

Mental Health Center of Jacksonville, Inc.

(a non-profit organization)

Jacksonville, Florida

Financial Statements and Supplemental Information

June 30, 2013 and 2012

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mental Health Center of Jacksonville, Inc.
Jacksonville, Florida

We have audited the accompanying financial statements of Mental Health Center of Jacksonville, Inc., which comprise the statements of financial position as of June 30, 2013, and 2012, and the related statements of activities, statements of functional expenses and statements of cash flows for the years 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 of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risk 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 or 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 statement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mental Health Center of Jacksonville, Inc. as of June 30, 2013 and 2012, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance; program/cost center actual expenses and revenues schedules, schedule of state earnings for alcohol, drug abuse and mental health service, schedule of revenues; schedule of bed-day availability payments; schedule of related party transactions adjustments; and schedule of findings and questioned costs, is presented for purposes of additional analysis or as required by Chapter 10.650 *Rules of the Auditor General*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013, on our consideration of Mental Health Center of Jacksonville, 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 Mental Health Center of Jacksonville, Inc.'s internal control over financial reporting and compliance.

Ralston & Company, PA

October 24, 2013

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Statements of Financial Position
June 30, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 1,968,167	\$ 1,894,152
Accounts receivable, net of allowance for doubtful accounts and contractual allowances of \$5,970,996 and \$3,022,941	254,806	254,917
Grants receivable	648,458	389,425
Prepaid expenses	17,680	10,561
Bond fund reserve	484,598	479,098
Due from related organizations	1,676,945	2,179,321
Construction in progress	37,380	-
Property and equipment, net of accumulated depreciation of \$2,978,790 and \$2,778,539	2,674,008	2,832,405
Bond issue costs, net of accumulated amortization of \$95,746 and \$86,805	<u>146,042</u>	<u>154,984</u>
Total assets	<u>\$ 7,908,084</u>	<u>\$ 8,194,863</u>

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
Accounts payable	\$ 83,190	\$ 63,631
Accrued expenses	381,706	410,260
Due to related organizations	131,926	164,790
Estimated liabilities to third-party payors	396,341	397,233
Bonds payable	<u>3,370,000</u>	<u>3,470,000</u>
Total liabilities	4,363,163	4,505,914
Unrestricted net assets	<u>3,544,921</u>	<u>3,688,949</u>
Total liabilities and net assets	<u>\$ 7,908,084</u>	<u>\$ 8,194,863</u>

The accompanying notes are an integral part of this statement.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Statements of Activities
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Public support and revenue		
Public support:		
Federal and state grants, net	\$ 3,365,653	\$ 3,570,436
City of Jacksonville	1,299,746	1,314,148
Contributions	<u>2,706</u>	<u>3,228</u>
Total public support	<u>4,668,105</u>	<u>4,887,812</u>
Revenue:		
Client fees for services	1,193,322	1,165,087
Medicaid HMO/PSN	1,497,469	1,316,181
Interest	31	184
Other income	<u>95,397</u>	<u>91,385</u>
Total revenue	<u>2,786,219</u>	<u>2,572,837</u>
Total support and revenue	<u>7,454,324</u>	<u>7,460,649</u>
Total expenses		
Program services	6,723,976	6,878,510
Management and general	<u>874,376</u>	<u>887,865</u>
Total expenses	<u>7,598,352</u>	<u>7,766,375</u>
Change in unrestricted net assets	(144,028)	(305,726)
Unrestricted net assets - beginning of year	<u>3,688,949</u>	<u>3,994,675</u>
Unrestricted net assets - end of year	<u>\$ 3,544,921</u>	<u>\$ 3,688,949</u>

The accompanying notes are an integral part of this statement.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Statements of Functional Expenses
For the years ended June 30, 2013 and 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Total 2013</u>	<u>Total 2012</u>
Salaries	\$ 3,393,944	\$ 22,925	\$ 3,416,869	\$ 3,558,643
Payroll taxes	278,038	1,992	280,030	289,726
Fringe benefits	597,411	8,607	606,018	673,712
Total salaries and related expenses	4,269,393	33,524	4,302,917	4,522,081
Building occupancy	428,197	7,288	435,485	433,089
Professional services	569,357	11,232	580,589	428,844
Travel	176,654	1,660	178,314	180,897
Equipment costs	77,983	678	78,661	76,796
Food services	76,028	-	76,028	117,646
Medical and pharmacy	381,611	102	381,713	372,501
Insurance	106,125	3,834	109,959	96,770
Management fees	0	780,997	780,997	791,684
Interest	237,650	-	237,650	244,562
Operating supplies and expenses	127,336	12,145	139,481	139,332
Provision for uncollectible accounts	269,489	-	269,489	322,005
Miscellaneous	4,153	22,916	27,069	40,168
Total expenses	<u>\$ 6,723,976</u>	<u>\$ 874,376</u>	<u>\$ 7,598,352</u>	<u>\$ 7,766,375</u>

