

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

**COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

June 30, 2013

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
June 30, 2013

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

FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

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

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of South County Mental Health Center, Inc. (the "Center") and South County Foundation For Mental Health, Inc. (the "Foundation") (both not-for-profit organizations), and collectively referred to as the "Organization," which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these combined 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 auditors' 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 combined financial statements referred to in the first paragraph present fairly, in all material respects, the combined financial position of the Organization as of June 30, 2013, and the changes in its net assets and its cash flows for the year 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 combined financial statements as a whole. The accompanying schedule of expenditures of Federal awards and state financial assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act, is presented for purposes of additional analysis and is not a required part of the financial statements. Further, the schedules of program/cost center actual expenses and revenues, state earnings, and bed-day availability payments are also presented for purposes of additional analysis and are not a required part of the 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. This supplemental 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 December 11, 2013, on our consideration of South County Mental Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
December 11, 2013

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2013
(with comparative totals as of June 30, 2012)

A S S E T S

| | <u>The Center</u> | <u>The Foundation</u> | <u>2013</u> | <u>2012</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| ASSETS: | | | | |
| Cash and cash equivalents (includes \$ 40,083 of Center's client funds) | \$ 284,374 | \$ 696,298 | \$ 980,672 | \$ 902,757 |
| Investments | - | 85,027 | 85,027 | 86,194 |
| Due from contracting agencies | 1,005,359 | - | 1,005,359 | 1,303,470 |
| Accounts receivable: | | | | |
| Consumers | - | - | - | - |
| Third parties | 798,399 | - | 798,399 | 671,553 |
| Inventories | 2,197,938 | - | 2,197,938 | 1,987,495 |
| Prepaid expenses | 278,018 | - | 278,018 | 274,133 |
| Property and equipment, less accumulated depreciation of \$ 2,013,382 for the Center and \$ 2,674,420 for the Foundation | 560,955 | 3,263,920 | 3,824,875 | 3,997,147 |
| Deposits and other assets | <u>210</u> | <u>55,531</u> | <u>55,741</u> | <u>59,984</u> |
| | | | | |
| Total assets | \$ <u><u>5,125,253</u></u> | \$ <u><u>4,100,776</u></u> | \$ <u><u>9,226,029</u></u> | \$ <u><u>9,282,733</u></u> |

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2013
(with comparative totals as of June 30, 2012)

LIABILITIES AND NET ASSETS

| | <u>The Center</u> | <u>The Foundation</u> | <u>2013</u> | <u>2012</u> |
|--|-----------------------|---------------------------|---------------------|---------------------|
| LIABILITIES: | | | | |
| Accounts payable | \$ 502,809 | \$ - | \$ 502,809 | \$ 406,457 |
| Accrued expenses | 445,362 | 4,602 | 449,964 | 527,138 |
| Accrued employee benefits | 422,548 | - | 422,548 | 446,333 |
| Debt | 175,547 | 1,917,180 | 2,092,727 | 2,016,641 |
| Deferred revenues | 20,000 | - | 20,000 | - |
| Intercompany loan balances | <u>2,614,867</u> | <u>(2,614,867)</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>4,181,133</u> | <u>(693,085)</u> | <u>3,488,048</u> | <u>3,396,569</u> |
| COMMITMENTS AND CONTINGENCIES (Notes 6, 7, 11 and 12) | | | | |
| | - | - | - | - |
| NET ASSETS: | | | | |
| Unrestricted - designated | - | 4,793,861 | 4,793,861 | 4,751,255 |
| Unrestricted - undesignated | <u>944,120</u> | <u>-</u> | <u>944,120</u> | <u>1,134,909</u> |
| Total net assets | <u>944,120</u> | <u>4,793,861</u> | <u>5,737,981</u> | <u>5,886,164</u> |
| Total liabilities and net assets | <u>\$ 5,125,253</u> | <u>\$ 4,100,776</u> | <u>\$ 9,226,029</u> | <u>\$ 9,282,733</u> |

