

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2013

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**MOORE STEPHENS
LOVELACE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Douglas Gardens Community Mental Health
Center of Miami Beach, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. (the "Center"), which comprise the balance sheet as of June 30, 2013, and the related statement of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

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

To the Board of Directors of
Douglas Gardens Community Mental Health
Center of Miami Beach, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows, and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Miami Lakes, Florida
December 23, 2013

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

BALANCE SHEET

June 30, 2013

ASSETS

CURRENT ASSETS	
Cash	\$ 617,324
Accounts receivable	834,210
Note receivable	118,552
Prepaid expenses	<u>23,601</u>
TOTAL CURRENT ASSETS	1,593,687
DEPOSITS	67,062
PROPERTY AND EQUIPMENT, net	<u>2,285,307</u>
TOTAL ASSETS	<u><u>\$ 3,946,056</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 448,026
Deferred revenue	<u>89,250</u>
TOTAL CURRENT LIABILITIES	537,276
UNFUNDED PENSION BENEFIT OBLIGATION	<u>671,696</u>
TOTAL LIABILITIES	1,208,972
COMMITMENTS AND CONTINGENCIES	
FEDERAL HOME LOAN SUBSIDY	128,159
UNRESTRICTED NET ASSETS	<u>2,608,925</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,946,056</u></u>

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

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2013

REVENUES AND OTHER SUPPORT	
United Way	\$ 54,428
Government agencies	5,460,709
Client fees and other third party payors	3,789,029
Other revenue	70,974
In-kind contributions	1,264,789
Contributions	<u>440</u>
TOTAL REVENUES AND OTHER SUPPORT	10,640,369
EXPENSES	
Program services:	
Comprehensive Community Service Team (CCST)	1,879,416
Crisis support	239,006
Outpatient medical	3,855,406
Non SAMH services	427,757
Incidental	28,720
Residential	<u>1,810,633</u>
TOTAL PROGRAM EXPENSES	8,240,938
Supporting services:	
General and administrative	<u>1,200,957</u>
TOTAL EXPENSES	<u>9,441,895</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE PENSION RELATED CHANGES	1,198,474
Pension related changes other than net periodic pension cost	<u>908,178</u>
CHANGE IN NET ASSETS	2,106,652
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>502,273</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u><u>\$ 2,608,925</u></u>

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

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 2,106,652
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and Amortization	157,506
Amortization of federal home loan subsidy	(9,100)
Change in minimum pension liability	(1,302,945)
Changes in operating assets and liabilities:	
Accounts receivable	(34,977)
Prepaid expenses	957
Deposits	16,528
Accounts payable and accrued expenses	30,688
Deferred revenue	(126,296)
	<u>839,013</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	839,013
CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchase of property and equipment	(434,816)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from note receivable	<u>10,388</u>
	414,585
NET CHANGE IN CASH	414,585
CASH - BEGINNING OF YEAR	<u>202,739</u>
CASH - END OF YEAR	<u><u>\$ 617,324</u></u>

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

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

EXPENSES	PROGRAM SERVICES			
	CCST	CRISIS SUPPORT	OUTPATIENT MEDICAL	Non SAMH
Salaries and temporary employment	\$ 1,158,819	\$ 156,229	\$ 779,677	\$ 79,784
Employee health and retirement benefits	135,313	18,243	91,041	9,316
Payroll taxes	91,222	12,298	61,376	6,281
TOTAL SALARIES AND RELATED EXPENSES	1,385,354	186,770	932,095	95,381
Conferences, conventions	420	-	95	-
Depreciation	-	-	180	-
Equipment rental	1,231	-	3,450	-
Local transportation	18,371	-	18	2,117
Occupancy	327,363	47,858	171,100	24,639
Organizational dues	425	125	-	-
Other expense	119,955	1,301	6,523	304,883
Postage	512	-	4,293	-
Printing and publications	1,181	26	5,368	-
Professional fees and contract services	2,796	-	24,690	-
Supplies	13,447	1,821	2,701,957	-
Telephone	8,361	1,105	5,638	737
TOTAL EXPENSES	\$ 1,879,416	\$ 239,006	\$ 3,855,406	\$ 427,757