The accompanying notes are an integral part of this statement.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Statements of Cash Flows
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities and gains		
Change in unrestricted net assets	\$ (144,028)	\$ (305,726)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	209,192	182,427
(Increase) decrease in accounts and grants receivable, net	(258,922)	317,752
(Increase) decrease in prepaid expenses	(7,119)	5,144
(Increase) decrease in due from related organizations	502,376	(3,639)
Increase (decrease) in accounts payable	19,559	(168,325)
Increase (decrease) in accrued expenses	(28,554)	65,919
Increase (decrease) in due to related organizations	(32,864)	(34,884)
Increase (decrease) in estimated third party liability	(892)	(6,672)
	<u>258,749</u>	<u>51,996</u>
Cash flows from investing activities		
Increase in bond fund reserve	(5,500)	(2,087)
Purchases of property and equipment	(41,854)	(917,326)
Change in construction in progress	(37,380)	673,671
	<u>(84,734)</u>	<u>(245,742)</u>
Cash flows from financing activities		
Repayments of long-term debt	(100,000)	(95,000)
	<u>(100,000)</u>	<u>(95,000)</u>
Net increase (decrease) in cash and cash equivalents	74,015	(288,746)
Cash and cash equivalents - beginning of year	<u>1,894,152</u>	<u>2,182,898</u>
Cash and cash equivalents - end of year	<u>\$ 1,968,167</u>	<u>\$ 1,894,152</u>
Supplemental disclosures:		
Interest paid	<u>\$ 239,400</u>	<u>\$ 246,225</u>
Income taxes paid	<u>\$ N/A</u>	<u>\$ N/A</u>

The accompanying notes are an integral part of this statement.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
June 30, 2013 and 2012

1. Organization

Mental Health Center of Jacksonville, Inc. (the Center) located in Jacksonville, Florida is a non-profit, comprehensive community mental health care corporation organized to provide quality mental health care to all individuals requesting assistance, regardless of their ability to pay. The Center is governed by a Board of Directors consisting of volunteers from the community. The Center was incorporated in Florida in 1959.

Effective March 1, 1997, Mental Health Center of Jacksonville, Inc. formed an affiliation with Renaissance Behavioral Health Systems, Inc. (RBHS) in which the Center became a controlled affiliate of RBHS.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The costs related to the administration of the Center's programs are summarized in the statement of activities. Personnel and operating expenses which are associated with a specific program are charged directly to that program. Personnel and operating expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided.

Use of Estimates

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

Public Support

Public support from government grants is recorded based upon the terms of the grantor allotment which generally provides that revenues are earned when the allowable costs of the specific grant provisions have been incurred or the performance of services rendered. Such revenues are subject to audit by the grantor and, if the examination results in a deficiency of allowable expenses or services, the Center will be required to refund any deficiencies. Management believes that any potential disallowed costs in the statement of financial awards would be insignificant as of June 30, 2013 and 2012.

Accounts Receivable

Grants, contracts and accounts receivable are stated at the amounts management expects to collect from outstanding balances. If amounts become uncollectible, they will be charged to the program when the determination of uncollectibility is made. At June 30, 2013 and 2012, the allowance for doubtful accounts was \$5,970,996 and \$3,022,941, respectively.

Contributions

Mental Health Center of Jacksonville, Inc. reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Mental Health Center of Jacksonville, Inc.
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Notes to Financial Statements
June 30, 2013 and 2012

When endowment contributions and investments are permanently restricted by the donor, investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings associated with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restriction.

Donated Materials, Long-lived Assets, Facilities & Services

Donated materials are recorded as contributions at their estimated fair market value at the date of donation. Long-lived assets or the use of facilities are recorded as contributions in the period received at fair market value. Contributions of services are recorded in the financial statements if the services enhance or create non-financial assets or require specialized skills and are provided by individuals possessing those skills.

Client Service Fees

Fees for client services are recorded at standard rates or net realizable value per contractual agreements which are reduced by allowances based upon the client's financial capabilities and by amounts estimated by management to be non-reimbursable by third-party payors and state programs under the provisions of applicable program payment arrangements. Final determination of amounts earned is subject to third party payor audit. Management believes that adequate reserves have been established for potential losses resulting from such audits.

Charity Care

For the year ending June 30, 2012, the Center adopted FASB Accounting Standards Codification 954. Accordingly, the Center provides care to patients 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. Grants are received from state and local governmental agencies to assist in providing charity care.

The amount of costs for services and supplies under the Center's charity care policy aggregated approximately \$2,060,500 and \$2,413,600 in 2013 and 2012, respectively.

Tax Status

The Center is a tax exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code, therefore, no provision for federal or state income taxes has been established.

The Center follows the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ["FIN 48"]). Under FIN 48, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FIN 48 had no impact on the Center's financial statements. The Center does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended June 30, 2013 and 2012, there were no interest or penalties recorded or included in its financial statements. The Center is no longer subject to U.S. federal income tax examinations by the tax authorities for the years before June 30, 2009.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Center considers all unrestricted highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

The Center routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government obligations.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
June 30, 2013 and 2012

Bond Fund Reserve

The Center deposits funds monthly into a sinking fund maintained by the bond trustee. Funds are invested in cash, money market accounts and government securities and are stated at fair value in accordance with ASC 958-320.

Gains and losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in unrestricted net assets unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment are recorded at historical cost or in the case of contributed property and equipment, at fair value at the date of donation. Ordinary repairs and maintenance are charged to expense when incurred. Depreciation is computed using the straight-line method over the useful lives of the various assets. The State of Florida is entitled to the proceeds from the disposal of certain equipment, if such equipment is acquired with state contract funds.

Long-lived assets held and used by the Center are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event the facts and circumstances indicate that the cost of any long-lived asset may be impaired, an evaluation of recoverability would be performed following generally accepted accounting principles.

