

**Personal Enrichment through
Mental Health Services, Inc.**

**Financial Statements and
Supplementary Financial Information**

**For the Years Ended
June 30, 2013 and 2012**



Certified Public Accountants
Business Consultants
Limited Liability Company

Personal Enrichment through Mental Health Services, Inc.
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June 30, 2013 and 2012

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INDEPENDENT ACCOUNTANTS' REPORT

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
Personal Enrichment through Mental Health Services, Inc.
Pinellas Park, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Personal Enrichment through Mental Health Services, Inc. (a Florida nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Personal Enrichment through Mental Health Services, Inc. at June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in conformity 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Personal Enrichment through Mental Health Services, Inc. taken as a whole. The accompanying Schedules of State Earnings for Alcohol, Drug Abuse, and Mental Health Services; Bed Day Availability; and Related Party Transactions are presented for the purpose of additional analysis as required by the various funding agencies 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 audits of the financial statements and other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013 on our consideration of Personal Enrichment through Mental Health Services, 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 Personal Enrichment through Mental Health Services, Inc.'s internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Certified Public Accountants
November 4, 2013

FINANCIAL STATEMENTS

Personal Enrichment through Mental Health Services, Inc.

Statements of Financial Position

<i>June 30,</i>	2013	2012
Assets:		
Cash and cash equivalents	\$ 961,495	\$ 1,134,132
Restricted cash	400	700
Patient receivables, less allowance for doubtful accounts of \$150,000 and \$100,000	322,174	420,476
Purchase of service and other receivables	1,287,342	1,634,004
Prepaid expenses and other assets	389,427	350,049
Property and equipment, net	4,966,352	5,206,313
Total assets	\$ 7,927,190	\$ 8,745,674
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$ 77,542	\$ 155,968
Accrued payroll and related liabilities	301,994	538,926
Note payable	155	59,113
Capital lease obligation	319,996	268,856
Long-term debt	1,550,331	1,621,524
Total liabilities	2,250,018	2,644,387
Unrestricted net assets	5,677,172	6,101,287
Total liabilities and net assets	\$ 7,927,190	\$ 8,745,674

See accompanying Notes to Financial Statements.

Personal Enrichment through Mental Health Services, Inc.

Statements of Activities

<i>Year ending June 30,</i>	2013	2012
Revenues:		
Patient fees	\$ 48,487	\$ 189,157
Third party fees	2,490,823	3,005,256
Juvenile Welfare Board of Pinellas County	1,002,238	2,152,363
Pinellas County Board of County Commissioners	1,693,066	1,748,886
Central Florida Behavioral Health Network	6,997,539	7,140,880
Florida Department of Transportation	-	73,908
Eckerd Youth Alternatives	753,646	1,418,504
Baycare	-	100,000
Municipalities	11,764	37,843
Hillsborough Kids	-	5,060
Medicaid client fees	386,101	272,905
Other income	538,139	235,392
In-kind donations	161,984	107,286
<hr/>		
Total revenues	14,083,787	16,487,440
Expenses:		
Program services	14,422,342	16,324,711
Support services	85,560	149,639
<hr/>		
Total expenses	14,507,902	16,474,350
<hr/>		
Increase (decrease) in net assets	(424,115)	13,090
<hr/>		
Net assets at beginning of year	6,101,287	6,088,197
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Net assets at end of year	\$ 5,677,172	\$ 6,101,287
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See accompanying Notes to Financial Statements.

Personal Enrichment through Mental Health Services, Inc.

Statements of Functional Expenses

<i>Year ended June 30, 2013</i>	Program Services				
	Crisis Stabilization Adult	BNET	Outpatient Adult	Crisis Stabilization Child	Crisis Support Child
Payroll and related expenses:					
Salaries	\$ 3,020,485	\$ 314,892	\$ 6,324	\$ 708,267	\$ 84,554
Fringe Benefits	645,657	66,039	1,197	153,768	15,154
Temporary Staff	210,191	-	-	16,533	-
Total payroll and related expenses	3,876,333	380,931	7,521	878,568	99,708
Operating expenses:					
Building Occupancy	223,717	33,308	-	46,594	1,999
Professional Services	528,319	20,480	140	32,639	4,665
Travel and Transportation	2,598	18,191	-	427	89
Equipment Costs	99,228	7,614	-	28,418	1,307
Food Services	379,920	-	-	65,621	-
Medical and Pharmacy	302,782	104,390	-	36,770	12,966
Subcontracted Services	-	-	-	-	-
Insurance	125,456	10,365	-	28,373	3,386
Interest Expense	2,914	-	-	1,364	-
Fundraising Expenses	33	-	-	-	-
Operating Supplies and Expenses	896,174	26,665	-	100,322	3,933
Total operating expenses	2,561,141	221,013	140	340,528	28,345
Administration allocation	964,623	91,552	1,181	196,525	15,803
Total expenses	\$ 7,402,097	\$ 693,496	\$ 8,842	\$ 1,415,621	\$ 143,856