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

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

STATEMENT OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2013

EXPENSES	PROGRAM SERVICES (Continued)			TOTAL PROGRAM SERVICES	SUPPORTING	TOTAL
	INCIDENTAL	RESIDENTIAL			GENERAL	
		LEVEL 3	LEVEL 4		AND ADMINIS- TRATIVE	
Salaries and temporary employment	\$ -	\$ 641,908	\$ 304,024	\$ 3,120,441	\$ 575,603	\$ 3,696,044
Employee health and retirement benefits	-	74,954	35,500	364,367	67,210	431,577
Payroll taxes	-	50,531	23,933	245,641	45,324	290,965
TOTAL SALARIES AND RELATED EXPENSES	-	767,393	363,457	3,730,449	688,137	4,418,586
Conferences, conventions	-	-	-	515	23,011	23,526
Depreciation	-	35,660	67,877	103,717	53,220	156,937
Equipment rental	-	5,701	2,556	12,938	21,285	34,223
Local transportation	-	16,143	2,342	38,991	2,022	41,013
Occupancy	-	93,062	300,227	964,249	183,034	1,147,283
Organizational dues	-	-	-	550	38,600	39,150
Other expense*	28,720	6,893	25,494	493,769	46,951	540,720
Postage	-	130	54	4,989	5,995	10,984
Printing and publications	-	1,018	522	8,115	11,259	19,374
Professional fees and contract services	-	-	1,205	28,691	85,477	114,168
Supplies	-	91,853	8,271	2,817,349	35,461	2,852,810
Telephone	-	5,966	14,809	36,616	6,505	43,121
TOTAL EXPENSES	\$ 28,720	\$ 1,023,819	\$ 786,814	\$ 8,240,938	\$ 1,200,957	\$ 9,441,895

*\$306,109 indirect cost has been allocated to all components based on cumulative cost.

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

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2013

**NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

NATURE OF THE ORGANIZATION

Douglas Gardens Community Mental Health Center Inc. (the "Center") was incorporated in the State of Florida on April 18, 1978 to develop and operate a comprehensive, coordinated mental health care delivery system for the residents of Miami Beach, Surfside, Bay Harbor Islands, Bal Harbour, and North Bay Village, pursuant to the Community Health Centers Act of 1964 (as amended by Public Law 94-63). The Center administers a variety of services for all ages, including, but not limited to, inpatient, outpatient, emergency service, consultation and education, aftercare, drug and alcohol abuse, transitional service, screening, and residential and day care centers for the chronically mentally ill, both directly and in coordination with community institutions and agencies.

Additionally, the Center provides a wide range of mental health services, as well as limited substance abuse services. Services provided include: screening, assessment, psychological and psychiatric evaluation, psychiatric medication management, individual and group therapy, case management, homeless program, psycho-social rehabilitation, and crisis residence and support.

Golden Palms provides residential services to older adults (age 55 and older), who require intensive psychiatric rehabilitative services to avoid long-term inpatient psychiatric care.

The Comprehensive Community Service Team ("CCST") was developed by the Florida Department of Children and Families (the "Agency") to provide more integrated and comprehensive services to individuals with major mental illness. The CCST team is an integral part of the Agency's resiliency and recovery initiative. The CCST model combines case management, social rehabilitation, supportive employment, supportive housing, and outpatient services into a seamless and transparent service provided by a multiple disciplined team of mental health professionals. Individuals served by the CCST team are provided a full range of services based on a comprehensive assessment rather than the services provided by the agency.

The Center is a Medicare-certified provider, and participates in the state of Florida's Mental Health Clinic Option and Florida's Medicaid Plan. In addition, Golden Palms is licensed and certified for participation in the Optional State Supplement Program ("OSS").

NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May of 2012, the South Florida Behavioral Healthcare Network asked the Center to provide a set of outpatient and residential services to individuals residing in the area previously served by Bayview Mental Health Center. The Center began providing services to individuals living in Northeast Miami-Dade County on June 1, 2012. A full service office in North Miami was opened in November 2012.

During the year ended June 30, 2013, management of the Center incorporated Community Foundation for Behavioral Health, Inc. (the "Foundation"). The Foundation was created for the benefit of the Center to raise and distribute funds in support of the Center and its mission. The Center is the sole sponsor of the Foundation. The Foundation had no activity as of and during the period ended June 30, 2013.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

Property and equipment acquisitions with a useful life in excess of one year are recorded at cost if purchased, or at fair value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. Expenditures that improve or extend the life of property and equipment are capitalized. The cost of maintenance, repairs and recurring replacements are charged to operations as incurred.

Revenue Recognition

Donations

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

For the fiscal year ended June 30, 2013, all contributions received by the Center were unrestricted. Contributions received by the Center for the fiscal year ended June 30, 2013 approximated \$1,270,000.

