

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**THE CENTERS, INC.
OCALA, FLORIDA**

JUNE 30, 2013

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**THE CENTERS, INC.
OCALA, FLORIDA**

JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Centers, Inc.
Ocala, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of The Centers, Inc. (the Centers), a governmental nonprofit organization, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Centers' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Centers, as of June 30, 2013 and 2012, and the changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762

5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
The Centers, Inc.
Ocala, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Emphasis of Matter

As described in Note 13 to the financial statements, in 2013, the Centers early adopted Governmental Accounting Standards Board No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this standard required a restatement of all prior periods presented. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Centers' financial statements. Additional accompanying information, as listed in the table of contents, is presented for purposes of additional analysis as required by the State of Florida Department of Children and Families, and is not a required part of the basic financial statements. The 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*, and is also not a required part of the financial statements.

The additional accompanying information, as listed in the table of contents, and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying information, as listed in the table of contents, and the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects to the basic financial statements as a whole.

Board of Directors
The Centers, Inc.
Ocala, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, on our consideration of the Centers' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Centers' internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

November 20, 2013
Ocala, Florida

THE CENTERS, INC
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The discussion and analysis of the financial performance of the Centers provides an overall review of the Centers' financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Centers' financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Centers' financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the Centers exceeded its liabilities at the close of the fiscal year ended June 30, 2013, by \$11 million. Total net position decreased \$1.4 million during the year ended June 30, 2013.
- State and Federal revenues accounted for \$26.8 million or 91% of the Centers' total revenue of \$29.4 million. County revenues accounted for \$1.5 million or 5% of total revenue. Client and insurance fees, other contracts and grants accounted for \$0.9 million or 3% of total revenue. Interest income and contributions (non-operating revenue) accounted for \$0.2 million or less than 1% of total revenue.
- Salaries, benefits and professional development of \$22.5 million represented 75% of total expenses and contractual services represented \$2.4 million or 8% of total expenses, for a total of 82% of the Centers' total expenses of \$31 million. Equipment and facilities expense accounted for \$2.9 million or 14% of total expenses. Expenses related to program operating costs accounted for \$1.3 million or 4% of total expenses and other operating costs were \$0.9 million or 3% of total expenses. Interest and fundraising (non-operating expenses) accounted for \$0.4 million or 1% of total expense.
- Total assets decreased \$1.9 million, and 9.5% decrease from 2012. Total liabilities decreased \$.5million, a 6% decrease from 2012.

USING THIS ANNUAL FINANCIAL REPORT

This report consists of a series of financial statements, the notes to those statements, and supplementary information to allow readers to review the financial activities of the Centers as a whole or to obtain a more detailed view of the Centers' operations, as they prefer.

OVERVIEW OF THE FINANCIAL STATEMENTS

Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

The view of the Centers as a whole is presented in the accompanying financial statements and is designed to provide readers with a broad overview of the Centers' finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Centers is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position provides summary information concerning the financial operations of the Centers. In evaluating the Centers' overall position, non-financial factors should also be taken into consideration, such as the current economic situation as a whole, changes in the governmental contracts for services, the age and condition of the Centers' buildings and equipment, and other such factors.

THE CENTERS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS *(Concluded)*

Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

Both the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position use the accrual basis of accounting. This basis of accounting takes into account all revenues earned and all expenses incurred in the current year regardless of when cash is received or paid.

REPORTING THE CENTERS' MOST SIGNIFICANT FUNDS

The Centers is involved in one business-type activity: providing a variety of behavioral health care/child welfare services designed to help children and adults reach their highest level of functioning. This activity is recorded in a single enterprise fund.

FINANCIAL ANALYSIS OF THE CENTERS AS A WHOLE

Business-type Activities

The Statement of Net Position provides an overall view of the Centers as of year-end and over time can serve as a useful indicator of the Centers' financial position.

Total assets decreased 1.9%, from \$20.4 million in fiscal year 2012 to \$18.4 million in fiscal year 2013, a decrease of \$1.9 million. This \$1.9 million decrease in total assets is primarily due to the net of decrease of cash and cash equivalents.

Total liabilities decreased 6% from \$7.9 million in fiscal year 2012 to \$7.4 million in fiscal year 2013, a decrease of \$0.5 million. This \$0.5 million decrease in total liabilities is due to a \$0.2 million decrease in short-term liabilities, and decrease of \$0.3 million in long-term liabilities.

The Statement of Revenues, Expenses, and Changes in Net Position reports the financial operations of the Centers during the current fiscal year. \$17.8 million, or 61%, of the Centers' \$29.4 million in revenues in 2013 were earned from services provided directly to the Department of Children & Families (DCF) of the State of Florida or indirectly to DCF under the Kids Central, Inc. (KCI) contracts. Medicare and Medicaid revenues represented \$9 million, or 30% of fiscal year 2013 revenues. Funding from Marion County and Citrus County, the two counties which the Centers' principally serves, totaled \$1.5 million or 5% of revenues. Client and insurance fees, other contracts and grants accounted for \$0.9 million or 3% of total revenue. Interest income and contributions (non-operating) represented \$0.2 million which is less than 1% of revenues.

Total revenues decreased from \$32 million in fiscal year 2012 to \$29.4 million in fiscal year 2013, a decrease of \$2.6 million. This \$2.6 million decrease is due primarily to decreased earnings from State and Federal revenue programs.

Total expenses decreased from \$31.4 million in fiscal year 2012 to \$31 million in fiscal year 2013, a decrease of \$0.4 million. This decrease is due primarily to a decrease in staffing and program costs. Salaries and benefits, professional development, and contractual services accounted for \$25.5 million or 82% of the Centers' \$31 million total expenses in fiscal year 2013. Equipment and facilities expense accounted for \$2.9 million or 11% of total expenses. Program operating expenses such as food for the residential programs, medical and other supplies accounted for \$1.3 million or 4% of total expenses; other operating costs were \$0.3 million or 1% of total expense, the remaining \$0.4 million or 2% of the total expenses is interest and fundraising (non-operating) expense.

THE CENTERS, INC
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Concluded)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2013, the Centers had \$9.7 million, net of accumulated depreciation, invested in capital assets such as furniture and equipment, land, and buildings and improvements. This amount is not a significant change from the prior fiscal year.

Debt

At year-end, the Centers had \$4.9 million in short and long-term notes and mortgages payable relating to existing land and buildings. Additional information concerning the Centers' debt can be found in the notes to the financial statements.

CURRENT ECONOMIC CONDITION AND OUTLOOK

The Centers is a private not-for-profit corporation that has contracted with the State of Florida (DCF) to provide mental health and substance abuse services to adults and children of Marion and Citrus counties. In fiscal year 2013, services provided under these contracts resulted in \$9.6 million of revenues.

The Centers is contracted with Kids Central, Inc. to provide Community Based Care services and Crisis Response Team services. In fiscal year 2013, services provided under these contracts resulted in \$8.2 million of revenues.

During the 2014 fiscal year, the Centers will continue to expand care coordination through use of Technology Assisted Care in targeted areas of need. This project is being funded via a Technology Assisted Care Grant for \$280,000 per year, over three years, from the Substance Abuse and Mental Health Services Administration.

Other than the above, the Centers is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during fiscal year 2014.

CONTACTING THE CENTERS' FINANCIAL MANAGEMENT

This financial report is designed to provide readers with a general overview of the Centers' finances and to reflect the Centers' accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the Senior Vice President of Finance, at the Centers, Inc., 5664 S.W. 60th Avenue, Ocala, Florida 34474.

STATEMENTS OF NET POSITION
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
JUNE 30, 2013 AND 2012
THE CENTERS, INC. - OCALA, FLORIDA

ASSETS

	2013	(As Restated) 2012
Current Assets		
Cash and Cash Equivalents	\$ 2,621,582	\$ 4,388,419
Accounts Receivable:		
Client Fees (Net of Allowance for Uncollectible Accounts of \$797,091 2013 and \$1,889,485 in 2012)	1,842,876	1,638,779
Other	14,275	30,622
Contracts and Grants Receivable	3,229,709	3,389,112
Prepaid Expenses	102,154	131,385
Inventories	98,425	141,219
Total Current Assets	7,909,021	9,719,536
Noncurrent Assets		
Restricted Cash and Cash Equivalents:		
Debt Service Reserve	423,809	410,536
Investments, Board Reserve Funds	314,406	220,211
Capital Assets, Net of Accumulated Depreciation	9,722,534	9,886,786
Other Assets:		
Security Deposits and Other	78,029	75,315
Total Noncurrent Assets	10,538,778	10,592,848
Total Assets	18,447,799	20,312,384
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts Payable and Other Accrued Expenses	932,305	1,085,435
Accrued Salaries and Payroll Taxes	1,007,074	953,746
Accrued Vacation and Sick Leave	585,631	593,038
Current Portion of Long-term Liabilities	298,681	388,926
Total Current Liabilities	2,823,691	3,021,145
Long-term Liabilities		
Mortgage Notes Payable	4,616,296	4,893,969
Total Long-term Liabilities	4,616,296	4,893,969
Total Liabilities	7,439,987	7,915,114
Net Position		
Net Investment in Capital Assets	4,807,557	4,603,891
Restricted for Debt Service	423,809	410,536
Unrestricted	5,776,446	7,382,843
Total Net Position	\$ 11,007,812	\$ 12,397,270