See accompanying Notes to Financial Statements.

Personal Enrichment through Mental Health Services, Inc.

Statements of Functional Expenses (Continued)

Year ended June 30, 2013

Program Services							
Crisis Support Adult	S/A Intervention Adult	S/A Detox Child	Outpatient Child	Residential Level II Child	Residential Level III Child	Non-SAMH Services	Total Program Services
\$ 632,314	\$ 75,997	\$ 248,962	\$ 6,326	\$ 453,230	\$ 106,368	\$ 898,990	\$ 6,556,709
137,734	15,911	48,406	1,209	94,694	22,616	191,545	1,393,930
-	-	4,923	-	-	-	-	231,647
770,048	91,908	302,291	7,535	547,924	128,984	1,090,535	8,182,286
53,160	-	13,624	-	31,199	4,257	156,850	564,708
109,945	-	9,921	6,110	1,000	20,480	21,170	754,869
999	-	200	-	1,906	5,227	42,189	71,826
21,482	-	8,386	-	7,264	3,795	36,112	213,606
-	-	15,458	-	71,397	-	400	532,796
227,528	-	10,117	14	39,696	52	23	734,338
-	-	-	-	-	-	-	-
24,721	2,638	9,142	-	15,314	3,957	35,216	258,568
-	-	422	-	-	-	-	4,700
-	-	-	-	-	-	50	83
36,871	655	22,966	115	99,103	7,236	55,930	1,249,970
474,706	3,293	90,236	6,239	266,879	45,004	347,940	4,385,464
168,334	13,372	34,884	2,077	121,698	26,668	217,875	1,854,592
\$ 1,413,088	\$ 108,573	\$ 427,411	\$ 15,851	\$ 936,501	\$ 200,656	\$ 1,656,350	\$ 14,422,342

See accompanying Notes to Financial Statements.

Personal Enrichment through Mental Health Services, Inc.

Statements of Functional Expenses (Continued)

Year ended June 30, 2013

Support Services		Total
Other Support	Administration	Grand Total
\$ 581,337	\$ 942,929	\$ 8,080,975
118,675	191,538	1,704,143
-	1,729	233,376
700,012	1,136,196	10,018,494
80,954	69,970	715,632
157	131,753	886,779
47,424	12,300	131,550
135,051	198,152	546,809
(30,792)	-	502,004
(26,317)	49	708,070
-	77,598	77,598
16,318	30,430	305,316
-	103,113	107,813
348	14,213	14,644
(912,821)	156,044	493,193
(689,678)	793,622	4,489,408
-	(1,854,592)	-
<u>\$ 10,334</u>	<u>\$ 75,226</u>	<u>\$ 14,507,902</u>

See accompanying Notes to Financial Statements.

Personal Enrichment through Mental Health Services, Inc.

Statements of Functional Expenses (Continued)

<i>Year ended June 30, 2012</i>	Program Services				
	Crisis Stabilization Adult	BNET	Outpatient Adult	Crisis Stabilization Child	Crisis Support Child
Payroll and related expenses:					
Salaries	\$ 3,158,872	\$ 301,265	\$ 3,504	\$ 755,749	\$ 61,778
Fringe Benefits	647,098	61,995	640	159,990	12,199
Temporary Staff	80,956	-	-	17,145	-
Total payroll and related expenses	3,886,926	363,260	4,144	932,884	73,977
Operating expenses:					
Building Occupancy	237,737	36,798	-	46,188	1,138
Professional Services	561,981	22,702	133	98,762	1,652
Travel and Transportation	1,511	19,185	-	245	-
Equipment Costs	66,785	5,491	-	26,387	492
Food Services	406,741	-	-	61,756	-
Medical and Pharmacy	449,732	109,692	-	64,810	12,486
Subcontracted Services	-	-	-	-	-
Insurance	83,248	6,800	3	23,459	1,638
Interest Expense	-	-	-	-	-
Fundraising Expenses	314	-	-	119	-
Operating Supplies and Expenses	865,372	34,822	-	80,272	2,218
Total operating expenses	2,673,421	235,490	136	401,998	19,624
Administration allocation	845,373	74,454	347	168,893	11,132
Total expenses	\$ 7,405,720	\$ 673,204	\$ 4,627	\$ 1,503,775	\$ 104,733