Service Fees

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net client service revenue is reported at the estimated net realizable amounts from clients, third-party payors, and others for services rendered, including estimated retroactive adjustments under

NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Client service revenue is derived primarily from self-pay clients, the Medicaid programs, the Medicare programs, and commercial insurances.

The Center provides care to clients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue (see Note 5).

Net Asset Classifications

Unrestricted - Unrestricted net assets result from operating revenues of the Center and contributions received which have no restrictions placed by donors as to their use or have donor restrictions which are met within the same fiscal year as received.

Temporarily Restricted - Temporarily restricted net assets result from contributions of cash, long-lived assets, and other assets, which are restricted in use by the donors. When a donor restriction expires due to passage of time or accomplishment of purpose, the contributions become unrestricted net assets and are recorded as “net assets released from restrictions” in the statements of activities. Expiration of donor restrictions is also reported when donated or acquired long-lived assets are used for their intended purpose. There were no temporarily restricted net assets as of June 30, 2013.

Permanently Restricted - Permanently restricted net assets result from contributions and other receipts of assets whose use is limited by donor restrictions that do not expire by either passage of time or by actions of the organization. There were no permanently restricted net assets as of June 30, 2013.

Income Taxes

The Center is a nonprofit organization exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described under Section 501(c)(3) of the Internal Revenue Code. The Center believes it continues to qualify and operate as designated. Management of the Center has applied for Community Foundation for behavioral Health, Inc. tax exempt status and is awaiting IRS response. The Foundation did not have any revenue during the year ended June 30, 2013. Accordingly, the financial statements include no provision or liability for income taxes.

As of June 30, 2013, with few exceptions, the Center is no longer subject to income tax examinations by the United States federal tax authority for any years before the tax year ended June 30, 2010.

NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Center 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

Functional expenses in program services are derived by both direct expense and allocation of expenses. Allocation methodology has been developed by the Center and is consistently applied. Classifications used for program services are based on the contract with entities providing funding.

Subsequent Events

The Center's management has evaluated subsequent events through December 23, 2013, which is the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2013 consists of the following:

Land	\$ 511,500
Building and building improvements	2,401,615
Leasehold improvements	6,685
Equipment	570,806
Vehicles	35,335
Construction in progress	189,214
	<u>3,715,155</u>
Less accumulated depreciation	<u>(1,429,848)</u>
	<u>\$ 2,285,307</u>

Depreciation expense for the year ended June 30, 2013, approximated \$157,000.

NOTE 3 - REVOLVING DEMAND LINE OF CREDIT

The Center has available a revolving demand line of credit (the "LOC") from a financial institution which provides for borrowings up to \$650,000. There were no amounts borrowed against the LOC during the year ended June 30, 2013. The LOC, available for operating purposes, bears interest on outstanding principal balance at 1% over the 30-day LIBOR rate, and is payable monthly. On June 30, 2013, the effective rate was 1.68%.

NOTE 3 - REVOLVING DEMAND LINE OF CREDIT (Continued)

The LOC is renewable each year on March 31st, at which time the bank may, at its discretion, require principal repayment. This LOC is collateralized by real property.

NOTE 4 - EMPLOYEE BENEFIT PROGRAMS

Defined Benefit Pension Plan

The Center and a former affiliated entity, MJHS, have a joint defined benefit pension plan (The "Plan"), providing retirement, death, and disability benefits to eligible employees of the Center and MJHS over the age of 21 with at least one year of service. The annual retirement benefits, to be paid to employees with five or more years of service when they reach normal retirement age, are based upon credited service and earnings, as defined by the Plan. The assets and corresponding liabilities of the Plan are not included in the Center's financial statements since they are held in trust for the benefit of the employees and are not owned by the Center.

Effective April 1, 2011, the Center terminated its employees from the Plan's benefit structure which stopped the accruals of future employee benefits. Since the Center's participants represent less than 10% of all participants, no special accounting was required.

Effective September 1, 2011, MJHS's management adopted a hard freeze in the defined benefits Plan's benefit structure and stop the accruals of future employee benefits for plan participants. The effect of this change is reflected in the financial statements.

The net periodic pension cost of the Plan for the year ended June 30, 2013 is determined as follows:

Service cost	\$ 367,140
Interest cost	3,134,163
Expected return on plan assets	(3,791,646)
Amortization of net actuarial loss	1,012,917
Net period pension cost	<u>\$ 722,574</u>

The following assumptions were used to determine the net periodic pension cost:

Discount rate	4.50%
Expected long-term rate of return on assets	7.36%
Rate of increase in salary levels	N/A

For 2013, the discount rate for obligations was developed with a current settlement rate of inflation of 2.25% per annum; the long-term rate of investment return includes an underlying long-term rate of inflation assumption of 3.0% per annum.

