	-	6,647,326
Other mental health	4,339,677	-	4,339,677
Total program services	10,987,003	-	10,987,003
Management and general:			
General and administrative	2,803,656	-	2,803,656
Total expenses	13,790,659	-	13,790,659
Change in net assets from continuing operations	1,122,275	(129,420)	992,855
Property and equipment impairment loss (note 7)	(1,402,000)	-	(1,402,000)
Loss from discontinued operations (note 7)	(518,236)	-	(518,236)
Change in net assets	(797,961)	(129,420)	(927,381)
Net assets at beginning of year	5,843,227	568,342	6,411,569
Net assets at end of year	\$ 5,045,266	438,922	5,484,188

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Statement of Functional Expenses

Year ended June 30, 2012

Item of Expense	Program Services				General and Admin	Total
	Substance Abuse and Mental Health	Other Mental Health	Total	Other Support		
Payroll and related expenses:						
Salaries	\$ 4,095,579	2,975,088	7,070,667	1,268,547	703,650	9,042,864
Benefits	589,743	488,185	1,077,928	230,697	107,259	1,415,884
Total payroll and related expenses	4,685,322	3,463,273	8,148,595	1,499,244	810,909	10,458,748
Other expenses:						
Occupancy	429,322	355,831	785,153	200,688	76,621	1,062,462
Professional services	162,043	233,107	395,150	50,925	35,255	481,330
Travel	18,212	23,303	41,515	10,011	12,267	63,793
Equipment costs	72,740	190,253	262,993	97,223	16,020	376,236
Food services	42,618	(7,148)	35,470	186,551	52,223	274,244
Medical and pharmacy	184,664	8,792	193,456	495	223	194,174
Insurance	151,894	174,236	326,130	53,118	17,723	396,971
Interest	47,673	51,946	99,619	8,778	6,778	115,175
Operating supplies and expenses	124,984	(261,363)	(136,379)	103,131	58,621	25,373
Bad debts	492,522	(156,186)	336,336	-	-	336,336
Other	992	2,411	3,403	-	2,414	5,817
Food service allocation	234,340	261,222	495,562	(495,562)	-	-
Total other expenses	1,962,004	876,404	2,838,408	215,358	278,145	3,331,911
Total expenses	\$ 6,647,326	4,339,677	10,987,003	1,714,602	1,089,054	13,790,659

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Statement of Cash Flows

Years ended June 30, 2012

Cash flows from operating activities:	
Change in net assets	\$ (927,381)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	477,275
Amortization of county debt	(600,000)
Impairment loss	1,402,000
Cash provided by changes in assets and liabilities:	
Patient accounts receivable	654,706
Other accounts receivable	(27,925)
Prepaid expenses	(2,512)
Accounts payable	(6,716)
Accrued expenses	(516,462)
Deferred interest expense	129,420
Other assets	(30,038)
Net cash provided by operating activities	<u>552,367</u>
Cash flows from investing activities:	
Acquisition of property and equipment	<u>(191,360)</u>
Net cash used in investing activities	<u>(191,360)</u>
Cash flows from financing activities:	
Proceeds from issuance of long-term debt	53,143
Principal payments on long-term debt	<u>(128,363)</u>
Net cash used in financing activities	<u>(75,220)</u>
Net increase in cash and cash equivalents	285,787
Cash and cash equivalents, beginning of year	<u>1,332,310</u>
Cash and cash equivalents, end of year	<u>\$ 1,618,097</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 130,787</u>

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Notes to Financial Statements

June 30, 2012

(1) **Organization and Summary of Significant Accounting Policies**

(a) **Organization and Purpose**

Osceola Mental Health Inc., (d/b/a Park Place Behavioral Health Care) (the Organization) is a community mental health and substance abuse center, which provides services in the Osceola County, Florida area. The Organization was incorporated in 1976 and provides a complete continuum of care ranging from crisis support and stabilization to residential and day treatment programs to outpatient services for adults and children. The Organization's administrative and clinical facilities are located in Kissimmee and St. Cloud, Florida.

(b) **Basis of Accounting**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

These financial statements are prepared on an entity wide basis, focusing on the organization as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets as of or for the year ended June 30, 2012.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. The Organization reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

(Continued)

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(b) **Basis of Accounting (Continued)**

In addition, under generally accepted accounting principles, pledges and contributions are generally recognized as revenue when the gift is made and are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the presence or absence and type of donor imposed restrictions or conditions.

(c) **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers highly liquid investments with a maturity of three months or less, demand deposit accounts and money market accounts to be cash equivalents.