See accompanying Notes to Financial Statements.

Personal Enrichment through Mental Health Services, Inc.

Statements of Functional Expenses (Continued)

Year ended June 30, 2012

Program Services								
Crisis Support Adult	S/A Intervention Adult	S/A Detox Child	Residential Level I Child	Residential Level II Child	Residential Level III Child	Non-SAMH Services	Total Program Services	
\$ 740,678	\$ 75,915	\$ 211,169	\$ 13,532	\$ 470,971	\$ 105,448	\$ 1,761,742	\$ 7,660,623	
151,911	15,927	41,811	2,708	96,315	22,431	370,587	1,583,612	
-	-	4,898	-	-	-	-	102,999	
892,589	91,842	257,878	16,240	567,286	127,879	2,132,329	9,347,234	
64,191	-	13,196	18	31,164	2,900	317,133	750,463	
101,468	-	28,218	2,117	26,185	18,277	20,066	881,561	
294	-	70		2,396	3,721	86,640	114,062	
13,069	-	401	330	5,082	2,490	29,882	150,409	
-	-	17,645	3	74,048	23	317	560,533	
114,571	-	10,196	-	33,077	19	454	795,037	
-	-	-	-	-	-	422,328	422,328	
21,355	1,906	5,891	3	11,999	2,830	47,057	206,189	
-	-	-	-	-	-	-	-	
-	-	14	-	65	286	281	1,079	
39,959	-	22,686	347	97,577	5,653	128,167	1,277,073	
354,907	1,906	98,317	2,818	281,593	36,199	1,052,325	5,158,734	
165,812	12,388	48,255	496	111,255	21,586	358,752	1,818,743	
<u>\$ 1,413,308</u>	<u>\$ 106,136</u>	<u>\$ 404,450</u>	<u>\$ 19,554</u>	<u>\$ 960,134</u>	<u>\$ 185,664</u>	<u>\$ 3,543,406</u>	<u>\$ 16,324,711</u>	

See accompanying Notes to Financial Statements.

Personal Enrichment through Mental Health Services, Inc.

Statements of Functional Expenses (Continued)

Year ended June 30, 2012

Support Services		Total
Other Support	Administration	Grand Total
\$ 602,171	\$ 918,107	\$ 9,180,901
123,311	187,729	1,894,652
-	998	103,997
725,482	1,106,834	11,179,550
88,485	68,514	907,462
188	122,768	1,004,517
46,574	19,670	180,306
102,696	168,176	421,281
(30,487)	106	530,152
(23,724)	26	771,339
-	79,850	502,178
15,563	24,911	246,663
-	106,255	106,255
-	27,682	28,761
(877,519)	196,332	595,886
(678,224)	814,290	5,294,800
-	(1,818,743)	-
<u>\$ 47,258</u>	<u>\$ 102,381</u>	<u>\$ 16,474,350</u>

See accompanying Notes to Financial Statements.

Personal Enrichment through Mental Health Services, Inc.

Statements of Cash Flows

<i>Year ending June 30,</i>	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (424,115)	\$ 13,090
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	459,819	447,928
Estimate of uncollectibles expense	50,000	25,000
Change in operating assets and liabilities:		
Receivables	394,964	(53,174)
Prepaid expenses and other assets	(39,378)	(3,366)
Accounts payable	(78,426)	(26,346)
Accrued payroll and related liabilities	(236,932)	56,668
Net cash provided by operating activities	125,932	459,800
Cash flows from investing activities:		
Purchase of property and equipment	(46,324)	(339,718)
Proceeds from disposal of property and equipment	18,095	-
Net cash used in investing activities	(28,229)	(339,718)
Cash flows from financing activities:		
Payments on notes payable and long-term debt	(442,020)	(141,990)
Proceeds from notes payable and long-term debt	311,869	66,340
Principal payments on capital lease obligations	(140,489)	(106,780)
Cash flows used in financing activities:	(270,640)	(182,430)
Net decrease in cash, cash equivalents and restricted cash	(172,937)	(62,348)
Cash, cash equivalents and restricted cash, beginning of year	1,134,832	1,197,180
Cash, cash equivalents and restricted cash, end of year	\$ 961,895	\$ 1,134,832
Supplemental Disclosures:		
Cash paid for interest	\$ 107,813	\$ 106,255
Noncash Investing Activities:		
Assets acquired under capital lease	\$ 191,629	\$ -

