

**SOUTH COUNTY MENTAL
HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION
FOR MENTAL HEALTH, INC.**

**COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

June 30, 2012

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
June 30, 2012

TABLE OF CONTENTS

FINANCIAL STATEMENTS	<u>PAGES</u>
Independent Auditors' Report	1-2
Combined Statement of Financial Position	3-4
Combined Statement of Activities	5
Combined Statement of Functional Expenses	6-7
Combined Statement of Cash Flows	8-9
Notes to Combined Financial Statements	10-20
* SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards and State Financial Assistance	21-22
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	23
Schedule of Program/Cost Center Actual Expenses and Revenues	24-29
Schedule of State Earnings	30
Schedule of Bed-Day Availability Payments	31
* INTERNAL CONTROLS AND COMPLIANCE	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32-33
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	34-35
Schedule of Findings and Questioned Costs	36-37

* The supplemental information and additional information on internal controls and compliance relate only to South County Mental Health Center, Inc.

FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Finance Committee
South County Mental Health Center, Inc.
and South County Foundation for Mental Health, Inc.
Delray Beach, Florida

We have audited the accompanying combined statement of financial position of South County Mental Health Center, Inc. (the "Center") and South County Foundation For Mental Health, Inc. (the "Foundation") (both not-for-profit organizations), and collectively referred to as the "Organization," as of June 30, 2012, and the related combined statements of activities, functional expenses and cash flows for the year then ended. These combined financial statements are the responsibility of the Center's and Foundation's respective managements. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2011 combined financial statements and, in our report dated December 19, 2011, we expressed an unqualified opinion on those combined financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of South County Mental Health Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

South County Mental Health Center, Inc. and
South County Foundation For Mental Health, Inc.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements of South County Mental Health Center, Inc. and South County Foundation For Mental Health, Inc. as a whole. The accompanying schedule of expenditures of Federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act, and is not a required part of the basic combined financial statements. Furthermore, the schedules of program/cost center actual expenses and revenues, state earnings, and bed-day availability payments are also presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. This supplemental information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
December 21, 2012

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2012
(with comparative totals as of June 30, 2011)

A S S E T S

	The Center	The Foundation	2012	2011
ASSETS:				
Cash and cash equivalents (includes \$ 102,570 of Center's client funds)	\$ 226,744	\$ 676,013	\$ 902,757	\$ 1,012,136
Investments	-	86,194	86,194	-
Due from contracting agencies	1,303,470	-	1,303,470	1,072,160
Accounts receivable:				
Consumers (net of allowance for uncollectible accounts and charitable adjustments of \$ 6,678,916 for the Center)	-	-	-	-
Third parties (net of allowance for uncollectible accounts and contractual adjustments of \$ 927,928 for the Center)	671,553	-	671,553	650,367
Inventories	1,987,495	-	1,987,495	1,656,326
Prepaid expenses	274,133	-	274,133	293,430
Property and equipment, less accumulated depreciation of \$ 1,873,930 for the Center and \$ 2,555,990 for the Foundation	592,217	3,404,930	3,997,147	4,267,790
Deposits and other assets	210	59,774	59,984	67,417
	<u>5,055,822</u>	<u>4,226,911</u>	<u>9,282,733</u>	<u>9,019,626</u>
Total assets	\$ <u>5,055,822</u>	\$ <u>4,226,911</u>	\$ <u>9,282,733</u>	\$ <u>9,019,626</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2012
(with comparative totals as of June 30, 2011)

LIABILITIES AND NET ASSETS

	<u>The Center</u>	<u>The Foundation</u>	<u>2012</u>	<u>2011</u>
LIABILITIES:				
Accounts payable	\$ 406,457	\$ -	\$ 406,457	\$ 400,111
Accrued expenses	524,118	3,020	527,138	437,301
Accrued employee benefits	446,333	-	446,333	486,402
Debt	167,785	1,848,856	2,016,641	2,050,361
Intercompany loan balances	<u>2,376,220</u>	<u>(2,376,220)</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,920,913</u>	<u>(524,344)</u>	<u>3,396,569</u>	<u>3,374,175</u>
 COMMITMENTS AND CONTINGENCIES (Notes 6, 7, 11 and 12)				
	-	-	-	-
 NET ASSETS:				
Unrestricted - designated	-	4,751,255	4,751,255	4,625,857
Unrestricted - undesignated	<u>1,134,909</u>	<u>-</u>	<u>1,134,909</u>	<u>1,019,594</u>
Total net assets	<u>1,134,909</u>	<u>4,751,255</u>	<u>5,886,164</u>	<u>5,645,451</u>
Total liabilities and net assets	<u>\$ 5,055,822</u>	<u>\$ 4,226,911</u>	<u>\$ 9,282,733</u>	<u>\$ 9,019,626</u>

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)

	The Center	The Foundation	2012	2011
CHANGE IN UNRESTRICTED NET ASSETS:				
Operating revenues:				
Grants and contracts for				
Center operations	\$ 7,221,476	\$ -	\$ 7,221,476	\$ 7,221,175
Net consumer service revenue	5,860,042	-	5,860,042	5,885,931
Contributions of donated goods and services	2,507,666	2,511	2,510,177	2,326,762
Contributions, public support	-	114,225	114,225	46,019
Other revenues	121,026	-	121,026	100,245
	15,710,210	116,736	15,826,946	15,580,132
Total operating revenues				
Operating expenses:				
Operating expenses	14,851,486	30,399	14,881,885	14,805,467
Provision for depreciation	238,902	148,939	387,841	404,991
Interest expense	4,840	111,154	115,994	120,739
Donated services	222,767	2,511	225,278	213,666
Provision for amortization	-	4,243	4,243	22,028
	15,317,995	297,246	15,615,241	15,566,891
Total operating expenses				
Excess (deficiency) of operating revenues over operating expenses	392,215	(180,510)	211,705	13,241
Nonoperating revenues (expenses):				
Investment income	330	28,678	29,008	2,518
Intercompany rental income (expense)	(277,230)	277,230	-	-
	(276,900)	305,908	29,008	2,518
Total nonoperating revenues (expenses)				
Change in net assets	115,315	125,398	240,713	15,759
NET ASSETS, July 1	1,019,594	4,625,857	5,645,451	5,629,692
NET ASSETS, June 30	\$ 1,134,909	\$ 4,751,255	\$ 5,886,164	\$ 5,645,451