(d) **Contributions**

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

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

(e) **Property and Equipment**

Property and equipment acquisitions are capitalized at cost when purchased or at the fair value at the date of gift when donated. Depreciation of buildings, improvements, vehicles and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 5 to 40 years. All property expenditures in excess of \$1,000 are capitalized; maintenance and renewals are charged to expense as incurred.

(Continued)

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies (Continued)

(f) Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(g) Income Taxes

The Organization is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with "Income Taxes" FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2012, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization's income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2009 to 2012 are open to examination by federal authorities.

(h) Donated Materials and Facilities

Donated materials that the Organization would be required to purchase to operate programs are reflected in the financial statements at their estimated fair values at date of their receipt.

(Continued)

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies (Continued)

(i) Use of Estimates

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

(j) Patient and Other Accounts Receivable

Patient and other accounts receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts using the reserve method based on its assessment of the current status of the individual receivables and after using reasonable collection efforts. As of June 30, 2012, the balance of the reserve recorded for uncollectible amounts amounted to approximately \$984,000.

(k) Financial Instruments Fair Value, Concentration of Business and Credit Risks

The carrying amount reported in the statement of financial position for cash and cash equivalents, patient and other accounts receivable, accounts payable and accrued expenses approximates fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported in the accompanying statement of financial position for long-term debt approximates fair value because the actual interest rates do not significantly differ from current rates offered for instruments with similar characteristics.

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of patient and other accounts receivable which amount to approximately \$1,600,000. The Organization monitors the balance of individual patient accounts and generally does not require collateral. Grants and contracts receivable arise as a result of agreements with third parties to provide specified services. The grants and contracts are monitored on a monthly basis and are not collateralized. The Organization maintains its cash balances at certain financial institutions in which balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company's uninsured balances amount to approximately \$1,400,000 at June 30, 2012.

The Organization receives a large portion of its support from the Florida Department of Children and Families (DCF). The continued association with and support from DCF is significant to the operations of the Organization.

(Continued)

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(i) **Subsequent Events**

The Organization has evaluated subsequent events through September 20, 2012. All subsequent events requiring recognition as of September 20, 2012 have been incorporated into the accompanying financial statements.

(2) **Long-Term Debt**

Long-term debt consists of the following:

Note payable to a bank in the original amount of \$2,300,000, collateralized by a mortgage on certain real estate. Principal and interest are due monthly in the amount of \$14,069. The note is due in May 2016, when all remaining principal and interest are due. Interest is fixed at 4.85%.	\$ 2,075,807
Note payable to a bank in monthly installments of principal and interest of \$1,072 with final payment due May 2016. Secured by certain equipment. Interest is fixed at 5.25%.	98,440
Note payable due in monthly installments of \$1,884 including interest at 6% through May 2015, secured by certain equipment and related software.	<u>53,143</u>
Total long-term debt	2,227,390
Less current installments	<u>94,270</u>
Long-term debt, excluding current installments	<u>\$ 2,133,120</u>

Aggregate maturities of long-term debt for years subsequent to June 30, 2012 are as follows:

2013	\$ 94,270
2014	99,702
2015	99,448
2016	<u>1,933,970</u>
	<u>\$ 2,227,390</u>

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Notes to Financial Statements

(3) Net Assets Released from Restrictions

During the year ended June 30, 2012, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, expiration of certain time restrictions or by the occurrence of other events specified by donors.

Purpose restrictions accomplished:	
Program services	<u>\$ 339,062</u>

Of the amounts released during the year ended June 30, 2012, \$326,562 and \$12,500 were associated with Osceola County and the City of Kissimmee, respectively.

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

Osceola County programs	\$ 426,422
City of Kissimmee	<u>12,500</u>
	<u>\$ 438,922</u>

(5) Defined Contribution Pension Plan

The Organization sponsors a defined contribution pension plan (Plan) under Internal Revenue Code Section 401(k). The Plan is available to substantially all employees with one year service. Contributions by the employee are made at the discretion of the employee. The Organization makes contributions equal to one-half of the employee contribution, with a maximum contribution of 2% of eligible wages. The Organization contributed approximately \$106,000 to the Plan for the year ended June 30, 2012.