Bond Issue Costs

Bond issue costs relate primarily to costs associated with the issuance of the Health Facilities Revenue Bonds (note 6). These costs are being amortized on a straight-line basis over the period the bonds are outstanding. Amortization expense relating to the bond issue costs for the years ended June 30, 2013 and 2012 was \$8,941 and \$5,528 respectively.

Allocation of Expenses

Administrative expenses in the Statement of Functional Expenses are allocated based on a weighted average percentage of budgeted expenses. Other support is allocated primarily based on utilization.

3. Bond Fund Reserve

Bond Fund Reserve consists of money market accounts held by the bond trustee for the Center under the terms of the trust indenture related to the Center's Health Facility Revenue Bonds - Series 1999A and 1999B (note 6). The Center is required to fund interest and principal monthly. Interest is payable on October 15 and April 15 of each year, and principal is payable on October 15 of each year.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
June 30, 2013 and 2012

4. Property and Equipment

Property and equipment consist of:	<u>2013</u>	<u>2012</u>
Land	\$ 219,780	\$ 219,780
Building and leasehold improvements	4,921,871	4,904,572
Furniture and equipment	506,024	481,470
Vehicles	5,123	5,123
	<u>5,652,798</u>	<u>5,610,945</u>
Less accumulated depreciation	<u>(2,978,790)</u>	<u>(2,778,540)</u>
	<u>\$ 2,674,008</u>	<u>\$ 2,832,405</u>

Depreciation expense was \$200,251 and \$176,899 for the years ended June 30, 2013 and 2012, respectively.

5. Construction in Progress

The Center incurred design costs related to the renovation of its nursing units. Construction in progress related to the nursing units was \$37,380 and \$0 for the years ended June 30, 2013 and 2012, respectively.

Major renovations were incurred on the Center's facility. Construction in progress related to the facility was \$0 for the years ended June 30, 2013 and 2012. \$796,035 was fully capitalized during the year ended June 30, 2012.

6. Bonds Payable

The Center is obligated under a bond obligation at June 30, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Health Facilities Revenue Bonds - Series 1999A (\$3,940,000) and 1999B (\$145,000), bearing interest at 7% and 10%, respectively, interest payable semi-annually on October 15 and April 15, secured through a security interest in the net revenues of the Center as well as substantially all of the assets of the Center, annual principal payments are made in various amounts through October 1, 2029, and began on October 1, 2001.	\$ 3,370,000	\$ 3,470,000
Less current portion	<u>(110,000)</u>	<u>(100,000)</u>
Long-term portion	<u>\$ 3,260,000</u>	<u>\$ 3,370,000</u>

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
June 30, 2013 and 2012

Maturities of long-term bonds payable are as follows:

Year ending June 30,	
2014	\$ 110,000
2015	115,000
2016	125,000
2017	135,000
2018	145,000
Thereafter	<u>2,740,000</u>
	<u>\$ 3,370,000</u>

In October 1999, the Jacksonville Health Facilities Authority issued series 1999A and series 1999B bonds on behalf of the Center to fund \$3,960,000 in aggregate principal amount of the Jacksonville Health Facilities Authority Revenue Bonds, series 1989 (Mental Health Center of Jacksonville, Inc. Project). The series 1999A bonds of \$3,940,000 bear interest at 7% and the series 1999B bonds of \$145,000 bore interest at 10%. Series 1999B fully matured and was paid in October, 2009. Series 1989 were issued by the Jacksonville Health Facilities Authority to provide financing for the Center's purchase of the facilities located at 3333 West 20th Street, Jacksonville, Florida 32205. A trust indenture requires that certain funds be maintained by an independent trustee to be used for payment of bond principal and interest (Note 4). The West 20th Street facility serves as collateral for the series 1999A bonds.

Sinking fund principal and interest payments are required to be made monthly to the bond trustee. The interest payment required is reduced by the interest earned on investments held in the fund.

The Health Facilities Revenue Bonds contain covenants, one of which requires maintenance of a debt service coverage ratio. The Center was not in compliance with the debt service coverage as of June 30, 2013. However, the Center has done an extensive management review to address the issue per the agreement. Further, facility renovations are planned with the intent to enhance profitability and bring the ratio within acceptable guidelines. Additionally, management anticipates redeeming these bonds in the near future, which will resolve this issue.

Interest expense for the year ended June 30, 2013 and 2012 was \$237,650 and \$244,562, respectively.

7. Retirement Plan

The Center adopted a Discretionary Profit Sharing-Thrift Plan (Plan) effective July 1, 1998. The Plan covers full-time and part-time employees who have completed one year of service with at least 1,000 hours of service during the year as of the Plan's effective date. Both basic and matching Center contributions to the plan are discretionary and are determined on an annual basis by the Center's Board of Directors. Employee contributions to the Plan are voluntary. The Center's retirement expense was \$83,706 and \$102,202 for the years ended June 30, 2013 and 2012, respectively, and is included in fringe benefits expense in the statement of functional expenses.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
June 30, 2013 and 2012

8. Lease Obligations

The Center leases equipment under operating leases expiring in 2017. The Center's future minimum lease payments, by year, consist of the following at June 30, 2013:

2014	\$	8,187
2015		8,187
2016		8,187
2017		1,365
	\$	<u>25,926</u>

The Center incurred total rental expense of \$34,219 and \$26,592 during the years ended June 30, 2013 and 2012, respectively, which is included in building occupancy and equipment costs in the accompanying statement of functional expenses.