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

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

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

	Program Services				Supporting Services			Total Support Services (Credit)
	Adult Mental Health	Adult Substance Abuse	Children's Mental Health	Total Program Services	Pharmacy	Other Support (Credit)	Administration	
PERSONNEL EXPENSES:								
Salaries	\$ 5,132,166	\$ 29,548	\$ 412,512	\$ 5,574,226	\$ 163,012	\$ 846,361	\$ 728,322	\$ 1,737,695
Fringe benefits	805,500	4,202	61,568	871,270	20,628	182,541	150,457	353,626
Total personnel expenses	<u>5,937,666</u>	<u>33,750</u>	<u>474,080</u>	<u>6,445,496</u>	<u>183,640</u>	<u>1,028,902</u>	<u>878,779</u>	<u>2,091,321</u>
OTHER EXPENSES:								
Medical and pharmacy	581,894	-	3,876	585,770	3,720,753	-	-	3,720,753
Insurance	280,207	982	22,121	303,310	6,979	70,882	28,534	106,395
Professional services	253,073	3,134	7,838	264,045	38,354	10,994	128,608	177,956
Building occupancy costs	410,702	1,596	15,471	427,769	6,687	81,430	97,973	186,090
Other, including provisions for depreciation and amortization	183,468	392	6,602	190,462	2,698	19,960	311,174	333,832
Operating supplies and expenses	229,516	658	10,108	240,282	14,168	64,066	44,638	122,872
Food costs and allocation of food services	456,376	-	6,214	462,590	-	(220,930)	574	(220,356)
Equipment costs	52,052	134	1,634	53,820	2,026	27,292	13,000	42,318
Travel	32,943	30	7,294	40,267	-	6,316	9,077	15,393
Interest expense	-	-	-	-	-	-	4,840	4,840
Total other expenses	<u>2,480,231</u>	<u>6,926</u>	<u>81,158</u>	<u>2,568,315</u>	<u>3,791,665</u>	<u>60,010</u>	<u>638,418</u>	<u>4,490,093</u>
Total operating expenses before adjustments for intercompany transactions	\$ <u>8,417,897</u>	\$ <u>40,676</u>	\$ <u>555,238</u>	\$ <u>9,013,811</u>	\$ <u>3,975,305</u>	\$ <u>1,088,912</u>	\$ <u>1,517,197</u>	\$ <u>6,581,414</u>

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

(continued)

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

	The Center	The Foundation	Total 2012	Total 2011
PERSONNEL EXPENSES:				
Salaries	\$ 7,311,921	-	\$ 7,311,921	\$ 7,049,025
Fringe benefits	<u>1,224,896</u>	<u>-</u>	<u>1,224,896</u>	<u>1,302,889</u>
Total personnel expenses	<u>8,536,817</u>	<u>-</u>	<u>8,536,817</u>	<u>8,351,914</u>
OTHER EXPENSES:				
Medical and pharmacy	4,306,523	-	4,306,523	4,379,981
Insurance	409,705	-	409,705	577,938
Professional services	442,001	-	442,001	414,407
Building occupancy costs	613,859	-	613,859	625,593
Other, including provisions for depreciation and amortization	524,294	186,092	710,386	696,835
Operating supplies and expenses	<u>363,154</u>	<u>-</u>	<u>363,154</u>	<u>337,167</u>
Food costs and allocation of food services	242,234	-	242,234	214,157
Equipment costs	96,138	-	96,138	82,815
Travel	55,660	-	55,660	52,127
Interest expense	<u>4,840</u>	<u>111,154</u>	<u>115,994</u>	<u>120,739</u>
Total other expenses	<u>7,058,408</u>	<u>297,246</u>	<u>7,355,654</u>	<u>7,501,759</u>
Total operating expenses before adjustments for intercompany transactions	<u>\$ 15,595,225</u>	<u>\$ 297,246</u>	<u>15,892,471</u>	<u>15,853,673</u>
Less: Adjustment for intercompany rental income (expense)			<u>(277,230)</u>	<u>(286,782)</u>
Total expenses	<u>\$ 15,615,241</u>	<u>\$ -</u>	<u>\$ 15,615,241</u>	<u>\$ 15,566,891</u>

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)

	<u>The Center</u>	<u>The Foundation</u>	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING AND NONOPERATING ACTIVITIES:				
Change in net assets	\$ 115,315	\$ 125,398	\$ 240,713	\$ 15,759
Adjustments to reconcile change in net assets to net cash provided by (used in) operating and nonoperating activities:				
Provision for depreciation	238,902	148,939	387,841	404,991
Provision for amortization	-	4,243	4,243	22,028
Gain on disposition of property and equipment	(1,000)	-	(1,000)	-
Grants for property and equipment	(20,504)	-	(20,504)	-
Contribution of investments	-	(75,031)	(75,031)	-
Unrealized/realized (gains)	-	(26,166)	(26,166)	-
Changes in assets and liabilities:				
(Increase) decrease in due from contracting agencies	(231,310)	-	(231,310)	(2,301)
(Increase) decrease in accounts receivable	(21,186)	-	(21,186)	27,694
(Increase) decrease in inventories	(331,169)	-	(331,169)	132,544
(Increase) decrease in prepaid expenses	19,297	-	19,297	123,429
(Increase) decrease in deposits and other assets	3,190	-	3,190	-
Increase (decrease) in accounts payable	6,346	-	6,346	(24,026)
Increase (decrease) in accrued expenses	90,022	(185)	89,837	(88,390)
Increase (decrease) in accrued employee benefits	(40,069)	-	(40,069)	60,647
	<u>(172,166)</u>	<u>177,198</u>	<u>5,032</u>	<u>672,375</u>
Net cash provided by (used in) operating and nonoperating activities	<u>(172,166)</u>	<u>177,198</u>	<u>5,032</u>	<u>672,375</u>