See accompanying Notes to Financial Statements.

Personal Enrichment through Mental Health Services, Inc.

Notes to Financial Statements

NOTE 1 – NATURE OF OPERATIONS

Personal Enrichment through Mental Health Services, Inc. (“PEMHS”) is chartered as a Florida corporation, not-for-profit, under Chapter 617 of the Florida statutes, operating out of its facilities in Pinellas County. PEMHS provides residential mental health care and emergency mental health care to adults and children, as well as other services that focus on families, residential treatment and therapeutic services. The major source of funding for PEMHS is provided by state and local governments through performance contracts. Unless specifically restricted by the terms of a grant or contract, all funds received are considered to be available for unrestricted use.

On February 18, 2013, PEMHS entered into a Merger and Affiliation Agreement with Mental Health Care, Inc. (MHC) and Agency for Community Treatment Services, Inc. (ACTS) to create Gracepoint Management, Inc. Gracepoint Management has become the sole member of each of the constituent organizations. From and after the Closing, Gracepoint Management shall provide certain shared administrative functions and centralized coordination of the provision of services by the Gracepoint Organizations.

The effect of Affiliation on each of the organizations is as follows:

- (a) Gracepoint Management will transition into providing shared administrative functions for the Constituent Organizations (including grant-writing, medical records, human resources, billing and payables and contracting), in accordance with a schedule to be developed jointly by Gracepoint Management and each Gracepoint Organization.
- (b) Each of the Gracepoint Organizations will initially retain their separate corporate existence, with their separate assets, contracts and liabilities. None of the Gracepoint Organizations shall, by entering into this Agreement, be obligated upon any liabilities of Gracepoint or any other Gracepoint Organization.
- (c) Existing provider contracts of each of the Gracepoint Organizations will not be impaired by the affiliation contemplated by this Agreement. No provider contracts entered into prior to the Closing will be required by Gracepoint Management to be modified or renegotiated as a result of the affiliation contemplated by this Agreement. The parties contemplate that new or renewed provider contracts will generally be negotiated and entered into through Gracepoint, unless it is determined by the Gracepoint Board of Directors that such contract should be negotiated and entered into at the Constituent Organization level.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

PEMHS has followed Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 958, Not-for-Profit Entities. Under ASC 958, PEMHS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by ASC 820, PEMHS does not use fund accounting.

Personal Enrichment through Mental Health Services, Inc.

Notes to Financial Statements

NOTE 2 – 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 management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. It is at least reasonably possible that PEMHS' estimates will change in the near term.

Cash and Cash Equivalents

PEMHS considers cash on hand and amounts on deposit with financial institutions that have original maturities of three months or less to be cash and cash equivalents. The restrictions on cash are primarily limited to the purchase of children's clothing.

Patient Receivables

Patient receivables consist of amounts due from patients, Medicare, Medicaid, and third-party insurance carriers arising from program services provided in the ordinary course of business. During the year, PEMHS analyzes the patient receivables to estimate its allowance for doubtful accounts. The factors that influence management's judgment include the services provided, historical losses, existing economic conditions, and contractual agreements with payers and risk elements specific to particular service recipients. When patient receivables are considered uncollectible, they are charged off against the allowance for doubtful accounts. The allowance for doubtful accounts as of June 30, 2013 and 2012 was \$150,000 and \$100,000, respectively.

Purchase of Service and Other Receivables

Purchase of service and other receivables consist of amounts due from the Department of Children and Families; the Juvenile Welfare Board of Pinellas County; other department, county, and city grants; and fee for service contracts arising from program services provided in the ordinary course of business. When these receivables are considered uncollectible, they are charged off against the allowance for doubtful accounts.