9. Transactions with Affiliated Organizations

Management fee expense is incurred to RBHS for services rendered for management, accounting, data processing and support. Amounts due to related organizations primarily relate to unpaid amounts related to these services. Management fees paid to RBHS for the years ended June 30, 2013 and 2012 were \$780,997 and \$791,684, respectively.

Due to RBHS was \$115,388 and \$140,152 at June 30, 2013 and 2012, respectively. Due to another affiliated organization managed by RBHS was \$16,539 and \$24,638 at June 30, 2013 and 2012, respectively.

Due from the affiliated organization managed by RBHS was \$1,561,644 and \$2,070,575 for the years ended June 30, June 30, 2013 and 2012, respectively. Due from RBHS was \$808 and \$1,198 at June 30, 2013 and 2012, respectively.

The Center serves as sponsor for two organizations. Balances due from these organizations were \$114,493 and \$107,548 at June 30, 2013 and 2012.

During the years ended June 30, 2013 and 2012, Mental Health Resource Center (MHRC), an affiliated organization, was engaged in a subcontract agreement with the Center, to provide support from the State of Florida to the Center as discussed in Note 10.

10. Support from the State of Florida

The Center received a substantial portion of its support in 2013 and 2012 as a subcontract agreement under grant contract number DH669 from the State of Florida through the Department of Children and Families Substance Abuse and Mental Health Program. Total state funding for the year ending June 30, 2013 and 2012 was \$3,256,462 and \$3,570,435, respectively.

A significant reduction in the level of future support would have a substantial effect on the Center's programs and activities. The contracts are renegotiated periodically. Certain contract funds require a twenty-five percent (25%) local match for community mental health services. The Center required \$1,023,000 and \$1,011,480 in local matching funds in order to be in compliance with the aforementioned contract provisions for the years ended June 30, 2013 and 2012, respectively. The Center exceeded its local match requirements for the years ended June 30, 2013 and 2012.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
June 30, 2013 and 2012

11. Concentration of Credit Risk

The Center grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements including Medicaid, Medicare, and other third party payors.

The Center had one Treasury Money Market Fund of \$1,556,764 and \$1,556,739 for the years ended June 30, 2013 and 2012, respectively, which is by nature uninsured. However, the funds are invested in a conservative and stable Institutional 100% Treasury Money Market Fund.

12. Commitments and Contingencies

The Center is periodically involved in litigation and routine monitoring by regulatory agencies arising from the ordinary course of business. In the opinion of the Center's management, after consultation with legal counsel, such matters will be resolved without a material adverse effect on the financial position or results of operation of the Center.

The Center has professional liability insurance through RBHS, the parent company, which covers \$3,000,000 in aggregate and \$1,000,000 per occurrence, to insure against potential malpractice claims.

The Center receives a substantial portion of its client service revenues from Medicaid and Medicare. The Center bills Medicaid and Medicare for eligible services it renders. Medicaid and Medicare have oversight agencies which periodically audit claims submitted to these programs. To the extent services are billed to Medicaid or Medicare and are not properly documented by the Center, the claims may be denied and reimbursement from the Center may be required. Accordingly, the Center has established a liability for estimated denied claims based on historical experience.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
June 30, 2013 and 2012

13. City of Jacksonville Grants

Year ended June 30, 2012:

Outpatient and Baker Act
 Contract 7347-23 10/1/10 to 9/30/11
 Total Award \$1,304,866
 Remaining \$0

Cash received \$ 445,465

Expenditures - mental health outpatient
 programs, emergency evaluation
 and crisis stabilization beds \$ 336,017

Outpatient and Baker Act
 Contract 7347-24 10/1/11 to 9/30/12
 Total Award \$1,304,866
 Remaining \$326,735

Cash received \$ 869,259

Expenditures - mental health outpatient
 programs, emergency evaluation
 and crisis stabilization beds \$ 978,131

Year ended June 30, 2013:

Outpatient and Baker Act
 Contract 7347-24 10/1/11 to 9/30/12
 Total Award \$1,304,866
 Remaining \$0

Cash received \$ 435,488

Expenditures - mental health outpatient
 programs, emergency evaluation
 and crisis stabilization beds \$ 326,616

Outpatient and Baker Act
 Contract 7347-25 10/1/12 to 9/30/13
 Total Award \$1,304,866
 Remaining \$331,736

Cash received \$ 863,643

Expenditures - mental health outpatient
 programs, emergency evaluation
 and crisis stabilization beds \$ 973,130

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Notes to Financial Statements
June 30, 2013 and 2012

14. Subsequent Events

Subsequent events were evaluated through October 24, 2013, the date the financial statements were available for release.

15. Reclassifications

Certain reclassifications were made to prior year balances to enhance comparability.

SUPPLEMENTARY INFORMATION

Mental Health Center Of Jacksonville, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2013