See accompanying notes.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
THE CENTERS, INC. - OCALA, FLORIDA

	<u>2013</u>	<u>(As Restated) 2012</u>
Operating Revenues		
State and Federal Revenues		
DCF Contracts - Mental Health:		
Adult	\$ 3,943,330	\$ 4,293,894
Children	1,320,373	1,405,639
DCF Contracts - Substance Abuse:		
Adult	2,561,941	2,730,458
Children	932,478	1,048,931
DCF Contracts - Other:		
Children	807,449	872,000
KCI Contracts:		
Child Welfare Services	8,201,096	8,482,042
Other Intergovernmental Revenues	0	52,059
Medicare and Medicaid	8,961,469	10,102,791
Indigent Drug Program	68,585	68,585
Total State and Federal Revenues	<u>26,796,721</u>	<u>29,056,399</u>
County Revenues		
Marion County	1,143,758	1,143,758
Citrus County	395,263	365,451
Total County Revenues	<u>1,539,021</u>	<u>1,509,209</u>
Other Revenues		
Client and Insurance Fees	478,219	933,432
Other Contracts and Service Fees	312,513	286,687
Total Other Revenues	<u>790,732</u>	<u>1,220,119</u>
Total Operating Revenues	<u>29,126,474</u>	<u>31,785,727</u>
Operating Expenses		
Personnel		
Salaries	18,695,359	18,944,313
Benefits and Taxes	3,750,997	3,787,118
Total Personnel	<u>22,446,356</u>	<u>22,731,431</u>
Contractual Services		
Service Contracts	156,794	40,689
Professional Fees	2,287,520	2,424,674
Total Contractual Services	<u>2,444,314</u>	<u>2,465,363</u>
Professional Development	<u>12,084</u>	<u>14,916</u>

See accompanying notes.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
THE CENTERS, INC. - OCALA, FLORIDA
(Concluded)

	2013	(As Restated) 2012
Operating Expenses (Concluded)		
Equipment and Facilities Expenses		
Depreciation	\$ 869,624	\$ 758,921
Rental	699,518	807,732
Repairs and Maintenance	622,047	602,463
Utilities	730,533	718,554
Total Equipment and Facilities Expenses	2,921,722	2,887,670
Supplies Expenses		
Educational/Medical Supplies	604,200	831,715
Food/Household Supplies	401,345	439,271
Office Supplies	411,700	334,540
Printing/Reproduction	58,439	92,140
Total Supplies Expenses	1,475,684	1,697,666
Travel and Transportation Expenses		
Travel	394,986	423,867
Conferences/Workshops	32,597	3,830
Total Travel and Transportation Expenses	427,583	427,697
Other Expenses		
Insurance	444,635	453,319
State Indigent Drugs	81,920	77,863
Other	358,550	377,197
Total Other Expenses	885,105	908,379
(Total Operating Expenses)	(30,612,848)	(31,133,122)
Income (Loss) from Operations	(1,486,374)	652,605
Nonoperating Revenues (Expenses)		
Contributions and Special Events	170,931	151,982
Investment Income	9,319	49,215
Interest Expense	(235,913)	(262,557)
Fundraising Expense	(126,988)	(137,511)
(Loss) Gain on Disposal of Capital Asset	(7,306)	34,292
Total Nonoperating Income and (Expense)	(189,957)	(164,579)
(Deficiencies) Excess of Revenues (Under) Over Expenses Before Capital Grants and Contributions	(1,676,331)	488,026
Capital Grants and Contributions	286,873	0
Increase (Decrease) in Net Position	(1,389,458)	488,026
Net Position, Beginning of Year	12,397,270	11,909,244
Net Position, End of Year	\$ 11,007,812	\$ 12,397,270

See accompanying notes.

STATEMENTS OF CASH FLOWS
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
THE CENTERS, INC. - OCALA, FLORIDA

	2013	(As Restated) 2012
Cash Flows from Operating Activities		
Receipts from and on Behalf of Patients	\$ 9,571,300	\$ 11,135,176
Operating Grant and Contract Receipts	19,526,827	20,561,878
Payments to Suppliers	(7,380,501)	(7,503,596)
Payments for Salaries, Benefits, and Taxes	<u>(22,400,435)</u>	<u>(22,683,199)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(682,809)</u>	<u>1,510,259</u>
Cash Flows from Noncapital Financing Activities		
Noncapital Grants and Contributions	47,682	18,437
Fund-raising Expense	<u>(3,739)</u>	<u>(3,966)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>43,943</u>	<u>14,471</u>
Cash Flows from Capital Financing Activities		
Capital Grants and Contributions	286,873	0
Principal Paid on Long-term Debt	(367,918)	(367,011)
Interest Paid on Long-term Debt	(235,913)	(262,557)
Purchase of Capital Assets	(713,277)	(334,775)
Proceeds from Insurance Settlement	0	72,355
Proceeds from Disposal of Capital Asset	<u>600</u>	<u>0</u>
Net Cash Provided by (Used in) Capital Financing Activities	<u>(1,029,635)</u>	<u>(891,988)</u>
Cash Flows from Investing Activities		
Interest Received	9,132	49,077
Purchase of Investments	<u>(94,195)</u>	<u>(11,300)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(85,063)</u>	<u>37,777</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,753,564)	670,519
Cash and Cash Equivalents, Beginning of Year	<u>4,798,955</u>	<u>4,128,436</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,045,391</u>	<u>\$ 4,798,955</u>
<u>Reconciliation of Cash and Cash Equivalents to the</u>		
<u>Statements of Net Assets</u>		
Cash and Cash Equivalents in Current Assets	\$ 2,621,582	\$ 4,388,419
Restricted Cash and Cash Equivalents	423,809	410,536
Total Cash and Cash Equivalents	<u>\$ 3,045,391</u>	<u>\$ 4,798,955</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
THE CENTERS, INC. - OCALA, FLORIDA
(Concluded)

	2013	(As Restated) 2012
<u>Reconciliation of Income from Operations to Net Cash Provided by (Used in) Operating Activities</u>		
Operating Income	\$ (1,486,374)	\$ 652,605
Adjustments to Reconcile Income from Operations to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	869,623	758,921
Change in:		
Accounts Receivable	(204,097)	(217,491)
Accounts Receivable - Other	16,347	29,757
Contracts and Grants Receivable	159,403	99,062
Prepaid Expenses	29,231	309,921
Inventories	42,794	157,702
Security Deposits and Other Assets	(2,527)	2,100
Accounts Payable	(153,130)	(330,550)
Accrued Payroll and Taxes	53,328	29,895
Accrued Sick and Vacation	(7,407)	18,337
Net Cash Provided by (Used in) Operating Activities	\$ (682,809)	\$ 1,510,259

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
THE CENTERS, INC. - OCALA, FLORIDA**

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Centers, Inc. (the Centers), formerly Marion-Citrus Mental Health Centers, Inc., is a not-for-profit Florida corporation that provides comprehensive mental health, substance abuse, and children's services to the general public of Marion and Citrus counties in cooperation with other human service agencies and programs. Because Marion and Citrus counties have final approval of all members elected to the Board of Directors, the Centers is considered to be a governmental, nonprofit organization.

For financial statement purposes, the Centers is considered a special purpose government engaged only in business-type activities and uses enterprise fund accounting. Accordingly, the accompanying financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has occurred. The accompanying financial statements present the assets, liabilities, revenues, and expenses of the Centers. The financial statements of the Centers have been prepared in accordance with generally accepted accounting principles as applied to governmental units. Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

During the 2013 year, the Centers implemented the following *Government Auditing Standards*:

- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB Statement No. 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). Per the implementation of GASB 63, "Net Assets" was renamed to "Net Position" and "Statement of Net Assets" was renamed to "Statement of Net Position".
- GASB Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65), reclassifies and recognizes, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 resulted in the write-off of bond issuance costs in the year ending June 30, 2011, and the reduction of beginning net position by \$77,988 in the year ending June 30, 2012, and in the year ending June 30, 2013 (See Note 13).

Expendable Restricted Resources

Operating and capital asset funds restricted by the donor, grantor, or other outside party for particular operating purposes or for property acquisitions are deemed to be earned and reported as revenues of operating accounts or as additions to capital assets accounts, respectively, when the Centers has incurred expenditures in compliance with the specific restrictions. Such amounts received, but not yet earned, are reported as amounts payable to grantor agencies.

NOTES TO FINANCIAL STATEMENTS
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

Donated assets are capitalized at fair value on the date of donation. Proceeds from the sale of capital assets, if unrestricted, are transferred to operating fund balances, or, if restricted, are paid to grantor agencies. Assets purchased using funds from grants that specify that title remains with grantor agency, or that proceeds from the sale of the asset are payable to the grantor agency, are capitalized at cost as the Centers typically has control and use of the asset over the asset's useful life. The grantor usually does not reclaim the asset, and reversion of title is legal protection for the grantor in case the activities of the Centers are prematurely terminated.