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

| | <u>The Center</u> | <u>The Foundation</u> | <u>2013</u> | <u>2012</u> |
|---|-----------------------|---------------------------|---------------------|---------------------|
| CHANGE IN UNRESTRICTED NET ASSETS: | | | | |
| Operating revenues: | | | | |
| Grants and contracts for | | | | |
| Center operations | \$ 6,990,525 | \$ - | \$ 6,990,525 | \$ 7,221,476 |
| Net consumer service revenue | 5,786,682 | - | 5,786,682 | 5,860,042 |
| Contributions of donated goods and services | 2,373,070 | - | 2,373,070 | 2,510,177 |
| Contributions, public support | - | 34,429 | 34,429 | 114,225 |
| Other revenues | 79,380 | - | 79,380 | 121,026 |
| | <u>15,229,657</u> | <u>34,429</u> | <u>15,264,086</u> | <u>15,826,946</u> |
| Total operating revenues | | | | |
| Operating expenses: | | | | |
| Operating expenses | 14,714,790 | 48,545 | 14,763,335 | 14,881,885 |
| Provision for depreciation | 157,627 | 141,010 | 298,637 | 387,841 |
| Interest expense | 5,449 | 109,976 | 115,425 | 115,994 |
| Donated services | 264,295 | 637 | 264,932 | 225,278 |
| Provision for amortization | - | 4,243 | 4,243 | 4,243 |
| | <u>15,142,161</u> | <u>304,411</u> | <u>15,446,572</u> | <u>15,615,241</u> |
| Total operating expenses | | | | |
| Excess (deficiency) of operating revenues over operating expenses | <u>87,496</u> | <u>(269,982)</u> | <u>(182,486)</u> | <u>211,705</u> |
| Nonoperating revenues (expenses): | | | | |
| Investment income | 359 | 33,944 | 34,303 | 29,008 |
| Intercompany rental income (expense) | <u>(278,644)</u> | <u>278,644</u> | <u>-</u> | <u>-</u> |
| Total nonoperating revenues (expenses) | <u>(278,285)</u> | <u>312,588</u> | <u>34,303</u> | <u>29,008</u> |
| Change in net assets | (190,789) | 42,606 | (148,183) | 240,713 |
| NET ASSETS, July 1 | <u>1,134,909</u> | <u>4,751,255</u> | <u>5,886,164</u> | <u>5,645,451</u> |
| NET ASSETS, June 30 | <u>\$ 944,120</u> | <u>\$ 4,793,861</u> | <u>\$ 5,737,981</u> | <u>\$ 5,886,164</u> |

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

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

For the Year Ended June 30, 2013

(with comparative totals for the year ended June 30, 2012)

| | Program Services | | | | Supporting Services | | | Total Support Services (Credit) |
|---|---------------------|-----------------------|--------------------------|------------------------|---------------------|------------------------|---------------------|---------------------------------|
| | Adult Mental Health | Adult Substance Abuse | Children's Mental Health | Total Program Services | Pharmacy | Other Support (Credit) | Administration | |
| PERSONNEL EXPENSES: | | | | | | | | |
| Salaries | \$ 5,000,051 | \$ 30,997 | \$ 428,785 | \$ 5,459,833 | \$ 175,660 | \$ 871,207 | \$ 743,460 | \$ 1,790,327 |
| Fringe benefits | 787,366 | 4,650 | 68,267 | 860,283 | 21,768 | 182,495 | 148,965 | 353,228 |
| Total personnel expenses | <u>5,787,417</u> | <u>35,647</u> | <u>497,052</u> | <u>6,320,116</u> | <u>197,428</u> | <u>1,053,702</u> | <u>892,425</u> | <u>2,143,555</u> |
| OTHER EXPENSES: | | | | | | | | |
| Medical and pharmacy | 745,649 | - | 6,235 | 751,884 | 3,481,956 | - | - | 3,481,956 |
| Insurance | 322,869 | 1,157 | 31,366 | 355,392 | 8,151 | 82,484 | 35,716 | 126,351 |
| Professional services | 202,187 | 6,147 | 16,521 | 224,855 | 27,770 | 11,982 | 132,223 | 171,975 |
| Building occupancy costs | 434,164 | 2,106 | 16,732 | 453,002 | 6,989 | 77,297 | 102,494 | 186,780 |
| Other, including provisions for depreciation and amortization | 377,968 | 2,260 | 8,441 | 388,669 | 1,835 | 13,409 | 59,594 | 74,838 |
| Operating supplies and expenses | 208,271 | 606 | 41,247 | 250,124 | 8,851 | 70,669 | 45,766 | 125,286 |
| Food costs and allocation of food services | 460,502 | - | 6,240 | 466,742 | - | (216,435) | 286 | (216,149) |
| Equipment costs | 54,720 | 54 | 1,180 | 55,954 | 1,884 | 13,960 | 10,789 | 26,633 |
| Travel | 18,819 | 19 | 3,187 | 22,025 | - | 3,438 | 1,930 | 5,368 |
| Interest expense | - | - | - | - | - | - | 5,449 | 5,449 |
| Total other expenses | <u>2,825,149</u> | <u>12,349</u> | <u>131,149</u> | <u>2,968,647</u> | <u>3,537,436</u> | <u>56,804</u> | <u>394,247</u> | <u>3,988,487</u> |
| Total operating expenses before adjustments for intercompany transactions | \$ <u>8,612,566</u> | \$ <u>47,996</u> | \$ <u>628,201</u> | \$ <u>9,288,763</u> | \$ <u>3,734,864</u> | \$ <u>1,110,506</u> | \$ <u>1,286,672</u> | \$ <u>6,132,042</u> |