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF CASH FLOWS**

(continued)

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

	<u>The Center</u>	<u>The Foundation</u>	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Payments for purchases of property and equipment	(96,694)	-	(96,694)	(21,007)
Proceeds from disposition of property and equipment	1,000	-	1,000	-
Net cash used in investing activities	<u>(95,694)</u>	<u>-</u>	<u>(95,694)</u>	<u>(21,007)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from borrowings	238,225	800,000	1,038,225	2,815,853
Proceeds from sales of investments, net	-	15,003	15,003	-
Advances (to) from related party	115,634	(115,634)	-	-
Payments for closing costs	-	-	-	(63,641)
Principal payments on debt	<u>(242,009)</u>	<u>(829,936)</u>	<u>(1,071,945)</u>	<u>(3,187,939)</u>
Net cash provided by (used in) financing activities	<u>111,850</u>	<u>(130,567)</u>	<u>(18,717)</u>	<u>(435,727)</u>
Net increase (decrease) in cash and cash equivalents	(156,010)	46,631	(109,379)	215,641
CASH AND CASH EQUIVALENTS, July 1	<u>382,754</u>	<u>629,382</u>	<u>1,012,136</u>	<u>796,495</u>
CASH AND CASH EQUIVALENTS, June 30	<u>\$ 226,744</u>	<u>\$ 676,013</u>	<u>\$ 902,757</u>	<u>\$ 1,012,136</u>

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - ORGANIZATION AND OPERATIONS

South County Mental Health Center, Inc. (the "Center") is a not-for-profit, tax exempt organization which operates mental health and substance abuse facilities in the southern part of Palm Beach County, Florida. The Center charges fees based upon its consumers' ability to pay for clinical services and receives grants, contributions, and contracts from various governmental agencies and other sources for providing these services. South County Foundation For Mental Health, Inc. (the "Foundation") is a not-for-profit, tax exempt organization engaged in the solicitation of charitable funds mainly for the construction and/or acquisition and maintenance of mental health and substance abuse facilities to house the Center's operations. In tandem with the fundraising process, the Foundation carries out community mental health and substance abuse education.

The accompanying combined financial statements include the accounts of the Center and the Foundation. They are presented on a combined basis because the two organizations have the same management team, certain common board members and are financially interrelated. All intercompany balances and transactions are eliminated on a combined basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The combined financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. Under ASC No. 958, the Center and the Foundation are required to report information regarding their financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Neither the Center nor the Foundation had any temporarily or permanently restricted net assets at June 30, 2012.

Summarized prior year information:

The combined financial statements include summarized comparative information from the prior year which is not presented by net asset type and functional expense classification and does not include sufficient detail to conform with accounting principles generally accepted in the United States of America. This report should be read in conjunction with the Center's and the Foundation's audited combined financial statements for the year ended June 30, 2011, from which the comparative information was extracted.

Restricted and unrestricted revenue and support:

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and cash equivalents:

The Center and the Foundation consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At times, the Center and the Foundation may maintain cash balances at a financial institution which exceeds Federally insured amounts. These amounts are maintained with what management believes to be a quality financial institution.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts receivable:

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

The Center has established an administrative formula whereby the consumers are expected to pay amounts based upon their individual financial ability. Based on past experience, the Center believes if these amounts are not collected at the time of service there is little likelihood of future collection. Accordingly, the full amount of accounts receivable from consumers has been reserved at June 30, 2012.

During the year ended June 30, 2012, the gross revenue from consumer service at established rates was \$ 18,809,246 for the Center. Consumer service revenue is presented net of a provision for uncollectible accounts, contractual adjustments and ability to pay adjustments in the accompanying combined financial statements.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Neither the Center nor the Foundation had any unconditional or conditional promises to give at June 30, 2012.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories:

Inventories consist of drugs and food. Donated drugs are stated at fair market value. Purchased drugs and food are stated at current replacement cost and the resulting carrying amounts are not significantly different from that which would result if the lower of cost (first-in, first-out method) or market were used.

Property and equipment:

Property and equipment are carried at cost if purchased or, if donated, at the fair value on the date of donation, less an allowance for depreciation. The Center and the Foundation provide for depreciation using the straight-line method over the following useful lives:

Buildings and improvements	5-40 years
Leasehold improvements	5-35 years
Furniture and equipment	4-20 years
Computer equipment and software	3-5 years
Vehicles	5 years

Maintenance and repairs are charged to expense when incurred. Additions and major renewals are capitalized.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long those donated assets must be maintained, the Center and the Foundation report expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. The Center received \$ 20,504 in grants for property and equipment for the year ended June 30, 2012.

Amortization of loan costs:

Loan costs are amortized over the debt term on a straight-line basis.

Deferred revenue:

Grant and contract revenue (i.e. advances) that is not recognized because the allowable costs as defined by the individual grant or contract have not been incurred and/or the units of service have not been rendered is considered deferred revenue.

Grant and contract revenue:

Grant and contract revenue is recognized when the allowable costs as defined by the individual grants or contracts are incurred and/or the units of service have been rendered. Due from contracting agencies at year end represents allowable expenditures incurred and/or units of service rendered which have not yet been reimbursed by the granting agency.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated goods and services:

The Center and the Foundation receive donated goods and services, paying for most services requiring specific expertise. A number of volunteers have donated their time in various Center program service areas and in the Foundation's efforts to solicit charitable contributions. When the value of donated services requires specific expertise, they are recorded in the combined financial statements as revenues and expenses. For the year ended June 30, 2012, the Center recorded \$ 220,170 in donated services which related to various clinical and other program related costs and \$ 2,597 in donated professional services (administrative). During the year ended June 30, 2012, the value of contributed services meeting requirements for recognition in the Foundation's financial statements was approximately \$ 2,500. Donated goods are recorded as contributions and a corresponding expense at their estimated fair value at the date of donation. For the year ended June 30, 2012, the Center recorded \$ 2,284,899 in such donations, consisting principally of drugs which are included in inventories or in medical and pharmacy expense in various Center programs.

