

PSYCHOTHERAPEUTIC SERVICES OF
FLORIDA, INC.
(A wholly-owned Subsidiary of
Associated Service Specialists, Inc.)

YEARS ENDED JUNE 30, 2012 AND 2011

PSYCHOTHERAPEUTIC SERVICES OF FLORIDA, INC.
(A wholly-owned Subsidiary of Associated Service Specialists, Inc.)

YEARS ENDED JUNE 30, 2012 AND 2011

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Independent Auditors' Report

Board of Directors
Psychotherapeutic Services of Florida, Inc.
Chestertown, Maryland

We have audited the accompanying balance sheets of Psychotherapeutic Services of Florida, Inc. (a wholly-owned Subsidiary of Associated Service Specialists, Inc.) as of June 30, 2012 and 2011, and the related statements of operations and deficit, and cash flows for the years then ended. The financial statements are the responsibility of Psychotherapeutic Services of Florida, Inc.'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 and in accordance with *Chapter 10.650, Rules of the Auditor General*. 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 audits provide 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 Psychotherapeutic Services of Florida, Inc. as of June 30, 2012 and 2011, and the results of its operations 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 October 26, 2012 on our consideration of Psychotherapeutic Services of Florida, 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 audits were conducted to form an opinion on the 2012 and 2011 basic financial statements taken as a whole. The 2012 and 2011 information on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 2012 and 2011 information on page 14 is presented for additional analysis in accordance with §215.97, Florida Statutes; Rules of the Auditor General, Chapter 10.650, and Chapter 69I-5, Florida Administrative Code and is not a required part of the 2012 basic financial statements. Such information on pages 13 and 14 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. Such information on pages 13 and 14 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 on pages 13 and 14 is fairly stated in all material respects in relation to the 2012 and 2011 basic financial statements taken as a whole.

Nardone, Bridgion & Company, P.A.

October 26, 2012

PSYCHOTHERAPEUTIC SERVICES OF FLORIDA, INC.
(A wholly-owned Subsidiary of Associated Service Specialists, Inc.)

BALANCE SHEETS

JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash	\$ 200	\$ 6,686
Accounts receivable, net of allowance for doubtful accounts of \$29,500 in 2012 and 2011	286,226	402,942
Due from affiliates	<u>324,567</u>	<u>108,621</u>
	<u>610,993</u>	<u>518,249</u>
Property:		
Furniture and equipment	12,371	19,593
Less accumulated depreciation	<u>2,474</u>	<u>17,325</u>
	<u>9,897</u>	<u>2,268</u>
Deferred income taxes	<u>30,300</u>	<u>44,500</u>
	<u>\$ 651,190</u>	<u>\$ 565,017</u>

LIABILITIES AND SHAREHOLDER'S DEFICIT

Current liabilities:		
Due to affiliates	\$1,020,120	\$1,023,962
Accounts payable	3,465	7,847
Accrued payroll and payroll taxes	39,374	55,039
Benefits payable	12,647	26,042
Income taxes payable	<u>1,464</u>	<u>93</u>
	<u>1,077,070</u>	<u>1,112,983</u>
Commitments and contingencies		
Shareholder's deficit:		
Common stock, \$1 par; authorized, issued and outstanding 100 shares	100	100
Receivable, common stock	(100)	(100)
Deficit	<u>(425,880)</u>	<u>(547,966)</u>
	<u>(425,880)</u>	<u>(547,966)</u>
	<u>\$ 651,190</u>	<u>\$ 565,017</u>

See notes to financial statements.

PSYCHOTHERAPEUTIC SERVICES OF FLORIDA, INC.
(A wholly-owned Subsidiary of Associated Service Specialists, Inc.)