NOTE 4 - EMPLOYEE BENEFIT PROGRAMS (Continued)

Defined Benefit Pension Plan (Continued)

The following table reconciles the changes in the Plan's projected benefit obligation during each of the year ended June 30, 2013:

Projected benefit obligation at beginning of year	\$ 71,175,958
Service cost	367,140
Interest cost	3,134,163
Actuarial loss	(4,300,805)
Benefits paid	(3,023,737)
Administrative costs	(364,532)
Projected benefit obligation at end of year	<u>\$ 66,988,187</u>

Changes in plan assets during the year ended June 30, 2013 are as follows:

Fair value of plan assets at beginning of year	\$ 49,943,259
Actual return on plan assets	8,243,279
Employer contributions	4,967,378
Benefits paid	(3,023,737)
Administrative costs	(364,532)
Fair value of plan assets at end of year	<u>\$ 59,765,647</u>

The Plan's weighted-average asset allocations at June 30, 2013, by asset category, are as follows:

Equity securities	32%
Pooled, common, and collective funds	42%
Cash and cash equivalents	3%
Mutual Funds	23%
Total	<u>100%</u>

The overall objective of the Plan's investment policy is to achieve a rate of return which equals or exceeds the expected long-term rate of return assumed for measuring the Plan's projected obligations. A wide variety of investments vehicles can be purchased as authorized in the Plan's investment policy. Quarterly performance of the equity portfolio is measured against the Russell 1000/2500 and MSCI EAFE indices, while the fixed income portfolio is measured against the Merrill Lynch US Corp 1-5 year/5-10 year indices Barclay's Intermediate Gov't/Credit Index. Risk-adjusted returns are compared with other risk-adjusted returns for similar portfolios. The total Portfolio will be compared against a benchmark portfolio utilizing the Russell 1000/2500 indices, MSCI EAFE Index, Merrill Lynch US Corp 1-5 year/5-10 year indices Barclay's Intermediate Gov't/Credit Index and 90 day T bills.

NOTE 4 - EMPLOYEE BENEFIT PROGRAMS (Continued)

Defined Benefit Pension Plan (Continued)

The Plan's unfunded pension benefit obligation at June 30, 2013 is calculated as follows:

Projected benefit obligation	\$ 66,988,187
Less: plan assets at fair value	<u>(59,765,647)</u>
Funded status:	
Unfunded pension benefit obligation	<u>\$ 7,222,540</u>

The Plan's unfunded pension benefit obligation at June 30, 2013 is classified as follows:

Current liabilities	\$ -
Noncurrent liabilities	<u>7,222,540</u>
Unfunded pension benefit obligation	<u>\$ 7,222,540</u>

Other changes in Plan assets and benefit obligations recognized in unrestricted net assets are as follows:

Net gain	\$ 8,752,439
Amortization of net gain	<u>1,012,917</u>
Total recognized in unrestricted net assets	<u>\$ 9,765,356</u>

The amount MJHS and the Center expect to jointly contribute to the pension plan in 2014 has not been determined. The June 30, 2013 allocation of the Center's and MJHS's respective share of the required unfunded pension liability, net periodic pension cost and other pension cost and other pension related changes are illustrated in the following table:

	<u>MJHS</u>	<u>The Center</u>	<u>Total</u>
Unfunded pension liability			
Current liabilities	\$ -	\$ -	\$ -
Noncurrent liabilities	<u>6,550,844</u>	<u>671,696</u>	<u>7,222,540</u>
Total unfunded liability	<u>\$ 6,550,844</u>	<u>\$ 671,696</u>	<u>\$ 7,222,540</u>
Net periodic pension cost			
Net periodic pension cost	<u>\$ 655,375</u>	<u>\$ 67,199</u>	<u>\$ 722,574</u>
Other pension related changes			
Net gain	<u>\$ 8,857,178</u>	<u>\$ 908,178</u>	<u>\$ 9,765,356</u>

NOTE 4 - EMPLOYEE BENEFIT PROGRAMS (Continued)

Defined Benefit Pension Plan (Continued)

The following benefit payments are projected to be made by the Plan for each of the years ending June 30:

<u>YEAR</u>	<u>AMOUNT</u>
2014	\$ 3,465,263
2015	3,557,244
2016	3,676,345
2017	3,749,306
2018	3,846,764
Thereafter	<u>20,741,243</u>
	<u>\$ 39,036,165</u>

NOTE 5 - CHARITY CARE

Certain behavioral health services are provided by the Center to individuals who are not covered by any third-party insurance plans and who fall below the Federal Poverty Guidelines and are, therefore, unable to pay. The amount of costs foregone for services and supplies furnished under the Center's charity care policy aggregated approximately \$4,615,000 in 2013.