<u>Grantor/Program Title</u>	<u>CFDA CSFA No</u>	<u>Contract Grant Number</u>	<u>Program or Award Amount</u>	<u>Total Expenditures</u>	<u>Transfer to Subrecipients</u>
<i>U.S. Department of Health and Human Services</i>					
<i>Dept of Children & Families SAMH Program</i>					
<i>Pass through funds from Mental Health Resource Center, Inc.</i>					
Block Grants for Community Mental Health Services	93.958	DH669	\$ 94,647	\$ 94,647	\$ -
Block Grants for Prevention and Treatment of Substance Abuse	93.959	DH669	\$ 476	\$ 476	\$ -
Total Federal Financial Assistance			\$ 95,123	\$ 95,123	\$ -
<i>State Financial Assistance</i>					
<i>Dept of Children & Families SAMH</i>					
<i>Pass through funds from Mental Health Resource Center, Inc.</i>					
Indigent Psychiatric Outpatient Services	60.039	DH669	\$ 29,048	\$ 29,048	\$ -
Baker Act	60.006	DH669	\$ 2,245,733	\$ 2,245,733	\$ -
Community Forensic Beds	60.114	DH669	\$ 43,000	\$ 43,000	\$ -
Total State Financial Assistance			\$ 2,317,781	\$ 2,317,781	\$ -
Total Federal Awards and State Financial Assistance			\$ 2,412,904	\$ 2,412,904	\$ -
<i>Local Contract & Grants</i>					
<i>City of Jacksonville</i>					
Outpatient and Baker Act 2012/13	n/a	7347-25	\$ 1,304,866	\$ 973,130	\$ -
Outpatient and Baker Act 2011/12	n/a	7347-24	\$ 1,304,866	\$ 326,616	\$ -
Total Local Contract and Grants			\$ 2,609,732	\$ 1,299,746	\$ -
Total grants and contracts			\$ 5,022,636	\$ 3,712,650	\$ -

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended June 30, 2013

Basis of Presentation

The schedule of expenditures of federal awards and state projects includes the federal grant and state projects activity of Mental Health Center of Jacksonville, Inc. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements which are presented on the accrual basis of accounting.

**AUDIT SCHEDULE
SUBSTANCE ABUSE & MENTAL HEALTH SERVICES
PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE**

AGENCY: Mental Health Center of Jacksonville, Inc.

DATE PREPARED: 8/20/2013

CONTRACT #: DH869 (Funds passed through from Mental Health Resource Center, Inc.)

BUDGET PERIOD: FROM 07/01/2012 TO 06/30/2013

PART I: ACTUAL FUNDING SOURCES & REVENUES

FUNDING SOURCES & REVENUES A	STATE-DESIGNATED SAMH COST CENTERS													Non-SAMH Cost Center G	Total Funding (F+G) H
	STATE SAMH-FUNDED COST CENTERS											Total for Non- State-SAMH Cost Centers (307) E	Tot. for All State- Designated SAMH Cost Centers (D+E) F		
	Adult Mental Health						Adult Substance Abuse								
	Case Management B _{1-a}	Crisis Stabilization B _{1-b}	Crisis Support/ Emergency B _{1-c}	Intensive Case Management B _{1-d}	Medical Services B _{1-e}	Incidental Expenses B _{1-f}	Total for Adult Mental Health (B _{1-a} +...+B _{1-f}) C ₁	Outpatient - Individual B _{2-c}	Total for Adult Substance Abuse (B _{2-a} +...+B _{2-f}) C ₂	Total for State SAMH-Funded Cost Centers (C ₁ +...+C ₂) D					
IA. STATE SAMH FUNDING (Managing Entry - Lutheran Services Florida)															
(1) DH699 (subrecipient)	\$ 150,908	\$ 2,338,829	\$ 477,000	\$ 36,553	\$ 241,500	\$ 10,832	\$ 3,255,512	\$ 950	\$ 950	\$ 3,256,462	XXXXXXXXXX	\$ 3,256,462	XXXXXXXXXX	\$ 3,256,462	
(2) Lutheran Services Florida Managing Entry	\$ (6,471)	\$ (98,556)	\$ (20,106)	\$ (1,563)	\$ (110,182)	\$ -	\$ (130,878)	\$ (40)	\$ (40)	\$ (130,918)	XXXXXXXXXX	\$ (130,918)	XXXXXXXXXX	\$ (130,918)	
(3) IDP Line of Credit	\$ -	\$ 221,343	\$ -	\$ -	\$ 24,797	\$ -	\$ 246,140	\$ -	\$ -	\$ 246,140	XXXXXXXXXX	\$ 246,140	XXXXXXXXXX	\$ 246,140	
(4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	XXXXXXXXXX	\$ -	XXXXXXXXXX	\$ -	
(5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	XXXXXXXXXX	\$ -	XXXXXXXXXX	\$ -	
(6) From Other Districts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	XXXXXXXXXX	\$ -	XXXXXXXXXX	\$ -	
TOTAL STATE SAMH FUNDING =	\$ 144,437	\$ 2,461,618	\$ 456,894	\$ 34,990	\$ 256,175	\$ 10,832	\$ 3,364,744	\$ 910	\$ 910	\$ 3,365,654		\$ 3,365,654		\$ 3,365,654	
IB. OTHER GOVT. FUNDING															
(1) Other State Agency Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
(2) Medicaid	\$ 140,775	\$ -	\$ -	\$ 122,629	\$ 42,770	\$ -	\$ 306,174	\$ -	\$ -	\$ 306,174	\$ -	\$ 306,174	\$ -	\$ 306,174	
(3) Local Government	\$ 59,242	\$ 444,610	\$ 204,073	\$ -	\$ 409,784	\$ -	\$ 1,207,719	\$ -	\$ -	\$ 1,207,719	\$ 92,027	\$ 1,299,746	\$ -	\$ 1,299,746	
(4) Federal Grants and Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
(5) In-kind from local govt. only	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TOT. OTHER GOVT. FUNDING =	\$ 200,017	\$ 444,610	\$ 204,073	\$ 122,629	\$ 452,554	\$ -	\$ 1,513,893	\$ -	\$ -	\$ 1,513,893	\$ 92,027	\$ 1,605,920	\$ -	\$ 1,605,920	
IC. ALL OTHER REVENUES															
(1) 1st & 2nd Party Payments	\$ 24	\$ 17,041	\$ 95	\$ -	\$ 5,902	\$ -	\$ 23,062	\$ -	\$ -	\$ 23,062	\$ -	\$ 23,062	\$ -	\$ 23,062	
(2) 3rd Party Payments (except Medicare)	\$ 364,066	\$ 1,423,054	\$ 90	\$ 185,070	\$ 303,345	\$ -	\$ 2,275,625	\$ -	\$ -	\$ 2,275,625	\$ -	\$ 2,275,625	\$ -	\$ 2,275,625	
(3) Medicare	\$ -	\$ 28,560	\$ -	\$ -	\$ 57,338	\$ -	\$ 85,928	\$ -	\$ -	\$ 85,928	\$ -	\$ 85,928	\$ -	\$ 85,928	
(4) Contributions and Donations	\$ 2,708	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,708	\$ -	\$ -	\$ 2,708	\$ -	\$ 2,708	\$ -	\$ 2,708	
(5) Other (Admin)	\$ 6,759	\$ 37,990	\$ 4,611	\$ 2,647	\$ 10,539	\$ -	\$ 62,595	\$ -	\$ -	\$ 62,595	\$ 892	\$ 63,487	\$ 31,971	\$ 95,428	
(6) In-kind	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TOT. ALL OTHER REVENUES =	\$ 373,595	\$ 1,506,644	\$ 4,796	\$ 187,717	\$ 377,124	\$ -	\$ 2,449,886	\$ -	\$ -	\$ 2,449,886	\$ 892	\$ 2,450,778	\$ 31,971	\$ 2,482,749	
TOTAL FUNDING =	\$ 718,019	\$ 4,412,910	\$ 755,763	\$ 345,336	\$ 1,085,893	\$ 10,832	\$ 7,328,523	\$ 910	\$ 910	\$ 7,329,433	\$ 92,919	\$ 7,422,352	\$ 31,971	\$ 7,454,323	