Property and equipment are recorded at cost with estimated lives of three to ten years for transportation and other equipment, and fifteen to thirty years for various buildings and leasehold improvements. The straight-line method of depreciation is used. Maintenance and repairs are expensed as incurred.

Cash and Cash Equivalents

The Centers considers cash and cash equivalents to include cash deposits, certificates of deposits, and money market accounts which are treated as cash equivalents in the statement of cash flows.

Restricted Cash and Cash Equivalents

Cash, which has been accumulated in accordance with certain loan agreements for repayment thereof, has been segregated on the statement of net positions under the headings "Restricted Cash and Cash Equivalents, Debt Service Reserve." These amounts are required to be held separately by the Centers and can only be used for debt service payments related to certain mortgage loans.

Net Position

Net position of the Centers are classified in three components. Net position invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Centers. Unrestricted net position are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted net assets. When the Centers has both restricted and unrestricted resources available to finance a particular program, it is the Centers' policy to use restricted resources before unrestricted resources.

Inventories

Inventory consists of in-patient and indigent drugs, and is valued at cost using the first-in, first-out (FIFO) method.

Accounts Receivable

Accounts receivable are shown at the anticipated realizable value, net of allowance for uncollectible accounts. Accounts receivable consist primarily of contract and fee amounts due from state and county governments, clients, and third party payers.

NOTES TO FINANCIAL STATEMENTS
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Centers has been recognized as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC), and is exempt from federal income tax on related income pursuant to Section 501(a) of the IRC. The Centers has been classified as an organization that is not a private foundation under Section 509(a)(2) of the IRC and qualifies for the charitable contributions deduction for donors.

In-kind Revenues and Expenses

Revenues and expenses from in-kind contributions are recognized when received based upon the estimated fair market value of the contribution, provided that there is a clearly measurable basis to value such contributions.

Capitation Revenue Agreements

The Centers has an agreement with North Florida Behavioral Health Partners, Inc. to provide certain medical services to patients in the Florida Prepaid Mental Health Plan. Under the agreement, the Centers receives monthly capitation payments based on the number of patients in the Florida Prepaid Mental Health Plan area. In addition, North Florida Behavioral Health Partners, Inc. makes fee-for-service payments to the Centers for certain covered services based upon contracted fee schedules. North Florida Behavioral Health Partners, Inc. is a related party as further described in Note 11.

The Centers has an agreement with the Department of Children and Families to provide certain medical services to patients qualifying under the Florida KidCare Program. Under the agreement, the Centers receives monthly capitation payments based on the number of patients enrolled in the Behavioral Health Care Network within the Centers' service area.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The primary area of management estimates is determining the collectability of amounts due from service fee receivables including Medicare, Medicaid, insurance, and client fees, as well as contingency reserves.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year financial reporting and to facilitate comparison of financial data.

Capitalized Interest

It is the policy of the Centers to capitalize interest incurred during the construction of buildings and related improvements.

NOTES TO FINANCIAL STATEMENTS
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Operating Revenues and Expenses

The Centers statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing comprehensive mental health, substance abuse, and children's services to the general public - the Centers' principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide the Centers' principal activities, other than financing costs.

Charity Care

The Centers provides care to its patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Centers does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Compensated Absences

The Centers recognizes a liability for accrued and vested vacation and sick leave pay.

Note 2 - Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

As of June 30, 2013, the carrying amount of the Centers' demand deposits, money market funds, and certificates of deposits was \$3,041,721 and the bank balances totaled \$3,188,041. Petty cash totaled \$3,670. The Centers' deposits, money market funds, and certificates of deposits are partially or fully covered by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures the first \$250,000 of the majority of the Centers' deposits at each financial institution. Additionally, specific noninterest bearing accounts can be fully insured through special programs with the FDIC.

As of June 30, 2012, the carrying amount of the Centers' demand deposits, money market funds, and certificates of deposits was \$4,795,845 and the bank balances totaled \$4,931,531. Petty cash totaled \$3,110. The Centers' deposits, money market funds, and certificates of deposits are partially or fully covered by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures the first \$250,000 of the majority of the Centers' deposits at each financial institution. Additionally, specific noninterest bearing accounts can be fully insured through special programs with the FDIC.

Custodial Credit Risk Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Centers' deposits may not be returned. As of June 30, 2013 and 2012, \$1361,088, of the Centers' bank balance of \$3,188,141 and \$2,350,364 of the Centers' bank balance of \$4,931,531 respectively, was exposed to custodial credit risk as being uninsured and uncollateralized cash deposits.

NOTES TO FINANCIAL STATEMENTS
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)

Note 2 - Cash, Cash Equivalents, and Investments (Concluded)

Investments

The Centers' investment policy states that funds shall be invested according to the principles of safety of principal, liquidity and accessibility, professional management, reasonable and normal costs, and return. Permitted investments include: U.S. government obligations, U.S. government agency obligations, certificates of deposit, repurchase agreements, money market mutual funds, and corporate debt.

Investments are recorded at fair market value. The carrying amount and fair market value at June 30, 2013, are as follows:

Investment	Credit Ratings	Maturities (Yrs.)	Fair Value
U.S. Government Agencies	Aaa	3-28	\$ 155,066
Corporate and Local Government Bonds	Aaa-Baa2	1-27	<u>159,340</u>
Total Investments			<u><u>\$ 314,406</u></u>

NOTES TO FINANCIAL STATEMENTS
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)

Note 3 - Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 570,138	\$ 0	\$ 0	\$ 570,138
Construction in Process	511,036	306,898	(767,963)	49,971
Total Capital Assets Not Being Depreciated	<u>1,081,174</u>	<u>306,898</u>	<u>(767,963)</u>	<u>620,109</u>
Capital Assets Being Depreciated				
Buildings and Improvements	15,012,677	402,562	(13,279)	15,401,960
Vehicles	250,859	37,249	0	288,108
Furniture and Fixtures	577,194	4,510	(3,724)	577,980
Machinery and Equipment	1,376,919	108,395	(24,131)	1,461,183
Computers	590,638	621,630	(34,918)	1,177,350
Total Capital Assets Being Depreciated	<u>17,808,287</u>	<u>1,174,346</u>	<u>(76,052)</u>	<u>18,906,581</u>
Less Accumulated Depreciation				
Buildings and Improvements	(7,149,593)	(516,164)	5,370	(7,660,387)
Vehicles	(212,588)	(20,490)	0	(233,078)
Furniture and Fixtures	(372,109)	(49,083)	3,724	(417,468)
Machinery and Equipment	(867,200)	(118,367)	24,131	(961,436)
Computers	(401,185)	(165,520)	34,918	(531,787)
Total Accumulated Depreciation	<u>(9,002,675)</u>	<u>(869,624)</u>	<u>68,143</u>	<u>(9,804,156)</u>
Total Capital Assets Being Depreciated, Net	<u>8,805,612</u>	<u>304,722</u>	<u>(7,909)</u>	<u>9,102,425</u>
Business-type Activities Capital Assets, Net	<u>\$ 9,886,786</u>	<u>\$ 611,620</u>	<u>\$ (775,872)</u>	<u>\$ 9,722,534</u>

NOTES TO FINANCIAL STATEMENTS
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)

Note 4 - Long-term Debt and Lines of Credit

The following is a summary of mortgage notes payable:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Mortgage Notes Payable -					
Collateralized by Real Estate					
USDA - Rural Development, Payable in Monthly Installments of \$13,210 Including 5.0% Interest	\$ 1,212,538	\$ 0	\$ (100,162)	\$ 1,112,376	\$ 105,286
USDA - Rural Development, Payable in Monthly Installments of \$7,803 Including 4.5% Interest	847,716	0	(56,644)	791,072	59,247
USDA - Rural Development, Payable in Monthly Installments of \$4,605 Including 4.5% Interest	603,108	0	(28,705)	574,403	30,024
USDA - Rural Development, Payable in Monthly Installments of \$7,219 Including 4.5% Interest	1,194,137	0	(33,576)	1,160,561	35,118
USDA - Rural Development, Payable in Monthly Installments of \$1,024 Including 4.5% Interest	169,235	0	(4,769)	164,466	4,989
USDA - Rural Development, Payable in Monthly Installments of \$2,605 Including 4.0% Interest	465,878	0	(12,858)	453,020	13,682
SunTrust Bank, Payable in Monthly Installments of \$508 to \$2,556 in Principal Payments Plus Interest, the Interest Rate was 2.25% + LIBOR (1 month index) as of June 30, 2012	264,744	0	(13,656)	251,088	20,472
Branch Banking and Trust, Payable in Monthly Installments of \$4,116 Including 4.955% Interest	525,539	0	(117,548)	407,991	29,863
Total Mortgage Notes Payable	<u>\$ 5,282,895</u>	<u>\$ 0</u>	<u>\$ (367,918)</u>	<u>\$ 4,914,977</u>	<u>\$ 298,681</u>

NOTES TO FINANCIAL STATEMENTS
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)

Note 4 - Long-term Debt and Lines of Credit (Concluded)

The following are estimated principal requirements until maturity for the Centers' long-term indebtedness:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 298,381	\$ 215,220
2015	311,717	201,359
2016	325,352	187,199
2017	340,497	171,528
2018	520,282	155,565
2019-2023	1,902,891	541,706
2024-2028	543,624	219,646
2029-2033	563,097	87,783
2034-2038	109,136	2,691
Total	<u>\$ 4,914,977</u>	<u>\$ 1,782,697</u>

Total interest incurred was \$234,663 and \$259,397 for the year ended June 30, 2013 and 2012, respectively, and none of which was capitalized in 2013.