NOTE 6 - COMMITMENT AND CONTINGENCIES

Federal Home Loan Subsidy

In 1997 the Center received a Federal Home Loan Subsidy to subsidize the purchase the Mayfair Hotel and establish an affordable housing program. Annual principal reductions of approximately \$9,100 are forgiven subject to certain compliance requirements with the terms of the subsidy. Management believes all compliance requirements related to the subsidy have been met. As of June 30, 2013, the unamortized Federal Home Loan Subsidy balance approximated \$128,000.

Operating Lease

The Center has two operating lease agreements to lease office space from unrelated third parties. The leases call for a combined annual payment of approximately \$540,000 during the current year. Thereafter, payments will be adjusted annually as per lease agreement. The lease terms range from five and ten years beginning in November 2010 and expiring in October 2020.

NOTE 6 - COMMITMENT AND CONTINGENCIES (Continued)

Operating Lease (Continued)

The following is a schedule by years of the expected future minimum lease payments required under the lease as of June 30, 2013.

<u>YEAR ENDING JUNE 30,</u>	<u>AMOUNT</u>
2014	\$ 592,000
2015	610,000
2016	628,000
2017	647,000
2018	582,000
Thereafter	<u>1,324,000</u>
	<u>\$ 4,383,000</u>

Government Review Risk

Federal and State of Florida grants, as well as Medicaid services are subject to audits by the federal and state agencies to determine if activities comply with conditions of the grant or service provided. In the event that expenditures would be disallowed or services deemed ineligible, repayment could be required.

Credit Risk

Concentrations of credit risk consist principally of cash, which, at times, may exceed federally-insured limits, and accounts receivable. Management believes that it is not exposed to any significant credit risk on cash. Management believes that credit risk with respect to accounts receivable is limited since a substantial portion of the accounts receivable is due from state and federal government programs.

Resident Trust Funds

The Center offers a cash management service to its residents. These funds remain the sole property of each resident, to be disbursed only as requested and, accordingly, these funds are excluded from these financial statements. The Center has a fiduciary duty of accountability for these funds and acts only as a custodian. At June 30, 2013, the aggregate balance in these resident trust funds was approximately \$5,500.

SUPPLEMENTAL INFORMATION



**MOORE STEPHENS
LOVELACE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTAL INFORMATION**

To the Board of Directors of
Douglas Gardens Community Mental Health
Center of Miami Beach, Inc.
Miami, Florida

We have audited the financial statements of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated December 23, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental financial information included on pages 18 through 24, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* and Chapter 10.650, the Rules of the Auditor, is presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A." in a cursive script.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Miami Lakes, Florida
December 23, 2013

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

SCHEDULE OF STATE EARNINGS

Year Ended June 30, 2013

1	Total expenditures	\$ 9,441,895
2	Less other State Funds	(195,198)
	Less other Federal Funds	(1,180,710)
	Less Medicaid Funds	(1,867,791)
3	Less Non-Match SAMH Funds	(3,614,633)
4	Less Unallowable Costs per 65E-14, F.A.C.	<u> -</u>
5	Total Allowable Expenditures (Sum of lines 1, 2, 3, and 4)	2,583,563
6	Maximum Available Earnings (Line 5 times 75%)	1,937,672
7	Amount of State Funds Requiring Match	<u> 803,849</u>
8	Amount Due to Department (Subtract line 7 from line 6.)	<u><u> \$ 1,133,823</u></u>

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

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS

Year Ended June 30, 2013

	Related Party	Allocation of Related Party Transactions Adjustment										
		State-Designated Cost Centers										
		Outpatient	Medical Outpatient	Supportive Employment	Day Night	Case Management	CCST	Residential Level 2	Residential Level 3	Residential Level 4	Crisis Support	Total
Revenues From Grantee												
Rent												
Services												
Interest												
Other												
Total Revenue From Grantee												
Expenses Associated with Grantee Transactions												
Personnel Services												
Depreciation												
Interest												
Other - Indirect Administrative Costs												
Total Associated Expenses		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	<u>\$ -</u>
Related Party Transaction Adjustment												

** For the fiscal year ended June 30, 2013, there are no related parties.

See Report of Independent Certified Public Accountants
on Supplemental Information.