**AUDIT SCHEDULE
SUBSTANCE ABUSE & MENTAL HEALTH SERVICES
PROGRAM / COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULE**

AGENCY: Mental Health Center of Jacksonville, Inc.

DATE PREPARED: 8/20/2013

CONTRACT #: DH688 (Funds passed through from Mental Health Resource Center, Inc.)

BUDGET PERIOD: FROM 07/01/2012 TO 06/30/2013

PART II: ACTUAL EXPENSES

EXPENSE CATEGORIES A	STATE-DESIGNATED SAMH COST CENTERS											Total for Non-State-Funded SAMH Cost Centers E	Tot. for All State-Designated SAMH Cost Centers (D+E) F	Non-SAMH Cost Center G	Other Support Costs (optional) H	Administration I	Total Expenses (F+G+H+I+J) J
	STATE SAMH-FUNDED COST CENTERS																
	Adult Mental Health							Outpatient - Individual B _{2d}	Total for Adult Substance Abuse (B _{2a} +B _{2c}) C ₂	Total for State SAMH-Funded Cost Centers (C ₁ +C ₂) D							
	Case Management B _{1a}	Crisis Stabilization B _{1b}	Crisis Support/ Emergency B _{1c}	Intensive Case Management B _{1d}	Medical Services B _{1e}	Incidental Expenses B _{1f}	Total for Adult Mental Health (B _{1a} +B _{1f}) C ₁										
IIA. PERSONNEL EXPENSES																	
(1) Salaries	\$ 361,676	\$ 1,825,350	\$ 259,199	\$ 150,834	\$ 399,273	\$ -	\$ 2,796,332	\$ 2,727	\$ 2,727	\$ 2,799,059	\$ 70,380	\$ 2,869,439	\$ -	\$ 524,505	\$ 22,925	\$ 3,416,869	
(2) Fringe Benefits	\$ 118,937	\$ 352,241	\$ 60,936	\$ 51,200	\$ 85,088	\$ -	\$ 668,402	\$ 535	\$ 535	\$ 668,937	\$ 15,705	\$ 684,642	\$ 1,232	\$ 180,575	\$ 10,599	\$ 886,048	
TOTAL PERSONNEL EXPENSES =	\$ 480,613	\$ 1,977,591	\$ 320,135	\$ 202,034	\$ 484,361	\$ -	\$ 3,464,734	\$ 3,262	\$ 3,262	\$ 3,467,996	\$ 86,085	\$ 3,554,081	\$ 1,232	\$ 714,080	\$ 33,524	\$ 4,302,917	
II B. OTHER EXPENSES																	
(1) Building Occupancy	\$ 15,076	\$ 327,138	\$ 13,394	\$ 2,898	\$ 25,795	\$ -	\$ 384,302	\$ -	\$ -	\$ 384,302	\$ 67	\$ 384,369	\$ 551	\$ 43,278	\$ 7,268	\$ 435,486	
(2) Professional Services	\$ 3,291	\$ 361,128	\$ 2,268	\$ 36	\$ 196,953	\$ -	\$ 563,674	\$ -	\$ -	\$ 563,674	\$ -	\$ 563,674	\$ -	\$ 5,863	\$ 11,232	\$ 580,589	
(3) Travel	\$ 71,268	\$ 25,573	\$ 52,948	\$ 18,589	\$ 2,723	\$ -	\$ 171,099	\$ -	\$ -	\$ 171,099	\$ -	\$ 171,099	\$ 1,380	\$ 4,177	\$ 1,680	\$ 178,316	
(4) Equipment	\$ 5,142	\$ 52,444	\$ 3,762	\$ 373	\$ 9,313	\$ -	\$ 71,034	\$ -	\$ -	\$ 71,034	\$ 37	\$ 71,071	\$ -	\$ 6,911	\$ 678	\$ 78,680	
(5) Food Services	\$ 118	\$ 59,169	\$ 16,675	\$ 19	\$ 74	\$ -	\$ 76,055	\$ -	\$ -	\$ 76,055	\$ -	\$ 76,055	\$ -	\$ (27)	\$ -	\$ 75,028	
(6) Medical and Pharmacy	\$ 996	\$ 351,244	\$ 88	\$ -	\$ 26,676	\$ -	\$ 379,007	\$ -	\$ -	\$ 379,007	\$ 39	\$ 379,046	\$ -	\$ 2,564	\$ 102	\$ 381,712	