Functional expenses:

The Center has a number of programs (cost centers) and maintains accounting records separately for each of them. Expenses incurred are charged to each program (cost centers) for direct expenditures incurred. All expenses not directly chargeable are allocated based on the program's (cost center's) proportionate share of total expenditures, as well as various other estimates developed by management.

Since the Foundation has only one major function, as described in Note 1, expenses are shown by type rather than by function in the accompanying combined statement of activities.

Use of estimates:

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

Date of management review:

Subsequent events were evaluated by management through December 21, 2012, which is the date the financial statements were available for issuance.

NOTE 3 - INVESTMENTS

Investments reported on the statement of financial position are in a managed account that requires the approval of a member of the Executive Committee of the Board of Directors before any expenditure can be made from the account. These funds have been set aside by the Foundation for future extraordinary expenses, including capital expenditures and/or declines in public support and revenue.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – INVESTMENTS (continued)

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, the Foundation provides certain required disclosures. ASC No. 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

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

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement. The input or methodology used for valuing securities is not necessarily an indicator of risk associated with investing in those securities. At June 30, 2012, the fair value of investments by type was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
INVESTMENT TYPE:				
Cash and cash equivalents	\$ -	\$ 509	\$ -	\$ 509
Equity securities	<u>85,685</u>	<u>-</u>	<u>-</u>	<u>85,685</u>
	<u>\$ 85,685</u>	<u>\$ 509</u>	<u>\$ -</u>	<u>\$ 86,194</u>

Investment income relative to these investments, and other interest bearing accounts, is composed of:

Realized/unrealized gain on investments	\$ 26,166
Interest and dividend income	2,882
Investment fees and charges	<u>(40)</u>
Total	<u>\$ 29,008</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>The Center</u>	<u>The Foundation</u>	<u>Total</u>
Building and improvements	\$ -	\$ 4,900,494	\$ 4,900,494
Leasehold improvements	1,161,031	-	1,161,031
Furniture and equipment	585,498	82,796	668,294
Computer equipment and software	452,794	56,953	509,747
Vehicles	266,824	22,580	289,404
	<u>2,466,147</u>	<u>5,062,823</u>	<u>7,528,970</u>
Less accumulated depreciation	<u>1,873,930</u>	<u>2,555,990</u>	<u>4,429,920</u>
	592,217	2,506,833	3,099,050
Land	<u>-</u>	<u>898,097</u>	<u>898,097</u>
	<u>\$ 592,217</u>	<u>\$ 3,404,930</u>	<u>\$ 3,997,147</u>

NOTE 5 - DEBT

Debt at June 30, 2012 is as follows:

	<u>The Center</u>	<u>The Foundation</u>	<u>Total</u>
Mortgage note payable to a bank in monthly installments of \$ 10,886 including interest at a fixed rate of 6.06% through July 2025, at which time a balloon principal payment of approximately \$ 1,0150,00 plus accrued interest will be due. This obligation has been guaranteed by the Center and is collateralized by all property and equipment currently owned and subsequently acquired by the Foundation and the Center. Further, this mortgage note is cross-collateralized and cross-defaulted with the revolving line of credit discussed on the next page. In addition, this mortgage note is subject to prepayment penalties during its first five years.	\$ -	\$ 1,624,823	\$ 1,624,823

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – DEBT (continued)

	The Center	The Foundation	Total
<p>\$ 750,000 revolving line of credit payable to a bank in interest only installments at a variable rate per annum equal to the greater of the prime rate or 200 basis points in excess of the one-month London Interbank Market (LIBOR) (3.25% at June 30, 2012) and is due on demand. This line of credit has been guaranteed by the Center and is collateralized by all property and equipment currently owned and subsequently acquired by the Foundation and the Center. Further, this revolving facility is cross-collateralized and cross-defaulted with the mortgage note discussed on the previous page.</p>	-	224,033	224,033
<p>Installment loan in connection with insurance premiums, payable in monthly installments of \$ 24,366 including interest at a fixed rate of 4.95% through February 2013. This obligation is collateralized by unexpired insurance premiums.</p>	167,785	-	167,785
	\$ 167,785	\$ 1,848,856	\$ 2,016,641

Future debt principal payments in the aggregate are approximately as follows:

Year Ending June 30,	The Center	The Foundation	Total
2013	\$ 167,800	\$ 255,700	\$ 423,500
2014	-	33,700	33,700
2015	-	35,800	35,800
2016	-	37,800	37,800
Thereafter	-	1,485,900	1,485,900
	\$ 167,800	\$ 1,848,900	\$ 2,016,700

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – DEBT (continued)

The loan agreements relating to the financial arrangements discussed in this section (Foundation) require certain restrictive covenants, including, but not limited to, the following: \$ 500,000 minimum liquidity; maintaining a ratio of (i) net income from operations plus depreciation and interest expense, to (ii) total interest expense and total current maturities of long-term debt of at least 1.25 to 1.00; continuation of a Center’s third party accreditation; financial reporting; and on-going grant agreements between the Center and both the State of Florida Department of Children and Families and Palm Beach County. At June 30, 2012, both the Center (as guarantor) and the Foundation were in compliance with these requirements.

NOTE 6 - GRANTS AND CONTRACTS FOR CENTER OPERATIONS

Funding agreements for services to be provided are entered into on an annual basis. The release of funds is subject to monies being made available by the Federal government, the State of Florida, Palm Beach County and certain other agencies. Certain of these agreements may be terminated by either party upon thirty days written notice. However, such an event would be unlikely if contract performance continues to be satisfactory.

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

Matching requirements fulfilled were as follows:

Grantor	Year	Contract Number	Matching Requirement
State of Florida Department of Children and Families	2012	IH-606	\$ 1,435,077
State of Florida Department of Transportation	2012	AL065	<u>2,278</u>
			<u>\$ 1,437,355</u>

The Center receives financial assistance from Federal, state and local governmental agencies in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. As a result of such audits, the grantor agency may require that amounts be returned. In certain instances, the grantor agency may increase its grant of funds to the Center to offset amounts which would otherwise be repayable based on audits. As of June 30, 2012, the Organization had no amounts required to be returned as a result of such audits.