STATEMENTS OF INCOME AND DEFICIT

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Revenues:		
Federal and state match programs		\$ 892,723
State projects	\$ 697,921	1,318,588
Medicaid and other	<u>781,036</u>	<u>728,373</u>
	1,478,957	2,939,684
Personnel expenses	<u>1,026,263</u>	<u>1,769,767</u>
	452,694	1,169,917
Operating expenses	<u>329,179</u>	<u>946,267</u>
	<u>123,515</u>	<u>223,650</u>
Other income (expenses):		
Loss on disposal of assets	(1,686)	(1,145)
Miscellaneous, net	<u>32,383</u>	<u>5,923</u>
	<u>30,697</u>	<u>4,778</u>
Income before income tax expense	154,212	228,428
Income tax expense	<u>32,126</u>	<u>40,134</u>
Net income	122,086	188,294
Deficit, beginning	(<u>547,966</u>)	(<u>736,260</u>)
Deficit, ending	(<u>\$ 425,880</u>)	(<u>\$ 547,966</u>)

See notes to financial statements.

PSYCHOTHERAPEUTIC SERVICES OF FLORIDA, INC.
(A wholly-owned Subsidiary of Associated Service Specialists, Inc.)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net income	\$ <u>122,086</u>	\$ <u>188,294</u>
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,056	7,772
Loss on sale of assets	1,686	1,145
Change in deferred tax asset	14,200	82,200
Bad debts	17,645	
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	99,071	(125,409)
Due from affiliates	(215,946)	(81,433)
Prepaid expenses		13,303
Increase (decrease) in:		
Due to affiliates	(3,842)	(98,616)
Accounts payable	(4,382)	(4,872)
Payroll and payroll taxes	(15,665)	5,835
Benefits payable	(13,395)	1,883
Income taxes payable	<u>1,371</u>	<u>(232)</u>
Total adjustments	<u>(116,201)</u>	<u>(198,424)</u>
Net cash provided by (used in) operating activities	<u>5,885</u>	<u>(10,130)</u>
Cash flows from investing activities:		
Proceeds from sale of assets		8,139
Purchase of property	<u>(12,371)</u>	<u> </u>
Cash flows provided by (used in) investing activities	<u>(12,371)</u>	<u>8,139</u>
Net decrease in cash	(6,486)	(1,991)
Cash, beginning	<u>6,686</u>	<u>8,677</u>
Cash, ending	<u>\$ 200</u>	<u>\$ 6,686</u>

See notes to financial statements.

PSYCHOTHERAPEUTIC SERVICES OF FLORIDA, INC.
(A wholly-owned Subsidiary of Associated Service Specialists, Inc.)

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

Supplemental disclosure of cash flow information:

Cash paid during the year for:

	<u>2012</u>	<u>2011</u>
Income taxes	<u>\$ 30,755</u>	<u>\$ - 0 -</u>
Interest	<u>\$ - 0 -</u>	<u>\$ 232</u>

See notes to financial statements.

PSYCHOTHERAPEUTIC SERVICES OF FLORIDA, INC.
(A wholly-owned Subsidiary of Associated Service Specialists, Inc.)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

1. Significant accounting policies and business of the Company:

Entity:

Psychotherapeutic Services of Florida, Inc. (the Company) is a behavioral healthcare services organization that provides clinical, rehabilitative and case management services in Florida. The Company was incorporated October 18, 1995 as Psychotherapeutic Juvenile Services, Inc. and changed its name on March 7, 2001. The Company is a 100% owned subsidiary of Associated Service Specialists, Inc.

Revenue and cost recognition:

Revenue under cost reimbursement contracts is recognized as costs are incurred. Revenue under fee for service contracts is recognized as services are rendered. Cash received for contract fees before services are rendered is recorded as deferred revenue.

Use of estimates:

The timely preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Property:

Property is recorded at cost and depreciated over the estimated useful lives of the assets. The Company's policy is to capitalize qualifying purchases that improve or extend the life of the property. The costs of equipment and vehicles reverting back to the contracting agency upon termination or completion of the contract are charged to operations in the period incurred. Depreciation expense for the years ended June 30, 2012 and 2011 were \$3,056 and \$7,772 respectively.

Accounts receivable:

Accounts receivable are reported with an allowance for doubtful accounts. Management's estimate of any allowance is based on historical collection experience and a review of the current status of accounts receivable. Management charges off accounts receivable when all collection efforts have been exhausted.