(7) Subcontracted Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
(8) Insurance	\$ 4,998	\$ 54,149	\$ 6,330	\$ 1,849	\$ 7,750	\$ -	\$ 75,082	\$ -	\$ -	\$ 75,082	\$ 648	\$ 75,728	\$ 1,450	\$ 28,947	\$ 3,634	\$ 109,959	
(9) Interest Paid	\$ 13,636	\$ 184,403	\$ 8,746	\$ 4,716	\$ 20,148	\$ -	\$ 237,649	\$ -	\$ -	\$ 237,649	\$ -	\$ 237,649	\$ -	\$ -	\$ -	\$ 237,649	
(10) Operating Supplies & Expenses	\$ 8,114	\$ 85,920	\$ 6,723	\$ 132	\$ 5,168	\$ 10,632	\$ 116,889	\$ -	\$ -	\$ 116,889	\$ 104	\$ 116,703	\$ 10	\$ 10,532	\$ 793,142	\$ 926,477	
(11) Other	\$ 84,550	\$ 88,238	\$ 18	\$ 48,081	\$ 50,825	\$ -	\$ 272,412	\$ -	\$ -	\$ 272,412	\$ 800	\$ 273,212	\$ -	\$ 428	\$ 22,916	\$ 296,556	
(12) Donated Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TOTAL OTHER EXPENSES =	\$ 207,195	\$ 1,589,406	\$ 110,948	\$ 77,591	\$ 351,231	\$ 10,632	\$ 2,347,003	\$ -	\$ -	\$ 2,347,003	\$ 1,693	\$ 2,348,696	\$ 3,391	\$ 102,493	\$ 840,852	\$ 3,295,432	
TOT. PERSONNEL & OTH. EXP. =	\$ 687,808	\$ 3,566,997	\$ 431,083	\$ 279,625	\$ 835,592	\$ 10,632	\$ 5,811,737	\$ 3,262	\$ 3,262	\$ 5,814,999	\$ 87,778	\$ 5,902,777	\$ 4,623	\$ 816,573	\$ 874,376	\$ 7,598,349	
II C. DISTRIBUTED INDIRECT COSTS																	
(a) Other Support Costs (Optional)	\$ 31,008	\$ 909,076	\$ 96,735	\$ 12,624	\$ 64,078	\$ -	\$ 813,521	\$ 657	\$ 657	\$ 814,178	\$ 2,396	\$ 816,574	\$ -	\$ <	\$ >	\$ -	
(b) Administration	\$ 97,280	\$ 509,837	\$ 64,179	\$ 38,123	\$ 151,792	\$ -	\$ 861,311	\$ 213	\$ 213	\$ 861,524	\$ 12,853	\$ 874,377	\$ -	\$ 0.00	\$ <	\$ >	
TOT. DISTR'D INDIRECT COSTS =	\$ 128,287	\$ 1,418,913	\$ 160,914	\$ 50,747	\$ 215,870	\$ -	\$ 1,674,831	\$ 871	\$ 871	\$ 1,675,702	\$ 15,249	\$ 1,690,951	\$ -	\$ XXXXXXXXXXXX	\$ XXXXXXXXXXXX	\$ -	
TOTAL ACTUAL OPER. EXPENSES =	\$ 816,095	\$ 4,985,910	\$ 591,997	\$ 330,372	\$ 1,051,462	\$ 10,632	\$ 7,486,568	\$ 4,133	\$ 4,133	\$ 7,490,701	\$ 103,027	\$ 7,593,728	\$ 4,623	\$ 0.00	\$ 0.00	\$ 7,598,349	
II D. UNALLOWABLE COSTS																	
	\$ 64,217	\$ 68,864	\$ -	\$ 48,815	\$ 50,406	\$ -	\$ 270,392	\$ -	\$ -	\$ 270,392	\$ -	\$ 270,392	\$ 4,623	\$ XXXXXXXXXXXX	\$ XXXXXXXXXXXX	\$ 275,015	
TOT. ALLOWABLE OPER. EXP. =	\$ 751,878	\$ 4,917,046	\$ 591,997	\$ 281,557	\$ 1,001,056	\$ 10,632	\$ 7,216,176	\$ 4,133	\$ 4,133	\$ 7,220,309	\$ 103,027	\$ 7,323,336	\$ -	\$ XXXXXXXXXXXX	\$ XXXXXXXXXXXX	\$ 7,323,334	
II E. CAPITAL EXPENDITURES																	
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Schedule of State Earnings for Alcohol, Drug Abuse and Mental Health Service
For the year ended June 30, 2013