In accordance with the Federal OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Florida Single Audit Act, the Center is required to perform “single audits” when the required threshold of \$ 500,000 in grant expenditures from either source is exceeded. The Center has grant revenue for the year ended June 30, 2012 from the following governmental agencies that was not subject to the single audit requirements:

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - GRANTS AND CONTRACTS FOR CENTER OPERATIONS (continued)

Grantor	Contract Number	CFDA/ CSFA Number	Amount
LOCAL FINANCIAL ASSISTANCE:			
Palm Beach County:			
Financially Assisted Agency Program	R2011-1996	-	\$ 1,115,082
	R2010-1658	-	<u>377,220</u>
Total expenditures of local financial assistance			<u>\$ 1,492,302</u>
OTHER STATE FUNDING:			
State of Florida Department of Children and Families:			
Maintenance of Effort (MOE)	IH-606	-	\$ 2,709,487
State of Florida Department of Transportation:			
Capital Assistance Program for Elderly and Persons with Disabilities	AL-065 (11/12)	-	<u>2,050</u>
Total expenditures of other state funding			<u>\$ 2,711,537</u>

NOTE 7 - COMMITMENTS

Lease agreements:

The Center leases certain office equipment under an operating agreement which expires in December 2014. The total monthly lease payment is \$ 175. Total rent expense in connection with this agreement, amounted to approximately \$ 2,100 as of June 30, 2012.

Future minimum lease payments under the current lease arrangement are expected to be approximately as follows:

Year Ending June 30,	The Center	The Foundation	Total
2013	\$ 2,100	\$ -	\$ 2,100
2014	900	-	900
Thereafter	-	-	-
	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – COMMITMENTS (continued)

The Center leases its facilities from a related party, South County Foundation For Mental Health, Inc. (the “Foundation”). The lease has a forty year term and provides for monthly rent totaling an amount equal to the costs of ownership, including depreciation, plus all amounts due under the terms of the outstanding debt of the Foundation (Note 5). During the year, the Center paid the Foundation approximately \$ 277,200. Details of this intercompany lease have not been included in the schedule presented on the previous page because they are eliminated on a combined basis.

Employment contract:

The Center has an employment agreement with its Chief Executive Officer. This agreement may be extended for an additional year on the contract anniversary date of each year unless either party gives the other written notice of termination as provided under its terms.

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Center previously established an employee savings plan under the Internal Revenue Code §401(k). This plan covers all qualified employees who are age eighteen or older and have one year of service (1,000 hours). The eligible participants are permitted to contribute up to \$ 17,000 of their compensation, subject to certain statutory limitations. Eligible participants over 50 years of age may contribute up to an additional \$ 5,500. The plan provides for discretionary matching contributions to be determined annually by the Center’s Board of Directors. During the year ended June 30, 2012, the Center matched 100% of participants’ contributions which could not exceed 5% of the participants’ compensation for the plan year. The employee savings plan expense for the year ended June 30, 2012 was approximately \$ 120,000.

NOTE 9 - UNRESTRICTED NET ASSETS

The unrestricted net assets of the Foundation, totaling \$ 4,751,255, have been designated by the Foundation's governing board for the construction and/or acquisition and maintenance of mental health and substance abuse facilities.

NOTE 10 - INCOME TAXES

The Center and the Foundation are both not-for-profit organizations, exempt from tax under Internal Revenue Code Section 501(c)(3), therefore, no tax provision has been made in the accompanying combined financial statements.

NOTE 11 - CONTINGENCIES

The Center is involved in certain litigation which arose in the normal course of operations. The Center’s management and legal counsel believe that the amount of liability resulting from any pending or unasserted claims is not reasonable determinable at this time but should be within the Center’s insurance coverage limits.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2012

NOTE 11 – CONTINGENCIES (continued)

The Center has workers compensation policies, retrospective rating plan incurred loss, in which the Center may be liable for claims up to certain amounts. At June 30, 2012, there were outstanding claims, of which additional expenses may be incurred by the Center. Management has estimated and accrued approximately \$ 26,700 for open outstanding claims as of June 30, 2012.

NOTE 12 - CONCENTRATION IN OPERATIONS

The Center receives a substantial amount of its operating revenues from the State of Florida, including Medicaid, the Federal government and other county/local agencies. If a significant reduction in the level of funding were to occur, there would be an adverse effect on the Center's programs and activities.

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Other Cash Flow Information:

	<u>The Center</u>	<u>The Foundation</u>	<u>Total</u>
Cash received during the year for - Interest and dividend income	\$ 330	\$ 2,552	\$ 2,882
Cash paid during the year for - Interest expense	\$ 4,840	\$ 111,339	\$ 116,179
Noncash Investing Activities:			
Acquisition of property and equipment - Cost of property and equipment	\$ 117,198	\$ -	\$ 117,198
Less: grants for property and equipment	<u>(20,504)</u>	<u>-</u>	<u>(20,504)</u>
Cash paid for property and equipment	<u>\$ 96,694</u>	<u>\$ -</u>	<u>\$ 96,694</u>

SUPPLEMENTAL INFORMATION

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2012

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
FEDERAL PROGRAMS:				
Indirect Programs:				
Department of Health and Human Services - Passed through the State of Florida	93.958	IH-606	\$ 414,949	\$ -
Department of Children and Families - Block Grants for Community Mental Health Services	93.959	IH-606	22,788	-
Block Grants for Prevention and Treatment of Substance Abuse	93.667	IH-606	3,891	-
Social Services Block Grants				
Department of Agriculture - Passed through the State of Florida	10.558	Y2036	48,927	-
Department of Elder Affairs - Child and Adult Care Food Program	10.558	Y1036	18,278	-
Department of Transportation - Passed through the State of Florida				
Department of Transportation - Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	AL065	18,453	-
Total Expenditures of Federal Awards			\$ 527,286	\$ -

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

(continued)