PSYCHOTHERAPEUTIC SERVICES OF FLORIDA, INC.
(A wholly-owned Subsidiary of Associated Service Specialists, Inc.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

1. Significant accounting policies and business of the Company
(continued):

Income taxes:

The Company accounts for and provides for disclosure of uncertain tax positions in accordance with the Financial Accounting Standards Board ("FASB") Codification 740 *Income Taxes*. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an entity recognize in the financial statements the impact of a tax position if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The standard also provides clarification on de-recognition, balance sheet classification, interest and penalties, and footnote disclosures. There were no significant uncertain tax positions taken by the Company as of June 30, 2012. Tax returns for fiscal years ending June 30, 2012, 2011, and 2010 remain subject to examination by the taxing authorities.

2. Affiliates:

The following companies are affiliated by common ownership or control:

Associated Service Specialists, Inc. (ASSI)
Psychotherapeutic Services, Inc.
Psychotherapeutic Rehabilitation Services, Inc.
Psychotherapeutic Children's Services, Inc.
Psychotherapeutic Management Services, Inc.
Psychotherapeutic Treatment Services, Inc.
Psychotherapeutic Community Services Association
Psychotherapeutic Services of Southern Maryland, Inc.
Kent Center, Inc.

The Kent Center, Inc. (the Center) is a Maryland nonprofit organization affiliated under common control effective July, 2011. Psychotherapeutic Services Association is a nonprofit Delaware organization. The remaining affiliated companies are for-profit Delaware companies. The Company is also affiliated with several inactive corporations not listed above.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

2. Affiliates (continued):

The Company incurred administrative, physician and rental fees of \$153,849 and \$329,196 payable to affiliated companies for the years ended June 30, 2012 and 2011, respectively. Intercompany receivables and payables are due on demand.

3. Profit sharing plan:

The Company and its affiliates maintain a defined contribution profit sharing plan covering substantially all of its employees. Contributions to this plan are made at the discretion of the Board of Directors. There were no employer contributions for the Company for the years ended June 30, 2012 and 2011. Employees may elect the method and timing of their cash payments in accordance with the plan agreement.

4. Commitments:

Operating leases:

The Company leases office space, equipment and vehicles under various operating leases. Rent expense was \$26,428 and \$110,492 for the years ended June 30, 2012 and 2011, respectively.

5. Contingencies:

Debt:

In May, 2003, the Company and the affiliated entities (the companies), see Note 2, signed a line-of-credit agreement with M&T Bank (formerly Wilmington Trust Bank) for \$4,000,000. The line-of-credit was reduced several times before reaching \$2,250,000 in December 2010. The agreement states interest at the bank's variable commercial rate at the bank's variable commercial rate plus 1%. The loan is collateralized by a first lien on all of the Company's and the affiliates' assets. Advances are subject to borrowing base limitations with respect to accounts receivable. The loans are guaranteed by two shareholders and two related parties of ASSI and collateralized by certain personal real estate of these shareholders and related parties. The loan agreement requires the Companies to meet certain covenants.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

5. Contingencies (continued):

Debt:

The line-of-credit agreement requires payment of interest on a monthly basis. The line is subject to review prior to renewal on its maturity date of December 31, 2012. The unused portions of the line-of-credit as of June 30, 2012 and 2011 were approximately \$1,045,300 and \$1,468,800, respectively.

The bank's variable commercial rate at June 30, 2012 and 2011 was 4.00%.

Letter of credit agreements:

The Companies have a \$412,500 outstanding letter of credit agreement with M&T Bank as of June 30, 2012. The letter was issued in conjunction with the credit facilities described above and is included in calculating availability under the \$2,250,000 revolving credit facility. At June 30, 2011, this letter of credit was for \$550,000. During fiscal year 2011, the Companies had a second letter of credit for \$300,000, which was in place for the Companies' insurance obligations.

Revenue:

The Company receives a substantial amount of its revenue from state governments, all of which is subject to audit by the respective governments. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management of the Company is in the opinion that no significant liability will result from audit adjustments.