Property and Equipment, Net

Property and equipment is stated at cost, net of accumulated depreciation. PEMHS follows the practice of capitalizing all expenditures for buildings and equipment with a unit cost in excess of \$1,000 and a useful life in excess of 2 years. Depreciation of property, plant, and equipment is computed using the straight-line method over the assets' estimated useful lives. In accordance with Florida Statutes, the state has a vested interest in the assets acquired with state funds allocated specifically for real property acquisitions for 20 years and tangible personal property acquisitions for a period of 7 years.

Personal Enrichment through Mental Health Services, Inc.

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

Capitalized costs associated with obtaining long-term financing for asset acquisitions are amortized using the straight-line method over the life of the loan obligation and are presented in property and equipment in the Statement of Financial Position. Net deferred financing costs were \$7,524 and \$4,314 at June 30, 2013 and 2012. Amortization expense for the years ended June 30, 2013 and 2012 amounted to \$4,314 and \$8,096, respectively.

Revenue Recognition

Grant funds for reimbursement type grants are deemed to be earned and reported as revenue when expenditures are incurred in compliance with specific grant requirements.

Grant funds for units of service type grants are deemed to be earned and reported as revenue when a unit of service is provided in compliance with specific grant requirements.

Amounts due from Medicaid, third-party payors and clients are deemed to be earned and reported as revenue when the service is provided. Revenue is presented on the statement of activities net of any contractual adjustments from governmental or third-party payors.

Contributed Goods and Services

During the years ended June 30, 2013 and 2012, the value of contributed goods and services, mostly composed of in-kind medication donations, amounting to \$161,984 and \$107,286, respectively, were recorded in the financial statements.

Allocation of Indirect Costs

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Salaries and other expenses that are associated with a specific program are charged directly to that program. Salaries and other expenses that benefit more than one program are allocated to the various programs based on the relative benefit provided. Administrative and other support expenses are allocated to the various programs based on a formula established by management to reflect relative benefit.

Income Taxes

PEMHS has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 and has been classified as an organization that is not a private foundation under Section 509(a).

Personal Enrichment through Mental Health Services, Inc.

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Under Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification 740, an entity's income tax returns are subject to examination by the applicable taxing authorities. The time period during which a return may be selected by a taxing authority for examination generally ends at the later of three years after the initial due date of the return or three years after the return is filed. At June 30, 2013, PEMHS' tax years that remain subject to examination are 2012, 2011, and 2010.

Reclassifications

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Capital lease obligation was segregated from Long-term debt. Net assets and changes in net assets are unchanged due to these reclassifications.

Date of Management's Review

Management has evaluated events and transactions for potential recognition or disclosure through November 4, 2013, which is the date the financial statements were available to be issued.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

<i>June 30,</i>	2013	2012
Land	\$ 1,184,645	\$ 1,184,645
Land improvements	244,008	241,098
Buildings	7,192,084	7,237,891
Leasehold Improvements	289,676	289,676
Office furniture and equipment	1,849,913	2,795,852
Vehicles	192,308	432,692
Capitalized costs	23,716	16,192
Total property and equipment	10,976,350	12,198,046
Less: accumulated depreciation and amortization	(6,009,998)	(6,991,733)
Property and equipment, net	\$ 4,966,352	\$ 5,206,313

Depreciation and amortization expense for the year ended June 30, 2013 and 2012 was \$459,819 and \$447,928, respectively.

Personal Enrichment through Mental Health Services, Inc.

Notes to Financial Statements

NOTE 4 – DEBT

Note payable and long-term debt consists of the following:

<i>Year ending June 30,</i>	2013	2012
Mortgage payable to a bank, monthly installments of \$14,184, including interest at 5.125%; due October 16, 2026; secured by real property	\$ 1,312,138	\$ 1,378,745
Mortgage payable to a bank, monthly installments of \$1,188, including interest at 6.75%; due July 29, 2014; secured by real property	138,193	142,779
Mortgage payable to the City of St. Petersburg, no payments required, mortgage forgiven on January 1, 2014 if terms and conditions of agreement are complied with; secured by real property	100,000	100,000
Note payable, insurance premium finance company; interest 7.2%; due February 28, 2012; unsecured	155	59,113
Total note payable and long-term debt	\$ 1,550,486	\$ 1,680,637

Future maturities of notes payable and long-term debt are the following:

<i>Year ending June 30,</i>	
2014	\$ 164,213
2015	64,058
2016	64,058
2017	64,058
2018	64,058
Thereafter	1,130,041
	\$ 1,550,486

Interest expense incurred for the years ended June 30, 2013 and 2012 totaled \$107,813 and \$106,255, respectively.