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

(continued)

For the Year Ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

| | The Center | The Foundation | Total 2013 | Total 2012 |
|---|----------------------|-------------------|----------------------|----------------------|
| PERSONNEL EXPENSES: | | | | |
| Salaries | \$ 7,250,160 | \$ - | \$ 7,250,160 | \$ 7,311,921 |
| Fringe benefits | <u>1,213,511</u> | <u>-</u> | <u>1,213,511</u> | <u>1,224,896</u> |
| Total personnel expenses | <u>8,463,671</u> | <u>-</u> | <u>8,463,671</u> | <u>8,536,817</u> |
| OTHER EXPENSES: | | | | |
| Medical and pharmacy | 4,233,840 | - | 4,233,840 | 4,306,523 |
| Insurance | 481,743 | - | 481,743 | 409,705 |
| Professional services | 396,830 | - | 396,830 | 442,001 |
| Building occupancy costs | 639,782 | - | 639,782 | 613,859 |
| Other, including provisions for depreciation and amortization | 463,507 | 194,435 | 657,942 | 710,386 |
| Operating supplies and expenses | <u>375,410</u> | <u>-</u> | <u>375,410</u> | <u>363,154</u> |
| Food costs and allocation of food services | 250,593 | - | 250,593 | 242,234 |
| Equipment costs | 82,587 | - | 82,587 | 96,138 |
| Travel | 27,393 | - | 27,393 | 55,660 |
| Interest expense | <u>5,449</u> | <u>109,976</u> | <u>115,425</u> | <u>115,994</u> |
| Total other expenses | <u>6,957,134</u> | <u>304,411</u> | <u>7,261,545</u> | <u>7,355,654</u> |
| Total operating expenses before adjustments for intercompany transactions | <u>\$ 15,420,805</u> | <u>\$ 304,411</u> | <u>15,725,216</u> | <u>15,892,471</u> |
| Less: Adjustment for intercompany rental income (expense) | | | <u>(278,644)</u> | <u>(277,230)</u> |
| Total expenses | <u>\$ 15,446,572</u> | <u>\$ -</u> | <u>\$ 15,446,572</u> | <u>\$ 15,615,241</u> |

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
COMBINED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

| | <u>The Center</u> | <u>The Foundation</u> | <u>2013</u> | <u>2012</u> |
|--|-----------------------|---------------------------|---------------|--------------|
| CASH FLOWS FROM OPERATING AND NONOPERATING ACTIVITIES: | | | | |
| Change in net assets | \$ (190,789) | \$ 42,606 | \$ (148,183) | \$ 240,713 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating and nonoperating activities: | | | | |
| Provision for depreciation | 157,627 | 141,010 | 298,637 | 387,841 |
| Provision for amortization | - | 4,243 | 4,243 | 4,243 |
| Gain on disposition of property and equipment | (1,000) | - | (1,000) | (1,000) |
| Grants for property and equipment | - | - | - | (20,504) |
| Contribution of investments | - | - | - | (75,031) |
| Unrealized/realized (gains) | - | (31,024) | (31,024) | (26,166) |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in due from contracting agencies | 298,111 | - | 298,111 | (231,310) |
| (Increase) decrease in accounts receivable | (126,846) | - | (126,846) | (21,186) |
| (Increase) decrease in inventories | (210,443) | - | (210,443) | (331,169) |
| (Increase) decrease in prepaid expenses | (3,885) | - | (3,885) | 19,297 |
| (Increase) decrease in deposits and other assets | - | - | - | 3,190 |
| Increase (decrease) in accounts payable | 96,352 | - | 96,352 | 6,346 |
| Increase (decrease) in accrued expenses | (78,756) | 1,582 | (77,174) | 89,837 |
| Increase (decrease) in accrued employee benefits | (23,785) | - | (23,785) | (40,069) |
| Increase (decrease) in deferred revenues | 20,000 | - | 20,000 | - |
| | <u>20,000</u> | <u>-</u> | <u>20,000</u> | <u>-</u> |
| Net cash provided by (used in) operating and nonoperating activities | <u>(63,414)</u> | <u>158,417</u> | <u>95,003</u> | <u>5,032</u> |