For the Year Ended June 30, 2012

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
STATE AGENCY NAME				
Direct Project:				
State of Florida, Department of Children and Families -				
Baker Act	60.006	IH-606	\$ 1,940,232	\$ -
Children's Baker Act	60.001	IH-606	389,789	-
Indigent Psychiatric Medication Program	60.039	IH-606	27,080	-
Community Forensic Beds and Competency Restoration Training	60.114	IH-606	<u>24,000</u>	<u>-</u>
Total Expenditures of State Financial Assistance			<u>\$ 2,381,101</u>	<u>\$ -</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
June 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance include the grant activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2 – CONTINGENCY

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
For the Year Ended June 30, 2012

Funding Sources and Revenues	Adult Mental Health							Total for Adult Mental Health	
	Case Management	Intensive Case Management	Outreach	Room and Board With Supervision Level 2	Crisis Support / Emergency	Crisis Stabilization	Medical Services		Incidental Expenses
STATE SAMH FUNDING:									
From the District funding these contracts (District 9)	\$ 372,463	\$ 356,783	\$ 99,630	\$ 530,752	\$ 530,000	\$ 2,537,646	\$ 628,602	\$ 39,000	\$ 5,094,876
Total State SAMH funding	<u>372,463</u>	<u>356,783</u>	<u>99,630</u>	<u>530,752</u>	<u>530,000</u>	<u>2,537,646</u>	<u>628,602</u>	<u>39,000</u>	<u>5,094,876</u>
OTHER GOVERNMENT FUNDING:									
Medicaid	237,142	145,886	-	-	-	362,791	464,405	-	1,210,224
Local government	-	-	-	-	304,323	786,479	408,002	-	1,498,804
Federal grants and contracts	-	-	-	-	-	-	-	-	-
Total other government funding	<u>237,142</u>	<u>145,886</u>	<u>-</u>	<u>-</u>	<u>304,323</u>	<u>1,149,270</u>	<u>872,407</u>	<u>-</u>	<u>2,709,028</u>
ALL OTHER REVENUES:									
Contributions and donations	-	-	-	-	-	-	-	-	-
Third party payments (except Medicare)	-	-	-	-	-	243,143	45,532	-	288,675
Medicare	-	-	-	-	-	-	82,292	-	82,292
First and second party payments	34,449	-	-	210,747	-	11,961	110,043	-	367,200
Other	-	-	-	-	-	-	88,900	-	88,900
Total all other revenue	<u>34,449</u>	<u>-</u>	<u>-</u>	<u>210,747</u>	<u>-</u>	<u>255,104</u>	<u>326,767</u>	<u>-</u>	<u>827,067</u>
Total funding	<u>\$ 644,054</u>	<u>\$ 502,669</u>	<u>\$ 99,630</u>	<u>\$ 741,499</u>	<u>\$ 834,323</u>	<u>\$ 3,942,020</u>	<u>\$ 1,827,776</u>	<u>\$ 39,000</u>	<u>\$ 8,630,971</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)

For the Year Ended June 30, 2012

Funding Sources and Revenues	Adult Substance Abuse			Children's Mental Health					Total for Children's Mental Health
	Case Management	Outreach	Total for Adult Substance Abuse	Crisis Support / Emergency	Assessment	Case Management	Medical Services	Incidental Expense	
STATE SAMH FUNDING:									
From the District funding these contracts (District 9)	\$ 22,500	\$ 22,500	\$ 45,000	\$ 425,224	\$ 1,722	\$ 27,771	\$ 30,987	\$ 3,618	\$ 489,322
Total State SAMH funding	<u>22,500</u>	<u>22,500</u>	<u>45,000</u>	<u>425,224</u>	<u>1,722</u>	<u>27,771</u>	<u>30,987</u>	<u>3,618</u>	<u>489,322</u>
OTHER GOVERNMENT FUNDING:									
Medicaid	-	-	-	-	-	64,674	27,068	-	91,742
Local government	-	-	-	-	-	-	-	-	-
Federal grants and contracts	-	-	-	-	-	-	-	-	-
Total other government funding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,674</u>	<u>27,068</u>	<u>-</u>	<u>91,742</u>
ALL OTHER REVENUES:									
Contributions and donations	-	-	-	-	-	-	-	-	-
Third party payments (except Medicare)	-	-	-	-	-	-	2,654	-	2,654
Medicare	-	-	-	-	-	-	-	-	-
First and second party payments	-	-	-	-	-	-	6,414	-	6,414
Other	-	-	-	-	-	-	5,181	-	5,181
Total all other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,249</u>	<u>-</u>	<u>14,249</u>
Total funding	<u>\$ 22,500</u>	<u>\$ 22,500</u>	<u>\$ 45,000</u>	<u>\$ 425,224</u>	<u>\$ 1,722</u>	<u>\$ 92,445</u>	<u>\$ 72,304</u>	<u>\$ 3,618</u>	<u>\$ 595,313</u>

SOUTH COUNTY MENTAL HEALTH CENTERS, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)

For the Year Ended June 30, 2012

Funding Sources and Revenues	Total for State SAMH-Funded Cost Centers	Total for Non-State Funded SAMH Cost Centers	Total for All-State Designated SAMH Cost Centers	Non-SAMH Cost Center (Pharmacy)	Total Funding
STATE SAMH FUNDING:					
From the District funding these contracts (District 9)	\$ 5,629,198	\$ -	\$ 5,629,198	\$ -	\$ 5,629,198
Total State SAMH funding	<u>5,629,198</u>	<u>-</u>	<u>5,629,198</u>	<u>-</u>	<u>5,629,198</u>
OTHER GOVERNMENT FUNDING:					
Medicaid	1,301,966	884,106	2,186,072	823,204	3,009,276
Local government	1,498,804	-	1,498,804	21,186	1,519,990
Federal grants and contracts	-	155,392	155,392	-	155,392
Total other government funding	<u>2,800,770</u>	<u>1,039,498</u>	<u>3,840,268</u>	<u>844,390</u>	<u>4,684,658</u>
ALL OTHER REVENUES:					
Contributions and donations	-	222,767	222,767	2,284,899	2,507,666
Third party payments (except Medicare)	291,329	15,988	307,317	306,896	614,213
Medicare	82,292	201,516	283,808	832,542	1,116,350
First and second party payments	373,614	442,939	816,553	220,546	1,037,099
Other	94,081	18,901	112,982	8,374	121,356
Total all other revenue	<u>841,316</u>	<u>902,111</u>	<u>1,743,427</u>	<u>3,653,257</u>	<u>5,396,684</u>
Total funding	<u>\$ 9,271,284</u>	<u>\$ 1,941,609</u>	<u>\$ 11,212,893</u>	<u>\$ 4,497,647</u>	<u>\$ 15,710,540</u>