Under loan agreements with Rural Economic and Community Development, the Centers is required to make monthly deposits to a debt service reserve account until the maximum reserve balance accumulates to \$456,510. The balance in this account was \$423,807 and \$410,536 as of June 30, 2013 and 2012, respectively.

Debt Covenant

For the year ended June 30, 2013, the Centers was not in compliance with a debt covenant required by the loan agreement with BB&T. The debt covenant requires the Centers to maintain a minimum cash flow to debt service coverage ratio that they were unable to meet. Upon default of the covenant, the bank may declare the balance of the note due and payable immediately along with other remedies. However, the Centers received a waiver from BB&T for the 2013 fiscal year.

Lines of Credit and Loan Commitment

The Centers has \$1,500,000 of unadvanced funds available on approved lines of credit with Branch Banking and Trust Company. As of June 30, 2012 and 2013, no amounts have been advanced on the line of credit.

Note 5 - Defined Contribution Pension Plan

The Centers has a 401(k) defined contribution retirement plan covering substantially all employees. This plan is the Centers, Inc. 401(k) Savings Plan (the Plan). The Plan is administered by the Centers and its Trustees are the Centers' Board of Directors. Authority to amend the Plan rests with the Trustees. The matching contribution was 100% of each participant's contribution, up to 3% of each participating employee's compensation. Vesting occurs ratably over three years of service. Employer contributions, net of forfeitures (retirement expense) to the Plan during the fiscal years ended June 30, 2013 and 2012, was \$151,184 and \$170,073, respectively.

NOTES TO FINANCIAL STATEMENTS
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)

Note 6 - Concentration and Stratification of Revenue Sources

The Centers has three revenue sources which constitute a majority of the Centers' total revenues. The Centers' major revenue sources are as follows:

For the Year Ending June 30, 2013:

	<u>Amount</u>	<u>Percentage</u>
State of Florida Department of Children and Families (Including Federal Portion)	\$ 9,565,571	32%
Kids Central, Inc. (Pass-through from the State of Florida Department of Children and Families)	8,201,096	28%
Medicare and Medicaid	8,961,469	30%
Other Revenues	<u>2,858,155</u>	<u>10%</u>
Total Revenues	<u><u>\$ 29,586,291</u></u>	<u><u>100%</u></u>

For the Year Ending June 30, 2012:

	<u>Amount</u>	<u>Percentage</u>
State of Florida Department of Children and Families (Including Federal Portion)	\$ 10,377,266	32%
Kids Central, Inc. (Pass-through from the State of Florida Department of Children and Families)	8,482,042	26%
Medicare and Medicaid	10,102,791	32%
Other Revenues	<u>3,059,117</u>	<u>10%</u>
Total Revenues	<u><u>\$ 32,021,216</u></u>	<u><u>100%</u></u>

Note 7 - Operating Rental Agreements

The Centers has several operating leases for buildings and office equipment. Various building and office equipment rental agreements extend beyond one year and are cancelable only if state funding were to be withdrawn. A portion of the leased buildings are subleased under noncancelable agreements extending until December 31, 2012. Building and office equipment rental agreements are scheduled as follows:

<u>Description</u>	<u>Lease Expense</u>		<u>Future Minimum Lease Payment</u>			
	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/17</u>	<u>6/30/18</u>
Buildings	\$ 629,307	\$ 411,362	\$ 344,699	\$ 0	\$ 0	\$ 0
Office Equipment	87,286	85,616	78,536	46,298	34,453	11,484
Total	<u>716,593</u>	<u>\$ 496,978</u>	<u>\$ 423,235</u>	<u>\$ 46,298</u>	<u>\$ 34,453</u>	<u>\$ 11,484</u>
(Less Sublease)	<u>(22,042)</u>					
Rental Expense	<u><u>\$ 694,551</u></u>					

Note 8 - Grants, Medicare, and Medicaid

The Centers receives federal and state grants for Medicare and Medicaid. These funds are subject to compliance audits by the providers or their representatives. The audits of the programs for, or including, the years ended June 30, 2010 through 2013, have not yet been settled. The amount, if any, of expenditures which may be disallowed cannot be determined, however, in the opinion of management, adequate provisions have been made for any adjustments that may result from auditors or other claims.

NOTES TO FINANCIAL STATEMENTS
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)

Note 9 - Matching Requirements

The Centers' main contract with the State of Florida Department of Children and Families requires the Centers to provide matching local funds, as dictated in the Florida Statutes, Chapter 394, Section 76 under Public Health Title XXIX, as well as in the Florida Administrative Code Chapter 65, 65E-14.005. During the fiscal years ended June 30, 2013 and 2012, the Centers received local matching of \$1,143,758 from Marion County each year and \$395,263 and \$365,451, respectively, from Citrus County with respect to the community alcohol and mental health services contracted with the State of Florida Department of Children and Families. The funding from Marion County and Citrus County was used solely for local match requirements. The allocation of funding between counties is determined based on relative population. All contract matching requirements for the year ended June 30, 2013 and 2012 have been met, as summarized in the schedule of state earnings included in this report.

Note 10 - Charity Care

The estimated cost for services and supplies furnished under the Centers' charity care policy aggregated to \$2,076,974 and \$2,119,965 for the fiscal years ended June 30, 2013 and 2012, respectively.

Note 11 - Related Parties

North Florida Behavioral Health Network, Inc.

During April 2004, the Centers became a member in the North Florida Behavioral Health Network, Inc. for the purpose of bidding on one or more contracts for the provision behavioral health care services pursuant to the State of Florida in connection with the Florida Medicaid Prepaid Mental Health Plan. North Florida Behavioral Health Network, Inc. is a 50% shareholder in North Florida Behavioral Health Partners, Inc., which in turn executed the bids and was ultimately awarded the contract under the Florida Medicaid Prepaid Mental Health Plan during the year ended June 30, 2007. The Centers, as members of the North Florida Behavioral Health Network, Inc., provided services under contract for prepaid mental health services and fees for services during the years ended June 30, 2013 and 2012, recognizing revenue of \$3,409,663 and \$5,280,709, respectively, of which \$0 and \$77,900, respectively, was in accounts receivable with no reserve balance in 2013 or 2012.

Note 12 - Contingent Liabilities

The Centers is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable, and the attorney for these matters is unable to conclude that the likelihood of an adverse outcome is probable or remote.

NOTES TO FINANCIAL STATEMENTS
THE CENTERS, INC. - OCALA, FLORIDA
(Concluded)

Note 13 – Restatement of Beginning Balances

Due to the implementation of GASB 65, as described in Note 1, bond issuance costs are expensed when incurred, therefore, beginning net position for fiscal year 2012 was restated.

The restatement had an effect on the change in net position.

Net Position as Previously Reported	\$ 11,987,232
Noncurrent Assets:	
Bond Issue Costs, Net of	
Accumulated Amortization	<u>(77,988)</u>
Net Position, As Restated	<u>\$ 11,909,244</u>

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
AND OFFICE OF MANAGEMENT AND BUDGET (OMB)
CIRCULAR A-133 AND CHAPTER 10.650, *RULES OF THE*
AUDITOR GENERAL SINGLE AUDIT REQUIREMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA**