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

For the Year Ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

| | <u>The Center</u> | <u>The Foundation</u> | <u>2013</u> | <u>2012</u> |
|--|-----------------------|---------------------------|--------------------|--------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Payments for purchases of property and equipment | (126,365) | - | (126,365) | (96,694) |
| Proceeds from disposition of property and equipment | 1,000 | - | 1,000 | 1,000 |
| | <u>(125,365)</u> | <u>-</u> | <u>(125,365)</u> | <u>(95,694)</u> |
| Net cash used in investing activities | | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Proceeds from borrowings | 249,307 | 1,000,000 | 1,249,307 | 1,038,225 |
| Proceeds from sales of investments, net | - | 32,191 | 32,191 | 15,003 |
| Advances (to) from related party | 238,647 | (238,647) | - | - |
| Principal payments on debt * | <u>(241,545)</u> | <u>(931,676)</u> | <u>(1,173,221)</u> | <u>(1,071,945)</u> |
| | <u>246,409</u> | <u>(138,132)</u> | <u>108,277</u> | <u>(18,717)</u> |
| Net cash provided by (used in) financing activities | | | | |
| Net increase (decrease) in cash and cash equivalents | 57,630 | 20,285 | 77,915 | (109,379) |
| CASH AND CASH EQUIVALENTS, July 1 | <u>226,744</u> | <u>676,013</u> | <u>902,757</u> | <u>1,012,136</u> |
| CASH AND CASH EQUIVALENTS, June 30 | <u>\$ 284,374</u> | <u>\$ 696,298</u> | <u>\$ 980,672</u> | <u>\$ 902,757</u> |

* Amount includes payments on the installment loans in connection with the insurance policies of the Center, paydowns on the revolving line of credit and the mortgage note payable of the Foundation.

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - ORGANIZATION AND OPERATIONS

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The combined financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. Under ASC No. 958, the Center and the Foundation are required to report information regarding their financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Neither the Center nor the Foundation had any temporarily or permanently restricted net assets at June 30, 2013.

Summarized prior year information:

The combined financial statements include summarized comparative information from the prior year which is not presented by net asset type and functional expense classification and does not include sufficient detail to conform with accounting principles generally accepted in the United States of America. This report should be read in conjunction with the Center's and the Foundation's audited combined financial statements for the year ended June 30, 2012, from which the comparative information was extracted.

Restricted and unrestricted revenue and support:

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and cash equivalents:

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

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses in fair value are included in the accompanying statement of activities.

Accounts receivable:

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

The Center has established an administrative formula whereby the consumers are expected to pay amounts based upon their individual financial ability. Based on past experience, the Center believes if these amounts are not collected at the time of service there is little likelihood of future collection. Accordingly, the full amount of accounts receivable from consumers has been reserved at June 30, 2013.

During the year ended June 30, 2013, the gross revenue from consumer service at established rates was \$ 17,345,136 for the Center. Consumer service revenue is presented net of a provision for uncollectible accounts, contractual adjustments and ability to pay adjustments in the accompanying combined financial statements.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Neither the Center nor the Foundation had any unconditional or conditional promises to give at June 30, 2013.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories:

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

Property and equipment:

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

| | |
|---------------------------------|------------|
| Buildings and improvements | 5-40 years |
| Leasehold improvements | 5-35 years |
| Furniture and equipment | 4-20 years |
| Computer equipment and software | 5-10 years |
| Vehicles | 5 years |

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

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

Amortization of loan costs:

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

Deferred revenue:

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

Grant and contract revenue:

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated goods and services:

The Center and the Foundation receive donated goods and services, paying for most services requiring specific expertise. A number of volunteers have donated their time in various Center program service areas and in the Foundation's efforts to solicit charitable contributions. When the value of donated services requires specific expertise, they are recorded in the combined financial statements as revenues and expenses. For the year ended June 30, 2013, the Center recorded \$ 258,815 in donated services which related to various clinical and other program related costs and \$ 5,480 in donated professional services (administrative). During the year ended June 30, 2013, the value of contributed services meeting requirements for recognition in the Foundation's financial statements was approximately \$ 600. Donated goods are recorded as contributions and a corresponding expense at their estimated fair value at the date of donation. For the year ended June 30, 2013, the Center recorded \$ 2,108,775 in such donations, consisting principally of drugs which are included in inventories or in medical and pharmacy expense in various Center programs.

Functional expenses:

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

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

Use of estimates:

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

Date of management review:

Subsequent events were evaluated by management through December 11, 2013, which is the date the financial statements were available for issuance.