(6) Acquisition of Land and Building

In January, 2006, the Organization acquired land and several buildings in St. Cloud, Florida. The purchase price was \$4,795,000. The purchase was financed by borrowing \$795,000 from a bank and \$4,000,000 from Osceola County. On the date of acquisition, the fair market value of the land and buildings associated with the acquisition was estimated to be \$623,376 and \$4,171,824, respectively. The \$4,000,000 loan is non-interest bearing and is payable in installments of \$400,000 each January beginning January, 2007. In exchange for this loan, the

(Continued)

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Notes to Financial Statements

(6) Acquisition of Land and Building (Continued)

Organization agreed to provide certain youth services programs, pursuant to a Youth Services Agreement (YSA or Agreement), entered into with the County beginning prior to July 1, 2006. Among other things, if the Organization provides these programs for the twelve months immediately preceding the required debt payment in January, then the subsequent debt payment is forgiven and will be treated as a program service fee from the County.

In May 2012, the Organization ceased to provide the services as indicated in the Agreement. Provisions of the YSA indicate that the Organization would be in default resulting from the decision to cease providing youth services programs subject to receiving written notice from the County specifying a failure to perform. If the Organization is ultimately determined to be in default under this Agreement, the County may, upon written notice, accelerate and declare all future payments associated with the remaining obligation to the County due and payable immediately with interest at 12% from the date of such notice.

At June 30, 2012 and through the date of this report, such notice has not been received from the County regarding this matter. In the meantime, management of the Organization has initiated discussions to amend the Agreement pursuant to certain provisions within the YSA to potentially provide alternative programs to the community agreeable to the County.

In connection with the non-interest bearing loan discussed herein, the Organization has recorded foregone interest amounting to \$1,581,000 associated with this obligation as an in-kind contribution from the County in 2006. This contribution has been included as temporary restricted revenue and will be released and recognized as unrestricted revenue over the term of the related loan agreement. The Organization has also correspondingly recorded deferred interest expense associated with this transaction which is being amortized and recognized as interest expense over the term of the obligation. Accordingly, the Organization has recognized (released from restriction) \$129,420 as unrestricted revenue and corresponding interest expense in the accompanying 2012 statement of activities.

(7) Discontinued Operations and Assets Held for Sale

In May 2012, the Organization ceased providing certain youth services programs as discussed in Note 6 to the financial statements. Accordingly, the associated land and building which had housed these operations became available for sale and was subsequently marketed by management. Consequently, the net assets and liabilities related with these operations have been classified as assets held for sale and liabilities associated with assets held for sale in the

(Continued)

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Notes to Financial Statements

(7) Discontinued Operations and Assets Held for Sale (Continued)

accompanying statement of financial position. The loss associated with the assets held for sale has been classified as discontinued operations in the accompanying statement of activities. At June 30, 2012, management has determined that the carrying value exceeded the market value of the net assets held for sale and, accordingly, recorded an impairment loss of \$1,402,000 at that date.

The following information represents net assets, liabilities and net loss associated with the discontinued operations as of and for the year ended June 30, 2012.

Land	\$ 623,376
Property and equipment	4,258,021
Accumulated depreciation	(671,892)
Less impairment reserve	<u>(1,402,000)</u>
Net assets held for sale	<u>\$ 2,807,505</u>
Revenues	\$ 1,550,166
Payroll expense	(997,035)
Depreciation	(141,952)
Interest	(152,222)
Other expenses	<u>(777,193)</u>
Loss from discontinued operations	<u>\$ (518,236)</u>

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Schedule of Expenditure of Federal Awards and State Financial Assistance

Year ended June 30, 2012

<u>Federal Awards</u>	<u>CFDA/ CSFA</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services			
Passed through Florida Department of Children and Families	93.150	GHJ28	\$ 91,298
Alcohol, drug abuse and mental health services	93.959	GHJ28	251,655
	93.958	GHJ28	201,014
U.S. Department of Justice			
Passed through Florida Department of Law Enforcement and Osceola County			
Edward Byrne Memorial Justice Assistance Grant ARRA - RES 1 Adult Substance Abuse Program	16.804	-	20,039
Adult Treatment Drug Court Program/Fellowship House	16.738	-	254,048
U.S. Department of Housing and Urban Development			
Passed through Florida Department of Community Affairs Community Development Block Grant	14.218	-	19,200
			<u>\$ 837,254</u>
 <u>State Financial Assistance</u>			
Florida Department of Children and Families			
Alcohol, drug abuse and mental health services			
	60.039	GHJ28	5,748
	60.006	GHJ28	753,150
	60.001	GHJ28	97,824
	60.114	GHJ28	192,386
	-	GHJ28	1,402,779
			<u>\$ 2,451,887</u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditure of Federal Awards and State Financial Assistance includes the federal and state grant activity of Osceola Mental Health, Inc. d/b/a Park Place Behavioral Health Care, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act.