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

SCHEDULE OF PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUE

Year Ended June 30, 2013

	MEDICAL OUTPAT.	INCIDENTAL	RESIDENTIAL		CRISIS SUPPORT	CCST	TOTAL FOR	NON-SAMH COST CENTERS	ADMINIS- TRATION	TOTAL
			ALL STATE- DESIGNATED SAMH COST CENTERS	LEVEL 3			LEVEL 4			
STATE SAMH FUNDING										
DCF District 11 TANF						\$ 100,000	\$ 100,000			\$ 100,000
DCF District 11	\$ 909,959	\$ 32,957	\$ 1,027,752	\$ 707,647	\$ 263,135	1,359,406	4,300,856	-	-	4,300,856
TOTAL STATE SAMH FUNDING	909,959	32,957	1,027,752	707,647	263,135	1,459,406	4,400,856	-	-	4,400,856
OTHER GOVT. FUNDING										
Medicaid	1,104,471	-	-	-	12,464	750,856	1,867,791	-	-	1,867,791
City of Miami Beach	4,800	-	-	-	16,905	-	21,705	-	-	21,705
Miami Dade County	-	-	-	-	15,991	-	15,991	-	-	15,991
Federal Grants and Contracts	-	-	98,032	343,312	-	182,113	623,457	203,501	-	826,958
State DEA Alzheimer's Contract	-	-	-	-	-	-	-	195,198	-	195,198
In-kind from Local Govt. Only	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER GOVT. FUNDING	1,109,271	-	98,032	343,312	45,360	932,969	2,528,944	398,699	-	2,927,643
ALL OTHER REVENUES										
1st & 2nd Party Payments	79,407	-	354,808	196,566	7,326	35,072	673,179	27,448	247	700,874
3rd Party Payments (except Medicare)	12,801	-	-	-	396	10,839	24,036	-	-	24,036
Medicare	1,196,328	-	-	-	-	-	1,196,328	-	-	1,196,328
In Kind Donations (Medications)	1,264,789	-	-	-	-	-	1,264,789	-	-	1,264,789
Contributions and Donations	-	-	-	-	-	-	-	54,428	440	54,868
Other	2,986	-	125	625	-	311	4,047	-	66,928	70,975
TOTAL ALL OTHER REVENUES	2,556,311	-	354,933	197,191	7,722	46,222	3,162,379	81,876	67,615	3,311,870
TOTAL FUNDING	\$ 4,575,541	\$ 32,957	\$ 1,480,717	\$ 1,248,150	\$ 316,217	\$ 2,438,597	\$ 10,092,179	\$ 480,575	\$ 67,615	\$ 10,640,369

See Report of Independent Certified Public Accountants on Supplemental Information.

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

SCHEDULE OF PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUE (Continued)