PSYCHOTHERAPEUTIC SERVICES OF FLORIDA, INC.
 (A wholly-owned Subsidiary of Associated Service Specialists, Inc.)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

6. Major contracts:

The Company provides services under contracts with the State of Maryland. The contracts vary in length and several extend for multiple years and provide for renewal. Through September, 2012, the Company had renewed several contracts through or beyond June, 2013. The continuation of these contracts is based on the availability of state funds.

7. Income taxes:

Deferred tax assets and liabilities are recorded for temporary differences between the financial statement and tax basis of assets and liabilities using the currently enacted tax rate expected to be in effect when the taxes are actually paid or recovered.

The net deferred tax asset presented in the balance sheet includes the following:

	<u>2012</u>	<u>2011</u>	
Deferred tax asset	\$ 30,300	\$ 44,500	
Valuation allowance for deferred tax asset	(<u> - 0 - </u>)	(<u> - 0 - </u>)	
	<u>\$ 30,300</u>	<u>\$ 44,500</u>	

The temporary differences that gives rise to the Company's net deferred tax asset is attributable to federal and state net operating losses which expire 2018 through 2027 and allowances for doubtful accounts.

The valuation allowance was established to reduce the deferred tax asset amount to the amount that will more likely than not be realized. This reduction is necessary due to uncertainty of the Company's ability to utilize all of the net operating loss carryforwards before they expire.

PSYCHOTHERAPEUTIC SERVICES OF FLORIDA, INC.
(A wholly-owned Subsidiary of Associated Service Specialists, Inc.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

7. Income taxes (continued):

The income tax provision consists of the following:

	<u>2012</u>	<u>2011</u>
Federal	\$ 32,126	\$ 40,134
Deferred	- 0 -	- 0 -
State	<u>- 0 -</u>	<u>- 0 -</u>
	<u>\$ 32,126</u>	<u>\$ 40,134</u>

In 2012 and 2011, the Company filed a consolidated federal tax return with its affiliated companies. In 2012 and 2011, federal tax expense was allocated to this Company based on the estimated expense of the Company filing separately. Accordingly, a portion of the related liabilities/receivables are due to affiliated companies.

The variation in the customary relationship between income tax expense and pretax accounting income is caused primarily by permanent differences and allowances for doubtful accounts.

8. Concentration of credit risk:

Substantially all receivables are from the State of Florida and affiliated companies. The Company does not require any collateral on these receivables.

9. Subsequent events:

Management has evaluated subsequent events through October 26, 2012, the date on which the financial statements were available to be issued.

PSYCHOTHERAPEUTIC SERVICES OF FLORIDA, INC.
(A wholly-owned Subsidiary of Associated Service Specialists, Inc.)

PERSONNEL AND OPERATING EXPENSES

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Personnel expenses:		
Insurance and workers' compensation	\$ 62,458	\$ 130,891
Salaries, payroll taxes, and benefits	<u>963,805</u>	<u>1,638,876</u>
	<u>\$1,026,263</u>	<u>\$1,769,767</u>
Operating expenses:		
Administrative fees	\$ 153,849	\$ 329,196
Advertising and recruiting	3,687	3,719
Association/conference fees	40	5,266
Bad debts	17,645	
Contractual services	41,113	71,988
Depreciation	3,056	7,772
Equipment and renovations	693	
Insurance, office and other	32,469	61,592
Licenses, permits and fees	867	1,971
Miscellaneous	5,098	6,401
Rent - building	23,309	100,410
Rent - equipment and furnishings	3,119	10,082
Repairs - building and grounds	1,327	1,613
Repairs - equipment	240	1,806
Supplies	13,467	252,162
Telephone	6,877	12,489
Training	1,512	1,383
Transportation expense	<u>20,811</u>	<u>78,417</u>
	<u>\$ 329,179</u>	<u>\$ 946,267</u>

PSYCHOTHERAPEUTIC SERVICES OF FLORIDA, INC.
(A wholly-owned Subsidiary of Associated Service Specialists, Inc.)