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Supplemental Information

Years ended June 30, 2012

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Schedule of Revenue

Year ended June 30, 2012

Government funding:

Adult and children mental health and substance abuse (Federal and state)	\$ 3,336,600
Florida Department of Transportation	56,814
Department of Elder Affairs (Food Program)	94,295
Osceola County	1,416,617
Cities of Kissimmee and St. Cloud	54,450
Total government funding	<u>4,958,776</u>

Patient services:

Medicaid	5,385,959
Florida Health Partners	1,541,675
First and third party fees	2,329,410
Medicare	419,280
Total patient services	<u>9,676,324</u>

Other income:

Contributions	9,084
Interest	3,083
Other	136,247
Total other income	<u>148,414</u>

Total support and revenue from continuing operations \$ 14,783,514

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Schedule of State Earnings

Year ended June 30, 2012

Total Expenditures	\$ 15,729,641
Less Other State and Federal Funds	(5,386,759)
Less Non-Match ADM Funds	(1,154,563)
Less Unallowable Costs Per 65E-14, FAC	(53,660)
Less Unallowable Patient Fees	<u>(25,416)</u>
Total Allowable Expenditures	<u>\$ 9,109,243</u>
Maximum Available Earnings	\$ 6,831,932
State Funds Received	<u>1,841,291</u>
Amount Due to Department	<u>\$ -</u>

See accompanying notes to financial statements.

OSCEOLA MENTAL HEALTH, INC.
d/b/a Park Place Behavioral Health Care

Cost Center Funding Source and Revenues Schedule

Year Ended June 30, 2012

	Mental Health Crisis Support - 1400			Mental Health Crisis Stabilization - Children - 1550			Mental Health Crisis Stabilization - Adult - 1500			Substance Abuse Residential Level 1 - 3321		
	Budget	Actual	Diff.	Budget	Actual	Diff.	Budget	Actual	Diff.	Budget	Actual	Diff.
Other Government Funding												
Other state funding	-	-	-	-	-	-	-	-	-	-	-	-
Medicaid	21,765	35,613	13,848	489,000	561,387	72,387	795,000	742,067	(52,933)	-	-	-
Federal grants and contracts	-	-	-	-	-	-	-	-	-	-	-	-
In-Kind	-	-	-	-	-	-	-	-	-	-	-	-
All Other Funding and Revenue												
Patient fees	-	25,732	25,732	4,200	63,235	59,035	4,200	397,447	393,247	29,700	21,725	(7,975)
Medicare, third party fees	2,205	(1,467)	(3,672)	138,000	137,926	(74)	417,000	495,710	78,710	49,200	72,197	22,997
Contributions and donations	-	-	-	-	-	-	-	-	-	-	-	-
Other	40,008	40,000	(8)	60,000	60,000	-	300,000	300,000	-	6,507	23,839	17,332
In-Kind	-	-	-	-	-	-	-	-	-	-	-	-

	Mental Health Residential Level 2 - 6200			Substance Abuse Residential Level 4 - 3323			Mental Health Case Management - 5100			Mental Health Supportive Housing - 5500		
	Budget	Actual	Diff.	Budget	Actual	Diff.	Budget	Actual	Diff.	Budget	Actual	Diff.
Other Government Funding												
Other state funding	-	-	-	-	-	-	-	-	-	-	-	-
Medicaid	-	11,884	11,884	-	-	-	545,393	364,514	(180,879)	-	-	-
Federal grants and contracts	-	-	-	-	-	-	-	-	-	-	-	-
In-Kind	-	-	-	-	-	-	-	-	-	-	-	-
All Other Funding and Revenue												
Patient fees	51,000	57,469	6,459	15,000	8,676	(6,324)	-	-	-	-	-	-
Medicare, third party fees	-	-	-	-	-	-	-	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	106,550	105,085	(1,475)	-	-	-
In-Kind	-	-	-	-	-	-	-	-	-	-	-	-

	Mental Health Fellowship House - 6220			Mental Health Outpatient Medical - 3910			Total Difference
	Budget	Actual	Diff.	Budget	Actual	Diff.	
Other Government Funding							
Other state funding	-	-	-	-	-	-	-
Medicaid	-	-	-	567,190	689,664	122,474	(13,219)
Federal grants and contracts	-	-	-	-	-	-	-
In-Kind	-	-	-	-	-	-	-
All Other Funding and Revenue							
Patient fees	22,500	18,065	(4,435)	78,600	149,469	70,869	536,608
Medicare, third party fees	-	-	-	290,757	123,398	(167,359)	(69,398)
Contributions and donations	-	-	-	-	2,050	2,050	2,050
Other	346,700	372,450	25,750	297,480	307,763	10,283	51,882
In-Kind	-	400	400	-	-	-	400

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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
Osceola Mental Health, Inc.
d/b/a Park Place Behavioral Health Care

We have audited the financial statements of Osceola Mental Health, Inc., d/b/a Park Place Behavioral Health Care (the "Organization") as of and for the year ended June 30, 2012, and have issued our report thereon dated September 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, Board of Directors, management, others within the Organization, 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.