Personal Enrichment through Mental Health Services, Inc.

Notes to Financial Statements

NOTE 4 – DEBT (CONTINUED)

PEMHS also has a \$1.5 million line of credit with a bank. The interest rate is the prime rate plus 0.5% (3.75% at June 30, 2013 and 2012) and the line matures February 28, 2014. There was no balance outstanding at June 30, 2013 and 2012. The line is collateralized by first and second mortgages on certain real estate, assignment of rents, furniture, fixtures, equipment, and accounts receivable.

NOTE 5 – OPERATING LEASE COMMITMENTS

PEMHS has cancelable and non-cancelable operating leases for office equipment, parking lot and facilities.

Future minimum lease payments required under the operating leases at June 30, 2013 are as follows:

<i>Year ending June 30, 2013</i>		
2014	\$	89,267
2015		75,955
2016		74,050
2017		18,450
<hr/>		
Total minimum lease payments	\$	257,722

Rental expense under the operating leases for buildings and equipment incurred for the years ended June 30, 2013 and 2012 totaled \$204,771 and \$366,877, respectively.

NOTE 6 – CAPITAL LEASE COMMITMENTS

The gross amount of equipment and related accumulated depreciation recorded under these capital leases were as follows:

<i>June 30,</i>	2013	2012
Furniture & equipment	\$ 191,629	\$ -
Computer equipment & software	375,635	375,635
Less: accumulated amortization	(192,888)	(56,346)
<hr/>		
	\$ 374,376	\$ 319,289

Personal Enrichment through Mental Health Services, Inc.

Notes to Financial Statements

NOTE 6 – CAPITAL LEASE COMMITMENTS (CONTINUED)

Capital lease obligations consist of leases with CalFirst Leasing Corporation. The interest rates range from 5.62% to 6.15% and the leases mature at various dates through October 2015. The capital leases are secured by real property and CD. PEMHS acquired property and equipment under capital lease obligations of \$191,629 and \$0, during years ended June 2013 and 2012, respectively.

Future minimum payments as of June 30, 2013 are as follows:

<i>Year ending June 30, 2013</i>	
2014	\$ 225,895
2015	63,399
2016	49,425
Total minimum lease payments	338,719
Less: amount representing interest	(18,723)
Present value of lease payments	\$ 319,996

NOTE 7 – EMPLOYEE BENEFIT PLAN

Prior to December 31, 2003, PEMHS maintained a 401(k) Plan for the benefit of its employees. That plan covered substantially all of PEMHS' employees. On December 31, 2003, the PEMHS 401(k) Plan was frozen and participants were no longer able to elect to contribute funds to the plan.

On January 1, 2004, PEMHS adopted a 403(b) Plan for the benefit of its employees. The Plan provides coverage for all employees and employees are able to participate upon employment. Matching contributions to the Plan are provided to all participants at a rate equal to 50 percent of the elective deferrals of each employee who is eligible for employer contributions. An employee's elective deferrals in excess of 6 percent of the employee's compensation shall not be considered for purposes of the employer match. Pension expense for the years ended June 30, 2013 and 2012 was \$65,037 and \$76,784, respectively.

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

PEMHS maintains cash and cash equivalent balances in one financial institution, which at times throughout the year may exceed the FDIC insured limits.

Personal Enrichment through Mental Health Services, Inc.

Notes to Financial Statements

NOTE 9 – SUPPORT FROM THE STATE OF FLORIDA THAT REQUIRED MATCH

PEMHS received a substantial portion of its support from the State of Florida under a grant contract with the Department of Children & Families. This contract must be renegotiated annually. Although a maximum amount is established during the negotiation process, income is earned on a reimbursement basis; that is, income can be earned only to the extent of eligible expenses incurred. The contract has a match requirement for certain Community Mental Health Services. This matching requirement had been met as of June 30, 2013.