<u>Federal Awards</u>	<u>CFDA/CSFA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services			
Indirect Projects:			
Passed Through Florida Department of Children and Families:			
Projects for Assistance in Transition from Homelessness *	93.150	PH203	\$ 129,211
State Children's Insurance Program *	93.767	PHL14	841,000
Temporary Assistance for Needy Families*	93.558	PH203	195,117
Block Grant for Community Mental Health Services *	93.958	PH203	302,716
Social Services Block Grant*	93.667	PH203	46,050
Block Grant for Prevention and Treatment of Substance Abuse *	93.959	PH203	1,766,092
Total Passed Through Florida Department of Children and Families			<u>3,280,186</u>
Passed Through Kids Central, Inc.:			
Promoting Safe and Stable Families	93.556	C1213I-MC005	215
Promoting Safe and Stable Families	93.556	C1213C-MC005	24,958
Promoting Safe and Stable Families	93.556	C1213M-MC005	44,769
			<u>69,942</u>
Child Abuse and Neglect	93.669	C1213C-MC005	16,509
Temporary Assistance for Needy Families	93.558	C1213I-MC005	8,668
Temporary Assistance for Needy Families	93.558	C1213C-MC005	1,033,442
			<u>1,042,110</u>
Child Welfare Services	93.645	C1213I-MC005	1,697
Child Welfare Services	93.645	C1213C-MC005	13,125
Child Welfare Services	93.645	C1213M-MC005	202,303
			<u>217,125</u>
Foster Care - Title IV-E	93.658	C1213I-MC005	16,331
Foster Care - Title IV-E	93.658	C1213C-MC005	1,947,143
			<u>1,963,474</u>
Adoption Assistance	93.659	C1213I-MC005	3,307
Adoption Assistance	93.659	C1213C-MC005	394,297
			<u>397,604</u>
Total Passed Through Kids Central, Inc.			<u>3,706,764</u>
Passed Through Marion County, Florida			
Community Development Block Grant - Pre-Arrest Diversion Center	14.218	2011-2012	286,873
Total U.S. Department of Health and Human Services			<u>7,273,823</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA
(Concluded)**

	CFDA/CSFA Number	Contract Number	Expenditures
US Department of Justice			
Indirect Project:			
Passed Through Citrus County, Florida:			
Criminal and Juvenile and Mental Health Collaboration Program	16.745	2012-2013	\$ 52,977
Total U.S. Department of Justice			52,977
US Department of Agriculture			
Indirect Project:			
Passed Through Florida Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program	10.553	2012-2013	10,316
National School Lunch Program	10.555	2012-2013	18,309
Total Child Nutrition Cluster			28,625
Total U.S. Department of Agriculture			28,625
Total Federal Awards			7,355,425
<u>State Financial Assistance</u>			
State of Florida Department of Children and Families			
Direct Projects:			
Children's Mental Health Special Projects Emergency Stabilization *	60.059	PH203	955,289
Community Forensic Beds *	60.114	PH203	70,774
Total Direct Projects from Department of Children and Families:			1,026,063
Indirect Projects:			
Passed Through Marion County, Florida			
Public Safety, Mental Health, and Substance Abuse Local Matching Grant	60.115	2012-2013	50,015
Passed Through Kids Central, Inc.			
Community Based Care Support	60.094	C1213I-MC005	25,548
Community Based Care Support	60.094	C1213C-MC005	585,963
Community Based Care Support	60.094	C1213M-MC005	3,046,070
			3,657,581
Total State of Florida Department of Children and Families			4,733,659
Total State Financial Assistance			4,733,659
Total Expenditures of Federal Awards and State Financial Assistance			\$ 12,089,084

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA**

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and Chapter 10.550, *Rules of the Auditor General, Local Government Entity Audits*. Therefore, amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Federal and State awards include \$397,527 of funding that represents fees withheld from the managing entity, which have been netted against the revenues for presentation on the statement of revenues, expenses, and changes in net position.

- * Expenditures for the indicated awards are determined using the units of service cost approach, whereby expenditures are based on units of service provided, multiplied by the expenditure rate identified in the agreement with the pass-through agency.

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
The Centers, Inc.
Ocala, Florida

We have audited, 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, the financial statements of the business-type activities of The Centers, Inc. (the Centers) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Centers', a nonprofit organization, basic financial statements, and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Centers' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Centers' internal control. Accordingly, we do not express an opinion on the effectiveness of the Centers' internal control.

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 misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
The Centers, Inc.
Ocala, Florida

**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
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Centers' 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

November 20, 2013
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR
A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

Board of Directors
The Centers, Inc.
Ocala, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited The Centers, Inc.'s (the Centers) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Centers' major federal programs and state financial assistance projects for the year ended June 30, 2013. The Centers' major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs and state financial assistance projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance each of for the Centers' major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States of Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General*. Those standards and OMB Circular A-133 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 Centers' 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 on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination on the Centers' compliance.

Opinion on Each Major Federal Program

In our opinion, the Centers complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2013.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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Board of Directors
The Centers, Inc.
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR
A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL
(Concluded)**

Report on Internal Control Over Compliance

Management of the Centers is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Centers' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project 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 purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Centers' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that may not have been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Purvis, Gray and Company, LLP

November 20, 2013
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS
THE CENTERS, INC. - OCALA, FLORIDA**

1. **Summary of Audit Results**

I. **Type of Audit Report Issued on Financial Statements**

Unqualified Opinion

II. **Significant Deficiencies and/or Material Weaknesses in Internal Control**

Audit disclosed no instances of significant deficiencies in internal control or significant deficiencies which were material weaknesses in internal control.

III. **Noncompliance Material to Auditee Financial Statements**

Audit disclosed no material instances of noncompliance.

IV. **Significant Deficiencies and/or Material Weaknesses in Internal Control Over Major Federal Awards Programs and State Financial Assistance Projects**

Audit disclosed no instances of significant deficiencies or significant deficiencies that were material weaknesses in internal controls over major federal award programs and state financial assistance projects that are required to be reported in the schedule of findings and questioned costs.

V. **Type of Audit Report Issued on Compliance with Requirements Applicable to Major Federal Awards Programs and State Financial Assistance Projects**

Unqualified Opinion

VI. **Audit Findings Relative to Section .510(a) of OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General***

The audit disclosed no findings required to be reported under Section .510(a) of OMB Circular A-133 and Chapter 10.650, *Rules of Auditor General*.

VII. **Major Federal Programs and Major State Financial Assistance Projects**

Federal Programs:

U.S. Department of Health and Human Services:

- Projects for Assistance in Transition from Homelessness (93.150)
- Temporary Assistance for Needy Families (93.558)
- Community Development Block Grant – Pre-Arrest Diversion Program (14.218)
- Block Grant for Community Mental Health Services (93.958)

State Assistance Projects:

State of Florida Department of Children and Families:

- Community Based Care Support (60.094)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS
THE CENTERS, INC. - OCALA, FLORIDA
(Concluded)**

1. **Summary of Audit Results (Concluded)**

VIII. **Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs/State Assistance Projects**

\$300,000 for both Federal Programs and State Assistance Projects for Type A Programs.

IX. **Auditee Qualification as Low-risk Auditee**

The auditee qualifies as a low-risk auditee per criteria set forth in Section .530 of OMB Circular A-133. This does not apply to state financial assistance projects.

2. **Findings Related to the Financial Statements Required to be Reported Under GAGAS**

The audit disclosed no findings which are required to be reported under GAGAS.

3. **Findings and Questioned Costs for Major Federal Programs Required to be Reported Under Section .510(a) of OMB Circular A-133**

The audit disclosed no findings which are required to be reported under Section .510(1) of OMB Circular A-133.

4. **Findings and Questioned Costs for Major State Financial Assistance Projects Under Chapter 10.650, Rules of the Auditor General**

The audit disclosed no findings which are required to be reported under Chapter 10.650, *Rules of the Auditor General*.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL
THE CENTERS, INC. - OCALA, FLORIDA**

1. **Status of Prior Audit Findings**

June 30, 2011 and June 30, 2012 Audit Reports

Federal Awards Finding No. 2011-1

Program: Projects for Assistance in Transition for Homelessness (CFDA No. 93.150)

Finding Type: Significant Deficiency

Questioned Costs: None

Brief Description—During the prior audit of this program we found that to be eligible for the Projects for Assistance in Transition for Homelessness grant, an individual must have a diagnosed mental illness and be at-risk to being homeless or already be in the state of homelessness. From our testing and further reviews by management it was found that there were several individuals that were included but were not eligible under the grant eligibility requirements. Additional audit procedures and reviews by management completed were able to substantiate eligibility for individuals allowed under the grant for the full amount of the Federal Grant reimbursement. It was determined that an internal control method of evaluation of an individual's eligibility for the program had not been fully implemented.

Current Status—Management has developed and implemented additional checklists to assist with the eligibility criteria based on the requirements of the grant. During the audit of the program for the year ended June 30, 2013, we found that the issue has been addressed.

MANAGEMENT LETTER

Board of Directors
The Centers, Inc.
Ocala, Florida

We have audited the financial statements of The Centers, Inc. (the Centers), as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated November 20, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Florida Auditor General*. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Governmental Auditing Standards*, Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133, and Chapter 10.650, *Rules of the Florida Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 20, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, *Rules of the Auditor General*, which requires disclosure in the management letter noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, but have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. Note: Fraud, noncompliance, with provisions of laws or regulations and contracts or grant agreements, or abuse that does not warrant the attention of those charged with governance, or internal control deficiencies that are not material weaknesses or significant deficiencies may be reported in the management letter based on professional judgment.