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2012

State Agency/ Pass-through Grantor/ State Project	CSFA Number	Agency or Pass-through Number	Current Year Expenditures	Transfers To Subrecipients
State of Florida, Department of Juvenile Justice:				
Juvenile Assessment Center	80.020	P2039	* <u>458,978</u>	<u>- 0 -</u>
Diversion Services	80.022	R6K01	* <u>238,943</u>	<u>- 0 -</u>
TOTAL STATE FINANCIAL ASSISTANCE			\$ <u>697,921</u>	<u>- 0 -</u>

Note to Schedule of Expenditures of State Financial Assistance:

A - Basis of Presentation:

The Schedule of Expenditures of State Financial Assistance includes the state project activity of Psychotherapeutic Services of Florida, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of §215.97, Florida Statutes; Rules of the Auditor General, Chapter 10.650; and Chapter 69I-5, Florida Administrative Code. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

* Major state projects



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

Board of Directors
Psychotherapeutic Services of Florida, Inc.
Chestertown, Maryland

We have audited the financial statements of Psychotherapeutic Services of Florida, Inc. (a wholly-owned subsidiary of Associated Service Specialists, Inc.) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 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 Psychotherapeutic Services of Florida, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Psychotherapeutic Services of Florida, 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 Psychotherapeutic Services of Florida, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 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 Psychotherapeutic Services of Florida, 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 Board of Directors, management, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Nardone, Bridgeman & Company, P.A.

October 26, 2012



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

Board of Directors
Psychotherapeutic Services of Florida, Inc.
Chestertown, Maryland

Compliance

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

In our opinion, Psychotherapeutic Services of Florida, Inc. 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 state projects for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Psychotherapeutic Services of Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered Psychotherapeutic Services of Florida, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 Psychotherapeutic Services of Florida, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a 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 state program 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, management, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Nardone, Ridgson & Company, P.A.
December 6, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -

STATE PROJECTS

YEAR ENDED JUNE 30, 2012

A: SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Psychotherapeutic Services of Florida, Inc.
2. No significant deficiencies relating to the audit of the financial statements of Psychotherapeutic Services of Florida, Inc. are reported in the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of Psychotherapeutic Services of Florida, Inc. were disclosed during the audit.
4. No significant deficiencies in internal control over major state projects are reported in the "Independent Auditors Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General."
5. The auditors' report on compliance with requirements that could have a direct and material effect on each major state projects of Psychotherapeutic Services of Florida, Inc., expresses an unqualified opinion.
6. Our audit disclosed no findings related to the major state projects required to be disclosed under Chapter 10.656 Rules of the Auditor General.
7. The projects tested as major state projects are:
 - A.
State of Florida, Department of Juvenile Justice, Juvenile Assessment Center, CSFA #80.020; Contract #P2039; Year ended June 30, 2012.
 - B.
State of Florida, Department of Juvenile Justice, Diversion Services, CSFA #80.022; Contract #R6K01; Year ended June 30, 2012.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -

STATE PROJECTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

A: Summary of Auditors' Results (continued):

8. The threshold used to distinguish between Type A and Type B projects was \$300,000 for major state projects.

B: FINDINGS - FINANCIAL STATEMENTS

No findings were noted which are required to be reported in accordance with *Government Auditing Standards*.

C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS:

A.

State of Florida, Department of Juvenile Justice, Juvenile Assessment Center, CSFA #80.020; #P2039:

No findings or questioned costs were noted which are required to be reported in accordance with Rules of the Auditor General, Section 10.654(1)(h).

B.

State of Florida, Department of Juvenile Justice, Diversion Services, CSFA #80.022, Contract #R6K01:

No findings or questioned costs were noted which are required to be reported in accordance with Rules of the Auditor General, Section 10.654(1)(h).

D. PRIOR FINDINGS:

No Summary Schedule of Prior Audit Findings under Chapter 10.656 (3)(d)(5) is required because there were no prior audit findings related to State projects.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -

STATE PROJECTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

D. PRIOR FINDINGS:

No Summary Schedule of Prior Audit Findings under Chapter 10.656 (3)(d)(5) is required because there were no prior audit findings related to State projects.

E: OTHER ISSUES:

There were no additional findings required to be reported in a management letter under Chapter 10.656 (3)(e), Rules of the Auditor General. No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.