Total expenditures	\$ 7,598,349
Less:	
Other state and federal funds	(306,174)
Non-match SAMH funds	(433,571)
Unallowable costs (per 65E-14, F.A.C.)	<u>(275,015)</u>
Net allowable expenditures	<u>\$ 6,583,589</u>
Maximum available earning	<u>\$ 4,937,692</u>
Amount of state funds requiring match	<u>\$ 3,069,001</u>
Excess match	<u>\$ 1,868,691</u>

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Schedule of Revenues
For the year ended June 30, 2013

State SAMH Grants:	
Baker Act services	\$ 2,245,733
Emergency stabilization - non Baker Act	570,096
Recovery & resiliency services - adult mental health	439,684
Adult substance abuse services	950
Managing entity fee	(136,920)
	<u>3,119,543</u>
State SAMH Line of Credit	
Indigent drug program line of credit	<u>246,110</u>
Total state SAMH grants	<u>3,365,653</u>
Other government funding:	
Local government	<u>1,299,746</u>
Total other government funding	<u>1,299,746</u>
All other funding and revenues:	
Medicaid	306,174
Medicaid HMO/PSN	1,497,469
Medicare	85,928
Client fees for services, net	801,218
Interest income	31
Contributions	2,706
Other	95,397
Total non-government funding	<u>2,788,925</u>
Total all funding and revenue:	<u><u>\$ 7,454,323</u></u>

Mental Health Center of Jacksonville, Inc.
Schedule of Related Party Transaction Adjustments
for the Fiscal Year Ending 06/30/13

Allocation of Related Party Transactions Adjustment

State-Designated Cost Centers

	Related Party	Case Management	Crisis Stabilization	Crisis Support/ Emergency	Intensive Case Management	Medical Services	Total for Non-State-Funded	Non-SAMH Cost Center	Other Support Costs	Administration	Total
Revenues From Grantee											
Rent	RBHS	-	-	-	-	-	-	-	-	425	425
Rent	MHRC	-	-	-	-	-	-	-	-	3,787	3,787
Total Revenue From Grantee		-	-	-	-	-	-	-	-	4,212	4,212
Expenses Associated with Grantee Transactions											
Personnel Services	RBHS	1,622	14,774	3,154	406	10,126	203	-	2,454	-	32,739
Personnel Services	MHRC	-	10,210	-	-	-	-	-	3,292	-	13,502
Depreciation		-	-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-	-
Other	RBHS	284	5,668	313	-	325	-	-	879	75,180	82,649
Other	MHRC	226	1,281	199	80	532	-	57	614	48	3,037
Total Associated Expenses		2,132	31,933	3,666	486	10,983	203	57	7,239	75,228	131,927
Related Party Transaction Adjustment		<u>2,132</u>	<u>31,933</u>	<u>3,666</u>	<u>486</u>	<u>10,983</u>	<u>203</u>	<u>57</u>	<u>7,239</u>	<u>71,016</u>	<u>127,715</u>

RBHS - Renaissance Behavioral Health Systems, Inc.

MHRC - Mental Health Resource Center, Inc.

Mental Health Center of Jacksonville, Inc.
(a non-profit organization)
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the organization.
2. No material weaknesses or reportable conditions were identified during the audit of the financial statements.
3. Instances of noncompliance material to financial statements of the organization: none.
4. No material weaknesses or reportable conditions were identified during the audit of state projects.
5. The auditor's report on compliance for state projects expressed an unqualified opinion.
6. There were no audit findings required to be reported under the Rules of the Auditor General Section 10.656.
7. Major programs:

<u>Federal</u>	<u>None</u>
<u>State Projects</u>	CSFA No.
Baker Act	60.006

8. Dollar threshold used to distinguish between Type A and Type B state projects was \$300,000.
9. As there were no prior year audit findings related to federal programs or state projects, no Summary of Prior Audit Findings is required.
10. No Corrective Action Plan is required because there were no findings to be reported.

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major State Projects Audit

None.

Other Issues

No management letter was issued because the audit disclosed no matters required to be reported in a management letter.

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

To the Board of Directors
Mental Health Center of Jacksonville, Inc.
Jacksonville, Florida

We have audited, in accordance with the 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 Mental Health Center of Jacksonville, Inc. (a non-profit organization), which comprise the financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mental Health Center of Jacksonville, 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 an opinion on the effectiveness of Mental Health Center of Jacksonville, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 weaknesses 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mental Health Center of Jacksonville, 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ralston + Company, PA
October 24, 2013

RALSTON & COMPANY, P.A.
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Mental Health Center of Jacksonville, Inc.
Jacksonville, Florida

Report on Compliance for Each Major State project

We have audited Mental Health Center of Jacksonville, Inc.'s (a non-profit organization) compliance with the types of compliance requirements described in the Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on each of Mental Health Center of Jacksonville, Inc.'s major state projects for the year ended June 30, 2013. Mental Health Center of Jacksonville, Inc.'s major state projects are identified in the summary of auditors' 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 state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mental Health Center of Jacksonville, Inc.'s major 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 Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about Mental Health Center of Jacksonville, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of Mental Health Center of Jacksonville, Inc.'s compliance.

Opinion on Each Major State project

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

Report on Internal Control Over Compliance

Management of Mental Health Center of Jacksonville, 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 Mental Health Center of Jacksonville, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 state project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mental Health Center of Jacksonville, 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 state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state 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 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. 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 Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Ralston & Company, PA
October 24, 2013