Our management letter is intended solely for the information and use of Legislative Auditing Committee, members of the Florida State and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

November 20, 2013
Ocala, Florida

Certified Public Accountants

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ADDITIONAL INFORMATION

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROGRAM/COST CENTER ACTUAL EXPENSES, AND REVENUES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA**

Funding Sources and Revenues	Case Management	Outpatient	Outreach	Supported Housing	Crisis Stabilization Unit	Crisis Support/ Emergency	Drop-In	Medical Services	Clubhouse	Total for Adult Mental Health
State SAMH Funding										
From the District Funding this Contract	\$ 299,584	\$ 557,983	\$ 89,565	\$ 85,099	\$ 1,852,549	\$ 162,223	\$ 78,231	\$ 604,440	\$ 277,279	\$ 4,006,953
Total State SAMH Funding	299,584	557,983	89,565	85,099	1,852,549	162,223	78,231	604,440	277,279	4,006,953
Other Government Funding										
Other State Agency Funding	0	0	0	0	0	0	0	68,585	0	68,585
Medicaid	182,988	473,142	0	4,276	440,782	1,097	0	600,175	157,624	1,860,084
Local Government	0	0	0	0	812,447	208,956	0	0	0	1,021,403
Federal Grants and Contracts	0	0	0	0	0	0	0	0	0	0
Total Other Government Funding	182,988	473,142	0	4,276	1,253,229	210,053	0	668,760	157,624	2,950,072
All Other Revenues										
First and Second Party Payments	(297)	5,973	0	0	225	(4,742)	0	11,326	0	12,485
Third Party Payments (Except Medicare)	0	14,360	0	0	103,174	19,820	0	24,361	0	161,715
Medicare	0	22,869	0	0	100,916	7,849	0	98,793	0	230,427
Contributions and Donations	0	0	0	0	600	0	0	0	1,650	2,250
Other	68,296	42,483	16,554	1,064	21,607	2,351	673	22,875	3,558	179,461
In-kind	0	0	0	0	0	0	941	0	0	941
Total All Other Revenues	67,999	85,685	16,554	1,064	226,522	25,278	1,614	157,355	5,208	587,279
Total Funding	\$ 550,571	\$ 1,116,810	\$ 106,119	\$ 90,439	\$ 3,332,300	\$ 397,554	\$ 79,845	\$ 1,430,555	\$ 440,111	\$ 7,544,304

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROGRAM/COST CENTER ACTUAL EXPENSES, AND REVENUE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)**

Funding Sources and Revenues	Case Management	Outpatient	Outreach	Prevention	Intervention	Residential Level II	Detox	Total for Adult Substance Abuse
State SAMH Funding								
From the District Funding this Contract	\$ 34,178	\$ 267,038	\$ 39,472	\$ 177,855	\$ 5,179	\$ 1,582,106	\$ 367,720	\$ 2,473,548
Total State SAMH Funding	34,178	267,038	39,472	177,855	5,179	1,582,106	367,720	2,473,548
Other Government Funding								
Other State Agency Funding	0	0	0	0	0	0	0	0
Medicaid	838	90,786	0	0	74	60	3,918	95,676
Local Government	0	0	0	0	0	0	245,183	245,183
Federal Grants and Contracts	0	0	0	0	0	0	0	0
Total Other Government Funding	838	90,786	0	0	74	60	249,101	340,859
All Other Revenues								
First and Second Party Payments	606	55,784	0	0	48	17,844	(5,281)	69,001
Third Party Payments (Except Medicare)	0	5,116	0	0	0	1,183	24,309	30,608
Medicare	0	(518)	0	0	0	0	3,816	3,298
Contributions and Donations	0	0	0	0	0	6,825	0	6,825
Other	360	1,602	729	936	156	15,408	5,774	24,965
In-kind	0	0	0	0	0	2,150	0	2,150
Total All Other Revenues	966	61,984	729	936	204	43,410	28,618	136,847
Total Funding	\$ 35,982	\$ 419,808	\$ 40,201	\$ 178,791	\$ 5,457	\$ 1,625,576	\$ 645,439	\$ 2,951,254

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROGRAM/COST CENTER ACTUAL EXPENSES, AND REVENUE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)**

<u>Funding Sources and Revenues</u>	<u>Intervention</u>	<u>Crisis Stabilization</u>	<u>Crisis Support/ Emergency</u>	<u>Total for Children's Mental Health</u>
State SAMH Funding				
From the District Funding this Contract	\$ 41,237	\$ 815,853	\$ 463,035	\$ 1,320,125
Total State SAMH Funding	<u>41,237</u>	<u>815,853</u>	<u>463,035</u>	<u>1,320,125</u>
Other Government Funding				
Other State Agency Funding	0	5,825	404	6,229
Medicaid	2,108	993,033	6,000	1,001,141
Local Government	0	116,956	0	116,956
Federal Grants and Contracts	0	0	0	0
Total Other Government Funding	<u>2,108</u>	<u>1,115,814</u>	<u>6,404</u>	<u>1,124,326</u>
All Other Revenues				
First and Second Party Payments	0	(85,861)	(2,209)	(88,070)
Third Party Payments (Except Medicare)	0	158,671	10,401	169,072
Medicare	0	0	0	0
Contributions and Donations	0	0	0	0
Other	294	9,782	3,082	13,158
In-kind	0	0	0	0
Total All Other Revenues	<u>294</u>	<u>82,592</u>	<u>11,274</u>	<u>94,160</u>
Total Funding	<u>\$ 43,639</u>	<u>\$ 2,014,259</u>	<u>\$ 480,713</u>	<u>\$ 2,538,611</u>

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROGRAM/COST CENTER ACTUAL EXPENSES, AND REVENUES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)**

<u>Funding Sources and Revenues</u>	<u>Outpatient</u>	<u>Adolescent Residential Substance Abuse Treatment</u>	<u>Prevention</u>	<u>Outreach</u>	<u>Total for Children's Substance Abuse</u>
State SAMH Funding					
From the District Funding this Contract	\$ 40,724	\$ 734,007	\$ 163,297	\$ 19,222	\$ 957,250
Total State SAMH Funding	<u>40,724</u>	<u>734,007</u>	<u>163,297</u>	<u>19,222</u>	<u>957,250</u>
Other Government Funding					
Other State Agency Funding	0	0	0	0	0
Medicaid	21,766	0	0	0	21,766
Local Government	0	155,479	0	0	155,479
Federal Grants and Contracts	0	0	0	0	0
Total Other Government Funding	<u>21,766</u>	<u>155,479</u>	<u>0</u>	<u>0</u>	<u>177,245</u>
All Other Revenues					
First and Second Party Payments	(1,351)	360	0	0	(991)
Third Party Payments (Except Medicare)	393	0	0	0	393
Medicare	0	0	0	0	0
Contributions and Donations	0	17,850	0	0	17,850
Other	1,129	37,278	460	169	39,036
In-kind	0	2,767	0	0	2,767
Total all Other Revenues	<u>171</u>	<u>58,255</u>	<u>460</u>	<u>169</u>	<u>59,055</u>
Total Funding	<u>\$ 62,661</u>	<u>\$ 947,741</u>	<u>\$ 163,757</u>	<u>\$ 19,391</u>	<u>\$ 1,193,550</u>

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROGRAM/COST CENTER
REVENUES SCHEDULE AND ACTUAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)**

<u>Funding Sources and Revenues</u>	<u>Total for State Funded SAMH Cost Centers</u>	<u>Total for Non-State Funded SAMH Cost Centers</u>	<u>Total for All State Designated SAMH Cost Centers</u>	<u>Adult Psychiatric Unit Non-SAMH Cost Center</u>	<u>Other Non-SAMH Funding</u>	<u>Total Funding</u>
State SAMH Funding						
From the District Funding this Contract	\$ 8,757,876	\$ (33,307)	\$ 8,724,569	\$ 0	\$ 0	\$ 8,724,569
Total State SAMH Funding	<u>8,757,876</u>	<u>(33,307)</u>	<u>8,724,569</u>	<u>0</u>	<u>0</u>	<u>8,724,569</u>
Other Government Funding						
Other State Agency Funding	74,814	834,772	909,586	0	8,201,096	9,110,682
Medicaid	2,978,667	3,186,139	6,164,806	615,023	4,571	6,784,400
Local Government	1,539,021	0	1,539,021	0	0	1,539,021
Federal Grants and Contracts	0	0	0	0	0	0
Total Other Government Funding	<u>4,592,502</u>	<u>4,020,911</u>	<u>8,613,413</u>	<u>615,023</u>	<u>8,205,667</u>	<u>17,434,103</u>
All Other Revenues						
First and Second Party Payments	(7,575)	21,232	13,657	(213,239)	0	(199,582)
Third Party Payments (Except Medicare)	361,788	156,219	518,007	159,794	0	677,801
Medicare	233,725	0	233,725	1,943,343	0	2,177,068
Contributions and Donations	26,925	0	26,925	0	17,018	43,943
Other	256,620	44,415	301,035	12,826	287,540	601,401
In-kind	5,858	0	5,858	0	121,130	126,988
Total All Other Revenues	<u>877,341</u>	<u>221,866</u>	<u>1,099,207</u>	<u>1,902,724</u>	<u>425,688</u>	<u>3,427,619</u>
Total Funding	<u>\$ 14,227,719</u>	<u>\$ 4,209,470</u>	<u>\$ 18,437,189</u>	<u>\$ 2,517,747</u>	<u>\$ 8,631,355</u>	<u>\$ 29,586,291</u>