Schatz, Tschoff, Whitcomb, Mitchell & Shulman, LLP

September 20, 2012
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**Independent Auditors' Report on Compliance with Requirements Applicable
to Each Major Federal Program and State Project and on Internal
Control Over Compliance in Accordance with OMB Circular A-133
and the Florida Single Audit Act**

To the Board of Directors
Osceola Mental Health, Inc.
d/b/a Park Place Behavioral Health Care

Compliance

We have audited the compliance of Osceola Mental Health, Inc., d/b/a Park Place Behavioral Health Care (the Organization), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and in the State of Florida, *State Projects Compliance Supplement* that are applicable to each of its major federal programs and state projects for the year ended June 30, 2012. Osceola Mental Health, Inc.'s major federal programs and state projects are identified in the summary of the 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 Osceola Mental Health, Inc.'s management. Our responsibility is to express an opinion on Osceola Mental Health, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* and Section 215.97 of the Florida Statutes of the Florida Single Audit Act. Those standards, OMB Circular A-133, and the Florida Single Audit Act 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 Osceola Mental Health, 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 of Osceola Mental Health, Inc.'s compliance with those requirements.

In our opinion, Osceola Mental Health, Inc., d/b/a Park Place Behavioral Health Care complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Osceola Mental Health, Inc., d/b/a Park Place Behavioral Health Care is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct material effect on a major federal program or state project in order 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 on the effectiveness of Osceola Mental Health, Inc.'s internal control over compliance.

A control deficiency in an organization'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 federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project 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 material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the organization'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 solely for the information and use of the audit committee, Board of Directors, management, others within the Organization, 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.

Schaefer, Paschke, Whitcomb, Mitchell & Shulman, LLP

September 20, 2012
Altamonte Springs, Florida

Osceola Mental Health, Inc.
d/b/a Park Place Behavioral Health Care
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

A. Summary of the Audit Results

1. The Auditors' report expresses an unqualified opinion on the financial statements of Osceola Mental Health, Inc., d/b/a/ Park Place Behavioral Health Care.
2. No significant deficiencies were disclosed during the audit of the financial statements as reported in the 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*.
3. No instances of noncompliance material to the financial statements of Osceola Mental Health, Inc. d/b/a Park Place Behavioral Health Care were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs and state projects were disclosed during the audit in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Major State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Single Audit Act.
5. The auditors' report on compliance for major federal award programs and state projects for Osceola Mental Health, Inc., d/b/a/ Park Place Behavioral Health Care expresses an unqualified opinion.
6. There are no audit findings relative to major federal award programs and state projects for Osceola Mental Health, Inc., d/b/a/ Park Place Behavioral Health Care required to be reported in accordance with Section 510(a) of OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General (See AG Rule 10.654(1)(h)(4)).
7. The programs tested as major programs were as follows:

Program Type	Program Name	Identifying Number
Federal	Substance Abuse Prevention and Treatment (SAPT) Block Grant	93.959/93.958/ 93.150
State	Department of Children and Families - Baker Act	GHJ28
State	Department of Children and Families - Adult Community Mental Health Emergency Stabilization	GHJ28

Osceola Mental Health, Inc.
d/b/a Park Place Behavioral Health Care
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

A. Summary of the Audit Results (Continued)

8. The threshold for distinguishing Types A and B programs was \$300,000.

9. The Auditee did qualify as a low-risk auditee.

B. Findings – Financial Statements

None

C. Findings and Questioned Costs – Major Federal Programs

None

D. Findings and Questioned Costs – Major State Projects

None

E. Other Issues

No Summary Schedule of Prior Audit Findings (See AG Rule 10.656(3)(d)5) is required because there were no prior audit findings related to Federal programs or State projects; no Corrective Action Plan (See AG Rule 10.656(3)(d)6.) is required because there were no findings required to be reported under the Federal and Florida Single Audit Acts.