NOTE 10 – MAJOR FUNDING SOURCES

PEMHS is heavily dependent on continued financing from the State of Florida Department of Children & Families (“DCF”). It is possible that there will be some reduction in the level of funding for some or all of PEMHS’ programs. However, it is management’s opinion that acute care mental health facilities are among the highest funding priorities of the above-mentioned agencies and any reductions in funding can be absorbed through the curtailment of program services.

During the year ended June 30, 2013 and 2012, PEMHS received approximately 50% and 43% of its total revenues from the DCF, 12% and 10% from Pinellas County Board of Commissioners, 7% and 13% from Pinellas County Juvenile Welfare Board, and 5% and 8% from Eckerd Youth Alternatives, respectively. Those same funding sources also accounted for approximately 74% and 73% of the total patient, purchase of service, and other accounts receivable of PEMHS at June 30, 2013 and 2012, respectively.

PEMHS has earned the required match from all funding sources.

NOTE 11 – SUBSEQUENT EVENTS

On August 19, 2013 PEMHS was advised by Pinellas County officials that Pinellas County had decided not to renew the contract with PEMHS for Baker Act match funds totaling \$1,693,066. The contract was due to expire on September 30, 2013 and had been renewed without exception for 32 years, since the inception of the agency. Officials informed PEMHS staff that this change was the result of an interpretation of the Baker Act law written by Florida Attorney General Pam Bondi and a review of the PEMHS audit which county staff interpreted as indicating that PEMHS had other sources of match available.

PEMHS has taken the position that Pinellas County is incorrect in both the interpretation of the law and in its conclusion that match funds for these services are available from other sources. In addition, PEMHS staff advised Pinellas County officials that the loss of funds would force the agency to reduce services that were supported by county funding, specifically, the agency would have to close its Crisis Stabilization Unit in St. Petersburg.

Subsequent meetings with Pinellas County Commissioners and staff have resulted in a contract extension until December 31, 2013. There is an indication that the County Commission will review the status of the funding of these services in early December.

SUPPLEMENTARY INFORMATION

**Personal Enrichment through Mental Health Services, Inc.
 Schedule of State Earnings for Alcohol, Drug Abuse, and
 Mental Health Services
 Year Ending June 30, 2013**

1	Total Expenditures	\$ 14,507,902
2	Less other State and Federal Funds	(1,220,162)
3	Less Non-Match SAMH Funds	(1,090,318)
4	Less Unallowable Costs	(1,854,960)
5	Less Unallowable Patient Fees	-
<hr/>		
6	Net Allowable Expenditures (Sum of lines 1,2,3,4, and 5)	10,342,462
<hr/>		
7	Maximum Available Earnings (Line 6 times 75%)	7,756,847
8	Amount of State Funds Received (Total of Invoices Paid and submitted to be paid less line 3.)	5,996,570
<hr/>		
9	Amount Due to Department (Subtract line 8 from line 7. If negative, the amount of the difference is due the department up to the amount of line 8.)	\$ -
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**Personal Enrichment through Mental Health Services, Inc.
 Schedule of Bed Day Availability
 Year Ending June 30, 2013**

Program	Cost Center	State Contracted Rate	Total Units of Service Provided	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)
A	B	C	D	E	F	G	H	I
Children's MH	Crisis Stabilization Unit	\$ 291	4,639	\$ 1,902	2,737	\$ 797,243	\$ 797,124	\$ -
Adult MH	Crisis Stabilization Unit	291	24,655	7,611	17,044	4,145,745	4,963,895	-
Children's SA	Substance Abuse Detox	291	1,460	5	1,455	417,945	423,754	-
Total Amount Owed to Department = \$								-