Year Ended June 30, 2013

EXPENSES LINE ITEM	MEDICAL		RESIDENTIAL		CRISIS SUPPORT	CCST	TOTAL FOR	NON-SAMH	ADMINIS- TRATION	TOTAL
	OUTPAT.	INCIDENTAL	LEVEL 3	LEVEL 4			DESIGNATED SAMH COST CENTERS			
I) PERSONNEL SERVICES										
a) Salaries	\$ 779,677	\$ -	\$ 641,908	\$ 304,024	\$ 156,229	\$ 1,158,819	\$ 3,040,657	\$ 79,784	\$ 575,603	\$ 3,696,044
b) Fringes**	238,003	-	195,948	92,806	47,690	353,740	928,187	24,349	175,719	1,128,255
TOTAL PERSONNEL	\$ 1,017,680	\$ -	\$ 837,856	\$ 396,830	\$ 203,919	\$ 1,512,559	\$ 3,968,844	\$ 104,133	\$ 751,322	\$ 4,824,299
II) EXPENSES										
a) Building occupancy	159,439	-	118,559	371,598	43,461	307,115	1,000,172	23,689	236,995	1,260,856
b) Professional serv.	24,690	-	-	1,205	-	2,796	28,691	-	85,477	114,168
c) Travel	113	-	16,143	2,342	-	18,791	37,389	2,117	25,032	64,538
d) Equipment costs	3,450	-	5,701	2,556	-	1,231	12,938	-	21,285	34,223
e) Food services	508	-	67,432	2,150	-	1,550	71,640	-	3,980	75,620
f) Medical & pharmacy	2,689,631	-	3,871	-	-	2,308	2,695,810	-	-	2,695,810
g) Insurance	17,479	-	16,128	11,315	5,628	29,035	79,585	1,687	32,449	113,721
h) Interest	-	-	-	-	-	-	-	-	11,916	11,916
i) Operating supp. & exp.	28,002	28,720	28,592	32,191	3,149	131,237	251,891	304,883	95,687	652,461
TOTAL EXPENSES	\$ 2,923,312	\$ 28,720	\$ 256,426	\$ 423,356	\$ 52,237	\$ 494,063	\$ 4,178,116	\$ 332,376	\$ 512,820	\$ 5,023,313
TOTAL PERSONNEL AND EXPENSES	\$ 3,940,992	\$ 28,720	\$ 1,105,952	\$ 825,714	\$ 258,996	\$ 2,027,690	\$ 8,146,960	\$ 437,966	\$ 1,274,607	\$ 9,847,612
III. DISTRIBUTED COSTS										
(a) Indirect costs	-	-	-	-	-	-	-	-	-	-
(b) Administration	583,468	4,237	163,151	121,810	38,207	299,126	1,209,998	64,609	(1,274,607)	-
GRAND TOTAL	\$ 4,524,460	\$ 32,957	\$ 1,269,102	\$ 947,523	\$ 297,204	\$ 2,326,815	\$ 9,356,958	\$ 502,574	\$ -	\$ 9,847,612

** Fringes includes \$405,717 in Pension Payments not included as expenditures in the Audit. These payments were made to bring the pension funding to the needed level.

See Report of Independent Certified Public Accountants
on Supplemental Information.

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS

Year Ended June 30, 2013

Program	Cost Center	State Contracted Rate	Total Units of Service Provided	Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies	Maximum # of Units Eligible for Payment by Department	Amount Paid for Services by the Department	Maximum \$ Value of Units in Column F	Amount Owed to Department (G-H or \$0, whichever is greater)
<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>(D-E) F</u>	<u>G</u>	<u>(F x C) H</u>	<u>I</u>
Adult MH	Crisis Stabilization Unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Amount Owed to Department								<u>\$ -</u>

** As of fiscal year ended June 30, 2013, there were no crisis stabilization units.

See Report of Independent Certified Public Accountants
on Supplemental Information.

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2013

Federal/State Agency Pass-Through Grantor Program Title	CFDA/CSFA Number	Contract Pass-Through Award Number	Expenditures Recognized
U.S. Department of Housing and Urban Development:			
Pass-through City of Miami Beach -			
Community Development Block Grant (CDBG)	14.218	B-11-MC-12-0014	\$ 80,000
Pass-through Miami Dade County -			
Supportive Housing Program			
Community Development Block Grant (CDBG)	14.218	N/A	98,032
Pass-through Miami Dade County Homeless Trust -			
Supportive Housing Programs			
Successful Investments	14.235	FL0235B4D001003	151,604
Extra Help	14.238	FL0183L4D001205	33,611
Right Directions	14.235	FL0000B40001104	79,632
Pass-through Miami Dade Housing Authority -			
Shelter Plus Care HUD Subcontract	14.238	FL0391C4D001000	140,969
Pass-through Lutheran Services Florida -			
Supportive Housing Programs			
Partners for Home	14.235	FL0218B4D001003	163,428
ACCESS	14.235	FL0168B4D001003	51,893
U.S. Department of Health and Human Services:			
Pass-through State of Florida Department of Children & Families ADAMH Block Grant Funds -			
Adult Mental Health	93.958	KH-225	281,541
Adult Mental Health TANF	93.558	KH-225	<u>100,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,180,710</u>
State of Florida Department of Children and Families			
Mental Health Alcohol & Substance Abuse			
Adult Community Mental Health Support Services	60.006	KH-225	\$ 250,000
Indigent Psychiatric Outpatient Services	60.039	KH-225	36,863
Adult Community Mental Health Support Services	60.053	KH-225	3,402,453
Adult Mental Health - Special Projects - Community Support Services	60.063	KH-225	315,000
Community Forensic Beds	60.114	KH-225	15,000
State of Florida Department of Elder Affairs			
Aging and Alzheimer Disease Initiative funds:			
In Home Respite	65.004	KZ-1295	<u>195,198</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 4,214,514</u>

See Report of Certified Public Accountants
on Supplemental Information.