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)

For the Year Ended June 30, 2012

Expense Categories	Adult Mental Health										Total for Adult Mental Health	
	Case Management	Intensive Case Management	Outreach	Room and Board With Supervision Level 2	Crisis Support / Emergency	Crisis Stabilization	Medical Services	Incidental Expenses				
PERSONNEL EXPENSES:												
Salaries	\$ 356,784	\$ 313,088	\$ 62,480	\$ 329,534	\$ 545,527	\$ 1,890,959	\$ 989,636	\$ -	\$ -	\$ 4,488,008		
Fringe benefits	68,436	60,383	12,028	64,228	74,193	286,413	140,707	-	-	706,388		
Total personnel expenses	425,220	373,471	74,508	393,762	619,720	2,177,372	1,130,343	-	-	5,194,396		
OTHER EXPENSES:												
Medical and pharmacy	-	-	-	-	-	483,918	97,976	-	-	581,894		
Insurance	23,579	19,467	3,858	27,056	29,724	97,692	44,123	-	-	245,499		
Professional services	302	183	36	196	5,141	132,628	104,952	-	-	243,438		
Building occupancy costs	18,642	13,457	2,667	47,080	13,573	95,368	53,471	-	-	244,258		
Other, including provision for depreciation	9,508	6,998	1,387	22,284	6,761	50,713	13,146	-	-	110,797		
Operating supplies and expenses	7,268	17	3	27,406	10,889	54,975	22,060	39,000	-	161,618		
Food costs and allocation of food services	-	-	-	75,480	12,193	128,713	-	-	-	216,386		
Equipment costs	2,791	888	176	7,358	2,191	16,456	4,505	-	-	34,365		
Travel	3,950	20,151	3,994	578	592	1,708	1,022	-	-	31,995		
Interest expense	-	-	-	-	-	-	-	-	-	-		
Total other expenses	66,040	61,161	12,121	207,438	81,064	1,062,171	341,255	39,000	-	1,870,250		
Total personnel and other expenses	491,260	434,632	86,629	601,200	700,784	3,239,543	1,471,598	39,000	-	7,064,646		
DISTRIBUTED INDIRECT COSTS:												
Allocation of other support	88,684	38,855	9,683	79,020	53,704	321,138	131,107	-	-	722,191		
Allocation of administration	65,605	52,088	10,376	73,283	80,746	384,148	171,266	-	-	837,512		
Total distributed indirect costs	154,289	90,943	20,059	152,303	134,450	705,286	302,373	-	-	1,559,703		
Total actual expenses	645,549	525,575	106,688	753,503	835,234	3,944,829	1,773,971	39,000	-	8,624,349		
UNALLOWABLE COSTS												
Total allowable expenses	790	4,030	800	116	118	342	204	-	-	6,400		
Total allowed expenses	\$ 644,759	\$ 521,545	\$ 105,888	\$ 753,387	\$ 835,116	\$ 3,944,487	\$ 1,773,767	\$ 39,000	\$ -	\$ 8,617,949		
CAPITAL EXPENDITURES												
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)

For the Year Ended June 30, 2012

Expense Categories	Adult Substance Abuse			Children's Mental Health					Total for Children's Mental Health
	Case Management	Outreach	Total for Adult Substance Abuse	Crisis Support / Emergency	Assessment	Case Management	Medical Services	Incidental Expense	
PERSONNEL EXPENSES:									
Salaries	\$ 14,774	\$ 14,774	\$ 29,548	\$ 278,035	\$ 2,854	\$ 91,305	\$ 40,318	\$ -	\$ 412,512
Fringe benefits	2,101	2,101	4,202	37,814	519	17,503	5,732	-	61,568
Total personnel expenses	16,875	16,875	33,750	315,849	3,373	108,808	46,050	-	474,080
OTHER EXPENSES:									
Medical and pharmacy	-	-	-	-	-	-	3,876	-	3,876
Insurance	491	491	982	15,150	-	5,632	1,339	-	22,121
Professional services	1,567	1,567	3,134	2,620	-	942	4,276	-	7,838
Building occupancy costs	798	798	1,596	6,918	-	6,375	2,178	-	15,471
Other, including provision for depreciation	196	196	392	3,446	-	2,620	536	-	6,602
Operating supplies and expenses	329	329	658	5,550	-	-	899	3,659	10,108
Food costs and allocation of food services	-	-	-	6,214	-	-	-	-	6,214
Equipment costs	67	67	134	1,117	-	333	184	-	1,634
Travel	15	15	30	302	-	6,951	41	-	7,294
Interest expense	-	-	-	-	-	-	-	-	-
Total other expenses	3,463	3,463	6,926	41,317	-	22,853	13,329	3,659	81,158
Total personnel and other expenses	20,338	20,338	40,676	357,166	3,373	131,661	59,379	3,659	555,238
DISTRIBUTED INDIRECT COSTS:									
Allocation of other support	1,808	1,808	3,616	24,823	-	15,432	4,934	-	45,189
Allocation of administration	2,386	2,386	4,772	41,153	364	17,247	7,323	-	66,087
Total distributed indirect costs	4,194	4,194	8,388	65,976	364	32,679	12,257	-	111,276
Total actual expenses	24,532	24,532	49,064	423,142	3,737	164,340	71,636	3,659	666,514
UNALLOWABLE COSTS									
Total allowed expenses	3	3	6	60	-	1,390	8	-	1,458
Total allowed expenses	\$ 24,529	\$ 24,529	\$ 49,058	\$ 423,082	\$ 3,737	\$ 162,950	\$ 71,628	\$ 3,659	\$ 665,056
CAPITAL EXPENDITURES									
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
 (continued)