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROGRAM/COST CENTER
REVENUES SCHEDULE AND ACTUAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)**

Expense Categories	Case Management	Outpatient	Outreach	Supported Housing	Crisis Stabilization Unit	Crisis Support/ Emergency	Drop-In	Medical Services	Clubhouse	Total for Adult Mental Health
Personnel Expenses										
Salaries	\$ 346,027	\$ 695,077	\$ 44,062	\$ 57,963	\$ 1,492,675	\$ 139,756	\$ 29,617	\$ 798,847	\$ 172,712	\$ 3,776,736
Fringe Benefits	100,837	156,009	8,247	7,465	229,987	20,036	8,548	131,306	33,181	695,616
Total Personnel Expenses	446,864	851,086	52,309	65,428	1,722,662	159,792	38,165	930,153	205,893	4,472,352
Other Expenses										
Building Occupancy	43,301	71,235	4,538	7,670	117,336	13,618	8,845	63,549	36,939	367,031
Professional Services	19,584	16,144	797	1,326	359,006	2,941	896	134,341	4,649	539,684
Travel	18,463	6,753	4,421	4,577	1,741	221	0	4,859	9,125	50,160
Equipment	16,897	24,766	1,939	7,267	26,276	3,799	2,781	30,197	11,669	125,591
Food Services	641	1,155	47	70	105,474	106	57	1,216	1,589	110,355
Medical and Pharmacy	3	420	1	2	102,226	1,279	0	101,635	9	205,575
Subcontracted Services	0	0	0	0	117,223	0	0	33	0	117,256
Insurance	9,769	15,439	1,057	1,776	29,113	3,353	1,050	13,903	5,109	80,569
Interest Paid	6,645	11,743	198	0	21,852	2,514	803	10,186	0	53,941
Operating Supplies and Expenses	9,037	23,901	1,671	4,913	30,021	2,816	2,608	25,393	27,476	127,836
Other	30,020	1,204	0	26,490	1,382	577	100	1,546	250	61,569
In-Kind	0	0	0	0	0	0	941	0	0	941
Total Other Expenses	154,360	172,760	14,669	54,091	911,650	31,224	18,081	386,858	96,815	1,840,508
Total Personnel Expenses and Other Expenses	601,224	1,023,846	66,978	119,519	2,634,312	191,016	56,246	1,317,011	302,708	6,312,860
Distributed Indirect Costs										
Other Support Costs (Optional)	121,033	194,285	12,313	20,232	475,370	37,498	10,571	124,121	0	995,423
Administration	100,624	173,549	10,168	18,582	397,582	29,100	8,415	205,104	38,567	981,691
Total Distributed Indirect Costs	221,657	367,834	22,481	38,814	872,952	66,598	18,986	329,225	38,567	1,977,114
Total Operating Expenses	822,881	1,391,680	89,459	158,333	3,507,264	257,614	75,232	1,646,236	341,275	8,289,974
Unallowable Costs										
Depreciation	0	0	0	0	22,215	3,068	0	0	0	25,283
Interest Expenses	0	0	0	0	0	0	0	0	0	0
(Total Unallowable Costs)	0	0	0	0	(22,215)	(3,068)	0	0	0	(25,283)
Total Allowable Operating Expenses Excluding Unallowable Costs	\$ 822,881	\$ 1,391,680	\$ 89,459	\$ 158,333	\$ 3,485,049	\$ 254,546	\$ 75,232	\$ 1,646,236	\$ 341,275	\$ 8,264,691

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROGRAM/COST CENTER**

REVENUES SCHEDULE AND ACTUAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

THE CENTERS, INC. - OCALA, FLORIDA

(Continued)

Expense Categories	Case Management	Outpatient	Outreach	Prevention	Intervention	Residential Level II	Detox	Recovery Support	Total for Adult Substance Abuse
Personnel Expenses									
Salaries	\$ 20,113	\$ 194,771	\$ 29,692	\$ 91,472	\$ 6,658	\$ 555,424	\$ 316,491	\$ 0	\$ 1,214,621
Fringe Benefits	9,047	29,778	11,522	18,401	3,155	106,592	54,651	0	233,146
Total Personnel Expenses	29,160	224,549	41,214	109,873	9,813	662,016	371,142	0	1,447,767
Other Expenses									
Building Occupancy	2,931	26,839	4,050	11,533	991	95,826	30,093	0	172,263
Professional Services	460	4,386	649	1,850	168	34,657	83,027	0	125,197
Travel	4,960	781	(34)	4,775	187	4,920	341	0	15,930
Equipment	3,904	5,450	1,269	2,993	215	25,496	6,638	0	45,965
Food Services	158	248	28	38	11	142,186	10,790	0	153,459
Medical and Pharmacy	1	38,610	0	386	0	18,063	4,247	0	61,307
Subcontracted Services	0	94	0	0	0	0	29,320	0	29,414
Insurance	571	5,416	817	2,453	209	18,738	7,444	0	35,648
Interest Paid	280	1,493	188	311	109	14,111	5,658	0	22,150
Operating Supplies and Expenses	1,042	7,493	1,909	2,801	840	39,895	6,436	0	60,416
Other	520	4,725	0	886	0	2,305	10	0	8,446
In-Kind	0	0	0	0	0	2,150	0	0	2,150
Total Other Expenses	14,827	95,535	8,876	28,026	2,730	398,347	184,004	0	732,345
Total Personnel Expenses and Other Expenses	43,987	320,084	50,090	137,899	12,543	1,060,363	555,146	0	2,180,112
Distributed Indirect Costs									
Other Support Costs (Optional)	7,337	66,441	9,387	28,770	2,710	479,698	96,738	0	691,081
Administration	7,012	59,252	7,713	21,737	2,104	196,689	83,093	0	377,600
Total Distributed Indirect Costs	14,349	125,693	17,100	50,507	4,814	676,387	179,831	0	1,068,681
Total Operating Expenses	58,336	445,777	67,190	188,406	17,357	1,736,750	734,977	0	3,248,793
Unallowable Costs									
Depreciation	0	0	0	0	0	0	5,955	0	5,955
Interest Expenses	0	0	0	0	0	0	0	0	0
(Total Unallowable Costs)	0	0	0	0	0	0	(5,955)	0	(5,955)
Total Allowable Operating Expenses Excluding Unallowable Costs	\$ 58,336	\$ 445,777	\$ 67,190	\$ 188,406	\$ 17,357	\$ 1,736,750	\$ 729,022	\$ 0	\$ 3,242,838

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROGRAM/COST CENTER
REVENUES SCHEDULE AND ACTUAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)**

<u>Expense Categories</u>	<u>Intervention</u>	<u>Crisis Stabilization Unit</u>	<u>Crisis Support/ Emergency</u>	<u>Total for Children's Mental Health</u>
Personnel Expenses				
Salaries	\$ 11,220	\$ 732,501	\$ 218,703	\$ 962,424
Fringe Benefits	6,827	110,686	30,282	147,795
Total Personnel Expenses	<u>18,047</u>	<u>843,187</u>	<u>248,985</u>	<u>1,110,219</u>
Other Expenses				
Building Occupancy	1,919	53,254	19,977	75,150
Professional Services	339	133,878	4,239	138,456
Travel	462	604	474	1,540
Equipment	498	11,694	4,384	16,576
Food Services	15	24,605	124	24,744
Medical and Pharmacy	0	33,293	1,901	35,194
Subcontracted Services	0	58,612	0	58,612
Insurance	402	13,204	4,964	18,570
Interest Paid	305	9,949	3,720	13,974
Operating Supplies and Expenses	295	13,347	4,092	17,734
Other	0	69	96	165
Total Other Expenses	<u>4,235</u>	<u>352,509</u>	<u>43,971</u>	<u>400,715</u>
Total Personnel Expenses and Other Expenses	<u>22,282</u>	<u>1,195,696</u>	<u>292,956</u>	<u>1,510,934</u>
Distributed Indirect Costs				
Other Support Costs (Optional)	6,094	178,267	54,863	239,224
Administration	3,857	175,302	44,527	223,686
Total Distributed Indirect Costs	<u>9,951</u>	<u>353,569</u>	<u>99,390</u>	<u>462,910</u>
Total Operating Expenses	<u>32,233</u>	<u>1,549,265</u>	<u>392,346</u>	<u>1,973,844</u>
Unallowable Costs				
Depreciation	0	10,922	4,538	15,460
Interest Expense	0	0	0	0
(Total Unallowable Costs)	<u>0</u>	<u>(10,922)</u>	<u>(4,538)</u>	<u>(15,460)</u>
Total Allowable Operating Expenses Excluding Unallowable Costs	<u>\$ 32,233</u>	<u>\$ 1,538,343</u>	<u>\$ 387,808</u>	<u>\$ 1,958,384</u>

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROGRAM/COST CENTER
REVENUE SCHEDULES AND ACTUAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA
(Continued)**