**Personal Enrichment through Mental Health Services, Inc.
Schedule of Expenditures of Federal and State Awards**

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Expenditures
FEDERAL AGENCY NAME			
DEPARTMENT OF HEALTH & HUMAN SERVICES ADMINISTRATION FOR CHILDREN & FAMILIES Passed through State of Florida			
EYA - ERT/FRT	93.556*	ECA-DFP-PEM-FY13	\$ 141,477
EYA - ERT/FRT	93.558	ECA-DFP-PEM-FY13	15,222
EYA - FRT/ERT	93.645	ECA-DFP-PEM-FY13	1,801
EYA - FRT/ERT	93.658	ECA-DFP-PEM-FY13	58,177
EYA - FRT/ERT	93.659	ECA-DFP-PEM-FY13	4,243
EYA - FRT/ERT	93.667	ECA-DFP-PEM-FY13	136,677
Central FL BHN - BNET	93.767	CF652-1008	603,000
Central FL BHN - ES	93.958*	CF652-1008	352,372
Central FL BHN - S/A	93.959	CF652-1008	229,670
TOTAL FEDERAL ASSISTANCE			1,542,639
STATE AGENCY NAME			
STATE OF FLORIDA DEPARTMENT OF CHILDREN & FAMILIES			
SAMH Services - Children's Mental Health	60.001	CF652-1008	462,296
SAMH Services - Adult Mental Health	60.006*	CF652-1008	3,422,496
SAMH Services - Adult Mental Health	60.061	CF652-1008	304,832
Central FL BHN - S/A	60.033	CF652-1008	44,027
EYA - Community Based Care Supports	60.094*	ECA-DFP-PEM-FY13	505,155
TOTAL STATE FINANCIAL ASSISTANCE			4,738,806
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			\$ 6,281,445

NOTE 1: This schedule is prepared on the accrual basis of accounting.

NOTE 2: Federal and state expenditures represent the fiscal year ended June 30, 2013, only.

* Denotes major programs/projects

Personal Enrichment through Mental Health Services, Inc. Schedule of Findings and Questioned Costs

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Personal Enrichment through Mental Health Services, Inc.
2. No material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Personal Enrichment through Mental Health Services, Inc. were disclosed.
4. No material weaknesses were disclosed during the audit of the major federal award programs and state financial assistance projects.
5. The auditor's report on compliance for the major federal award programs and state financial assistance projects for Personal Enrichment through Mental Health Services, Inc. expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs and state financial assistance projects for Personal Enrichment through Mental Health Services, Inc. to be reported in Part C of this Schedule.
7. The programs/projects tested as major programs/projects were as follows:

CFDA/CSFA #

Name of Program/Project

Federal Programs

U.S. Department of Health and Human Services

Passed through the Florida Department of Children and Families:

93.958 Adult Community Mental Health Support Services

93.556 Promoting Safe and Stable Families

State Projects

State of Florida Department of Children and Families

60.006 Baker Act

60.094 Community Based Care Supports

8. The threshold for distinguishing Types A and B programs was \$300,000 for major federal awards programs and \$300,000 for Florida State financial assistance projects.
9. Personal Enrichment through Mental Health Services, Inc. was determined to be a low-risk auditee for purposes of the major federal programs and state awards projects.

**Personal Enrichment through Mental Health Services, Inc.
Schedule of Findings and Questioned Costs**

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Award Program and Major State Project Awards Audit

None

D. Other Issues

No management letter issued during the current year.

E. Prior Year Findings and Questioned Costs

None for Major Federal Award Programs

None for Florida State Financial Assistance Projects

**REPORT IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND CHAPTER 10.650**

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

Board of Directors
Personal Enrichment through Mental Health Services, Inc.
Pinellas Park, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the Personal Enrichment through Mental Health Services, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on Personal Enrichment Through Mental Health Services, Inc.'s major federal programs and state projects for the year ended June 30, 2013. Personal Enrichment through Mental Health Services, 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 Personal Enrichment through Mental Health Services, 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 (cite 10.550 or 10.650, as applicable), Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter (cite 10.550 or 10.650, as applicable), 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 Personal Enrichment through Mental Health Services, 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 Federal program and State project. However, our audit does not provide a legal determination of Personal Enrichment through Mental Health Services, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Personal Enrichment through Mental Health Services, 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 the Personal Enrichment through Mental Health Services, 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 the Personal Enrichment through Mental Health Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program or 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 (cite 10.550 or 10.650, as applicable), Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Personal Enrichment through Mental Health Services, 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 as combination of deficiencies, in internal control over compliance with the 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. 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 results of that testing based on the requirements of OMB Circular A-133, and Chapter (cite 10.550 or 10.650, as applicable), Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Certified Public Accountants
November 4, 2013

**REPORT IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

Board of Directors
Personal Enrichment through Mental Health Services, Inc.
Pinellas Park, 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 Personal Enrichment through Mental Health Services, Inc. (a nonprofit organization), which comprise the statement of 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 November 4, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Personal Enrichment through Mental Health Services, 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 Personal Enrichment through Mental Health Services, 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 Personal Enrichment through Mental Health Services, 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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Certified Public Accountants
November 4, 2013