For the Year Ended June 30, 2012

Expense Categories	Total for State SAMH-Funded Cost Centers	Total for Non-State Funded SAMH Cost Centers	Total for All-State Designated SAMH Cost Centers	Non-SAMH Cost Center (Pharmacy)	Other Support (Credit)	Administration	Total Expenses
PERSONNEL EXPENSES:							
Salaries	\$ 4,930,068	\$ 644,158	\$ 5,574,226	\$ 163,012	\$ 846,361	\$ 728,322	\$ 7,311,921
Fringe benefits	772,158	99,112	871,270	20,628	182,541	150,457	1,224,896
Total personnel expenses	5,702,226	743,270	6,445,496	183,640	1,028,902	878,779	8,536,817
OTHER EXPENSES:							
Medical and pharmacy	585,770	-	585,770	3,720,753	-	-	4,306,523
Insurance	268,602	34,708	303,310	6,979	70,882	28,534	409,705
Professional services	254,410	9,635	264,045	38,354	10,994	128,608	442,001
Building occupancy costs	261,325	166,444	427,769	6,687	81,430	97,973	613,859
Other, including provision for depreciation	117,791	72,671	190,462	2,698	19,960	311,174	524,294
Operating supplies and expenses	172,384	67,898	240,282	14,168	64,066	44,638	363,154
Food costs and allocation of food services	222,600	239,990	462,590	-	(220,930)	574	242,234
Equipment costs	36,133	17,687	53,820	2,026	27,292	13,000	96,138
Travel	39,319	948	40,267	-	6,316	9,077	55,660
Interest expense	-	-	-	-	-	4,840	4,840
Total other expenses	1,958,334	609,981	2,568,315	3,791,665	60,010	638,418	7,058,408
Total personnel and other expenses	7,660,560	1,353,251	9,013,811	3,975,305	1,088,912	1,517,197	15,595,225
DISTRIBUTED INDIRECT COSTS:							
Allocation of other support	770,996	302,093	1,073,089	15,823	(1,088,912)	-	-
Allocation of administration	908,371	178,844	1,087,215	429,982	-	(1,517,197)	-
Total distributed indirect costs	1,679,367	480,937	2,160,304	445,805	(1,088,912)	(1,517,197)	-
Total actual expenses	9,339,927	1,834,188	11,174,115	4,421,110	-	-	15,595,225
UNALLOWABLE COSTS							
Total allowed expenses	7,864	190	8,054	4,454	-	-	12,508
Total allowed expenses	\$ 9,332,063	\$ 1,833,998	\$ 11,166,061	\$ 4,416,656	\$ -	\$ -	\$ 15,582,717
CAPITAL EXPENDITURES	\$ -	\$ 117,198	\$ 117,198	\$ -	\$ -	\$ -	\$ 117,198

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF STATE EARNINGS
 For the Year Ended June 30, 2012

TOTAL EXPENDITURES	\$ 15,595,225
Less other state and Federal funds	(3,096,984)
Less nonmatch SAMH funds	(1,249,249)
Less unallowable costs per 65E-14, F.A.C.	<u>(12,508)</u>
 TOTAL ALLOWABLE EXPENDITURES	 \$ <u>11,236,484</u>
 MAXIMUM AVAILABLE EARNINGS	 \$ <u>8,427,363</u>
 AMOUNT OF STATE FUNDS REQUIRING MATCH	 \$ <u>4,379,949</u>
 AMOUNT DUE TO DEPARTMENT *	 \$ <u>4,047,414</u>

* If this amount is negative, the amount is due to the department up to the amount on line listed as "amount of state funds requiring match."

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
 For the Year Ended June 30, 2012

Program	Cost Center	State Contracted Rate	Total Units of Services Provided	Total Units of Services Paid by Third Party Contracts, Local Government or Other State Agencies	Maximum Number of Units Eligible For Payment by Department	Amount Paid For Services by the Department	Maximum Dollar Value of Units Eligible for Payment by the Department	Amount Owed to Department
Adult Mental Health	Crisis Stabilization	\$ 291.24	12,810	3,695	9,115	\$ 2,537,646	\$ 2,654,653	NONE

INTERNAL CONTROLS AND COMPLIANCE



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

To the Board of Directors and Finance Committee
South County Mental Health Center, Inc.
Delray Beach, Florida

We have audited the financial statements of South County Mental Health Center, Inc. (a not-for-profit organization) (the "Center") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 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 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 Center's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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 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*.

South County Mental Health Center, Inc.

This report is intended solely for the information and use of the Board of Directors, Finance Committee, management, others within the Center, the Auditor General of the State of Florida and Federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
December 21, 2012



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

To the Board of Directors and Finance Committee
South County Mental Health Center, Inc.
Delray Beach, Florida

Compliance

We have audited South County Mental Health Center, Inc.'s (a not-for-profit organization) (the "Center") 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 *Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Center's major federal program and state project for the year end June 30, 2012. The Center's major federal program and state project is 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 its major Federal program and state project 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 Nonprofit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or state project occurred. An audit includes examining, on a test basis, evidence about the 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 on 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 its major Federal program and state project 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 the 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 the 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.

South County Mental Health Center, Inc.

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

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
December 21, 2012

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2012

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of South County Mental Health Center, Inc.
2. No material weaknesses relating to the audit of the financial statements are 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 South County Mental Health Center, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal program and state project are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General.
5. The auditors' report on compliance for the major Federal program and state project for South County Mental Health Center, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major Federal program and state project for South County Mental Health Center, Inc. reported in Part C of this schedule.
7. The program/project tested as major program/project are the following:

Federal Program	<u>Federal CFDA No.</u>
United States Department of Health and Human Services - Block Grants for Community Mental Health Services	93.958
State Project	<u>State CSFA No.</u>
State of Florida Department of Children and Families, Baker Act	60.006

8. The threshold for distinguishing Type A and B projects was \$ 300,000 for both major Federal programs and state projects.
9. South County mental Health Center, Inc. was not determined to be a low risk auditee pursuant to OMB Circular A-133.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported.

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

No matters were reported.

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)
For the Year Ended June 30, 2012

D. OTHER ISSUES

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