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2013

(1) General

The schedule of expenditures of federal awards and state financial assistance (the "Schedule") presents the activity of all federal programs and state projects of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. (the "Center") for the year ended June 30, 2013. All federal and state financial assistance expended from federal and state agencies are included in the Schedule.

(2) Basis of Accounting

The schedule is presented on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized as amounts are expended by the Center and become reimbursable from the granting agency. Expenditures are recognized in the period liabilities are incurred.



**MOORE STEPHENS
LOVELACE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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
Douglas Gardens Community Mental Health
Center of Miami Beach, Inc.
Miami, 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 Douglas Gardens Community Mental Health Center of Miami Beach, Inc., which comprise the balance sheet as of June 30, 2013, and the related statements of activities and change in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

To the Board of Directors of
Douglas Gardens Community Mental
Health Center of Miami Beach, Inc.

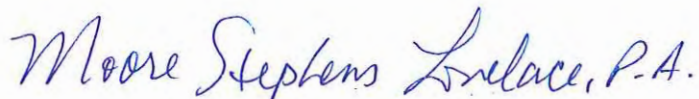
Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s financial statements are free from 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 of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Miami Lakes, Florida
December 23, 2013



**MOORE STEPHENS
LOVELACE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND STATE PROJECT AND ON THE INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE REQUIRED BY OMB CIRCULAR A-133
AND CHAPTER 10.650 RULES OF THE AUDITOR GENERAL**

To the Board of Directors of
Douglas Gardens Community Mental Health
Center of Miami Beach, Inc.
Miami, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s major Federal programs and State projects for the year ended June 30, 2013. Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s major Federal programs and State 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 the requirements of laws, regulations, contracts, and grants applicable to its Federal programs and State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or State project occurred. An audit includes examining, on a test basis, evidence about Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s

To the Board of Directors of
Douglas Gardens Community Mental
Health Center of Miami Beach, Inc.

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 project. However, our audit does not provide a legal determination of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Douglas Gardens Community Mental Health Center of Miami Beach, Inc. complied, in all material respects, with the types of 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.

Report on Internal Control Over Compliance

Management of Douglas Gardens Community Mental Health Center of Miami Beach, Inc. 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 Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s 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 purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Douglas Gardens Community Mental Health Center of Miami Beach, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program or State project will not be prevented, or detected and corrected, on a timely basis. 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 or State project 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 over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies.

To the Board of Directors of
Douglas Gardens Community Mental
Health Center of Miami Beach, Inc.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not 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. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A." in a cursive script.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Miami Lakes, Florida
December 23, 2013

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS**

Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	Yes <u> X </u>	No
Significant deficiencies identified?	_____	Yes <u> X </u>	None Reported
Noncompliance material to financial statements noted	_____	Yes <u> X </u>	No

Federal Awards & State Financial Assistance

Internal control over major federal programs and/or state projects:			
Material weakness(es) identified?	_____	Yes <u> X </u>	No
Significant deficiencies identified?	_____	Yes <u> X </u>	None Reported

Type of auditor's report issued on compliance for major federal programs and/or state projects:	Unmodified		
--	------------	--	--

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section.510(a) and/or 10.656?	_____	Yes <u> X </u>	No
--	-------	----------------------	----

Identification of major federal programs
and state projects:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Department of Housing and Urban Development Supportive Housing Program	14.235

See Report of Certified Public Accountants
on Supplemental Information

**DOUGLAS GARDENS COMMUNITY MENTAL
HEALTH CENTER OF MIAMI BEACH, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS (Continued)**

Year Ended June 30, 2013

Name of State Project	CSFA Number(s)
State of Florida Department of Children and Families ADAMH Block Grant Contract # KH225 Adult Community Mental Health Support Services Adult Mental Health - Special Projects - Community Support Services	60.053 60.063
Dollar threshold used to distinguish between Type A and Type B programs for federal awards:	\$ 300,000
Dollar threshold used to distinguish between Type A and Type B projects for major state financial assistance:	\$ 300,000
Auditee qualified as low-risk auditee pursuant to OMB Circular A-133	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings were reported.

**SECTION III - FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No findings were reported.

**SECTION IV - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
SUMMARY OF PRIOR AUDIT FINDINGS**

No findings were reported.

SECTION V - MANAGEMENT LETTER

No management letter.

See Report of Certified Public Accountants
on Supplemental Information