Expense Categories	Outpatient	Adolescent Residential Substance Abuse Treatment	Prevention	Outreach	Total for Children's Substance Abuse
Personnel Expenses					
Salaries	\$ 42,755	\$ 365,275	\$ 77,879	\$ 13,527	\$ 499,436
Fringe Benefits	12,282	56,932	13,942	3,877	87,033
Total Personnel Expenses	<u>55,037</u>	<u>422,207</u>	<u>91,821</u>	<u>17,404</u>	<u>586,469</u>
Other Expenses					
Building Occupancy	7,412	68,808	9,282	1,450	86,952
Professional Services	1,386	16,366	40,291	267	58,310
Travel	1,550	7,534	1,131	0	10,215
Equipment	7,310	15,280	2,089	1,645	26,324
Food Services	240	47,256	21	6	47,523
Medical and Pharmacy	2,973	6,521	493	0	9,987
Subcontracted Services	94	0	0	0	94
Insurance	1,254	11,975	2,123	344	15,696
Interest Paid	891	8,992	268	67	10,218
Operating Supplies and Expenses	1,204	15,657	1,889	229	18,979
Other	0	607	79	0	686
In-Kind	0	2,767	0	0	2,767
Total Other Expenses	<u>24,314</u>	<u>201,763</u>	<u>57,666</u>	<u>4,008</u>	<u>287,751</u>
Total Personnel Expenses and Other Expenses	<u>79,351</u>	<u>623,970</u>	<u>149,487</u>	<u>21,412</u>	<u>874,220</u>
Distributed Indirect Costs					
Other Support Costs (Optional)	18,553	197,427	26,512	4,517	247,009
Administration	13,674	104,831	22,439	3,155	144,099
Total Distributed Indirect Costs	<u>32,227</u>	<u>302,258</u>	<u>48,951</u>	<u>7,672</u>	<u>391,108</u>
Total Operating Expenses	<u>111,578</u>	<u>926,228</u>	<u>198,438</u>	<u>29,084</u>	<u>1,265,328</u>
Unallowable Costs					
Depreciation	0	10,682	0	0	10,682
Interest Expense	0	0	0	0	0
(Total Unallowable Costs)	<u>0</u>	<u>(10,682)</u>	<u>0</u>	<u>0</u>	<u>(10,682)</u>
Total Allowable Operating Expenses Excluding Unallowable Costs	<u>\$ 111,578</u>	<u>\$ 915,546</u>	<u>\$ 198,438</u>	<u>\$ 29,084</u>	<u>\$ 1,254,646</u>

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROGRAM/COST CENTER
REVENUE SCHEDULES AND ACTUAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA
(Concluded)**

Expense Categories	Total for State Funded SAMH Cost Centers	Total for Non- State Funded SAMH Cost Centers	Total for All State Designated SAMH Cost Centers	Adult Psychiatric Unit Non-SAMH Cost Center	Other Non- SAMH Support Cost Centers (Optional)	Other Support Cost Centers (Optional)	Administration	Total Expenses
Personnel Expenses								
Salaries	\$ 6,453,217	\$ 1,700,862	\$ 8,154,079	\$ 937,792	\$ 4,827,759	\$ 2,475,164	\$ 2,287,471	\$ 18,682,265
Fringe Benefits	1,163,590	348,939	1,512,529	145,615	1,117,283	554,596	434,068	3,764,091
Total Personnel Expenses	<u>7,616,807</u>	<u>2,049,801</u>	<u>9,666,608</u>	<u>1,083,407</u>	<u>5,945,042</u>	<u>3,029,760</u>	<u>2,721,539</u>	<u>22,446,356</u>
Other Expenses								
Building Occupancy	701,396	181,782	883,178	96,145	600,048	384,011	188,153	2,151,535
Professional Services	861,647	536,062	1,397,709	288,513	86,925	76,355	159,579	2,009,081
Travel	77,845	45,685	123,530	811	337,675	39,744	30,139	531,899
Equipment	214,456	72,918	287,374	15,576	172,979	112,319	82,804	671,052
Food Services	336,081	1,821	337,902	50,893	3,371	(746)	9,924	401,344
Medical and Pharmacy	312,063	190,636	502,699	85,464	1,267	16,894	207	606,531
Subcontracted Services	205,376	11,875	217,251	73,285	102,728	16,793	25,176	435,233
Insurance	150,483	38,563	189,046	17,574	115,142	78,260	44,612	444,634
Interest Paid	100,283	27,022	127,305	13,261	1,945	59,220	34,180	235,911
Operating Supplies and Expenses	224,965	42,337	267,302	64,277	134,814	129,555	65,246	661,194
Other	70,866	129,008	199,874	3,426	29,307	0	25,122	257,729
In-kind	5,858	0	5,858	0	117,392	0	0	123,250
Total Other Expenses	<u>3,261,319</u>	<u>1,277,709</u>	<u>4,539,028</u>	<u>709,225</u>	<u>1,703,593</u>	<u>912,405</u>	<u>665,142</u>	<u>8,529,393</u>
Total Personnel Expenses and Other Expenses	<u>10,878,126</u>	<u>3,327,510</u>	<u>14,205,636</u>	<u>1,792,632</u>	<u>7,648,635</u>	<u>3,942,165</u>	<u>3,386,681</u>	<u>30,975,749</u>
Distributed Indirect Costs								
Other Support Costs (Optional)	2,172,737	534,712	2,707,449	266,840	19,092	(3,112,744)	119,363	0
Administration	1,727,076	536,776	2,263,852	262,953	979,239	0	(3,506,044)	0
Total Distributed Indirect Costs	<u>3,899,813</u>	<u>1,071,488</u>	<u>4,971,301</u>	<u>529,793</u>	<u>998,331</u>	<u>(3,112,744)</u>	<u>(3,386,681)</u>	<u>0</u>
Total Operating Expenses	<u>14,777,939</u>	<u>4,398,998</u>	<u>19,176,937</u>	<u>2,322,425</u>	<u>8,646,966</u>	<u>829,421</u>	<u>0</u>	<u>30,975,749</u>
Unallowable Costs								
Depreciation	57,380	0	57,380	0	0	0	0	57,380
Interest Expenses	0	0	0	0	0	0	0	0
Contributions	0	0	0	0	1,250	0	0	1,250
(Total Unallowable Costs)	<u>(57,380)</u>	<u>0</u>	<u>(57,380)</u>	<u>0</u>	<u>(1,250)</u>	<u>0</u>	<u>0</u>	<u>(58,630)</u>
Total Allowable Operating Expenses Excluding Unallowable Costs	<u>\$ 14,720,559</u>	<u>\$ 4,398,998</u>	<u>\$ 19,119,557</u>	<u>\$ 2,322,425</u>	<u>\$ 8,645,716</u>	<u>\$ 829,421</u>	<u>\$ 0</u>	<u>\$ 30,917,119</u>

**SCHEDULE OF STATE EARNINGS
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA**

Total Expenditures	\$ 30,975,750
(Less Other State and Federal Funds)	(15,508,969)
(Less Nonmatch SAMH Funds)	(4,320,682)
(Less Expenses Related to Nonmatch Services)	(2,988,942)
(Less Unallowable Costs Per 65E-14, F.A.C.)	<u>(57,380)</u>
Total Allowable Expenditures	<u><u>\$ 8,099,777</u></u>
Maximum Available Earnings	<u><u>\$ 6,074,833</u></u>
Amount of State Funds Requiring Match	<u><u>\$ 4,968,496</u></u>
Amount Due to Department	<u><u>\$ 0</u></u>

**SCHEDULE OF BED - DAY AVAILABILITY PAYMENTS
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA**

<u>Program</u>	<u>Cost Center</u>	<u>State Contracted Rate</u>	<u>Total Units of Service Provided</u>	<u>Total Units of Service Paid for by 3rd Party Contracts, Local Government, or Other State Agencies</u>	<u>Maximum Number of Units Eligible for Payment By Department</u>	<u>Amount Paid for Services By Department</u>	<u>Maximum Dollar Value of Units</u>	<u>Amount Owed to Department</u>
Children's MH	Crisis Stabilization Unit	\$ 291.24	4,380	1,427	2,929	\$ 820,000	\$ 860,032	\$ 0
Adult MH	Crisis Stabilization Unit	291.24	8,760	690	7,695	2,350,307	2,350,307	0
Adult SA	Substance Abuse Detox	204.94	2,190	44	2,152	439,801	439,801	0
Total Amount Owed to Department								\$ 0

**SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS
FOR THE YEAR ENDED JUNE 30, 2013
THE CENTERS, INC. - OCALA, FLORIDA**

	<u>Related Party</u>	<u>Allocation of Related Party Transactions Adjustment</u>	
		<u>State-Designated Cost Centers</u>	<u>Total</u>
Revenues from Grantee	_____		
Total Revenues from Grantee	_____		Related Party Transaction Adjustments Not Applicable
Expenses Associated with Grantee Transactions	_____		
Total Associated Expenses	_____		
Related Party Transaction Adjustment	=====	=====	=====