NOTE 3 - INVESTMENTS

Investments reported on the statement of financial position are in a managed account that requires the approval of a member of the Executive Committee of the Board of Directors before any expenditure can be made from the account.

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – INVESTMENTS (continued)

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

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

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

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement. The input or methodology used for valuing securities is not necessarily an indicator of risk associated with investing in those securities. At June 30, 2013, the fair value of investments by type was as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------|------------------|----------------|----------------|------------------|
| INVESTMENT TYPE: | | | | |
| Cash and cash equivalents | \$ - | \$ 894 | \$ - | \$ 894 |
| Equity securities | <u>84,133</u> | <u>-</u> | <u>-</u> | <u>84,133</u> |
| | <u>\$ 84,133</u> | <u>\$ 894</u> | <u>\$ -</u> | <u>\$ 85,027</u> |

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

| | |
|--|------------------|
| Realized/unrealized gain on investments | \$ 31,024 |
| Interest and dividend income | 3,297 |
| Investment fees and charges | <u>(18)</u> |
| Total | <u>\$ 34,303</u> |

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 - PROPERTY AND EQUIPMENT

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

| | <u>The Center</u> | <u>The Foundation</u> | <u>Total</u> |
|---------------------------------|-----------------------|---------------------------|---------------------|
| Building and improvements | \$ - | \$ 4,900,494 | \$ 4,900,494 |
| Leasehold improvements | 1,199,580 | - | 1,199,580 |
| Furniture and equipment | 594,814 | 82,796 | 677,610 |
| Computer equipment and software | 531,294 | 56,953 | 588,247 |
| Vehicles | 248,649 | - | 248,649 |
| | <u>2,574,337</u> | <u>5,040,243</u> | <u>7,614,580</u> |
| Less accumulated depreciation | <u>2,013,382</u> | <u>2,674,420</u> | <u>4,687,802</u> |
| | 560,955 | 2,365,823 | 2,926,778 |
| Land | <u>-</u> | <u>898,097</u> | <u>898,097</u> |
| | <u>\$ 560,955</u> | <u>\$ 3,263,920</u> | <u>\$ 3,824,875</u> |

NOTE 5 - DEBT

Debt at June 30, 2013 is as follows:

| | <u>The Center</u> | <u>The Foundation</u> | <u>Total</u> |
|--|-----------------------|---------------------------|--------------|
| Mortgage note payable to a bank in monthly installments of \$ 10,886 including interest at a fixed rate of 6.06% through July 2025, at which time a balloon principal payment of approximately \$ 1,015,000 plus accrued interest will be due. This obligation has been guaranteed by the Center and is collateralized by all property and equipment currently owned and subsequently acquired by the Foundation and the Center. Further, this mortgage note is cross-collateralized and cross-defaulted with the revolving line of credit discussed on the next page. In addition, this mortgage note is subject to prepayment penalties during its first five years. | \$ -- | \$ 1,593,147 | \$ 1,593,147 |

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 – DEBT (continued)

| | The Center | The Foundation | Total |
|--|---------------|-------------------|--------------|
| <p>\$ 750,000 revolving line of credit payable to a bank in interest only installments at a variable rate per annum equal to the greater of the prime rate or 200 basis points in excess of the one-month London Interbank Market (LIBOR) (3.25% at June 30, 2013) and is due on demand. This line of credit has been guaranteed by the Center and is collateralized by all property and equipment currently owned and subsequently acquired by the Foundation and the Center. Further, this revolving facility is cross-collateralized and cross-defaulted with the mortgage note discussed on the previous page.</p> | -- | 324,033 | 324,033 |
| <p>Installment loan in connection with insurance premiums, payable in monthly installments of \$ 25,477 including interest at a fixed rate of 4.75% through February 2014. This obligation is collateralized by unexpired insurance premiums.</p> | 175,547 | -- | 175,547 |
| | \$ 175,547 | \$ 1,917,180 | \$ 2,092,727 |

Estimated future debt principal payments in the aggregate are approximately as follows:

| Year Ending June 30, | The Center | The Foundation | Total |
|-------------------------|---------------|-------------------|--------------|
| 2014 | \$ 175,600 | \$ 357,700 | \$ 533,300 |
| 2015 | - | 35,800 | 35,800 |
| 2016 | - | 37,800 | 37,800 |
| 2017 | - | 40,500 | 40,500 |
| 2018 | - | 43,000 | 43,000 |
| Thereafter | - | 1,402,400 | 1,402,400 |
| | \$ 175,600 | \$ 1,917,200 | \$ 2,092,800 |

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 – DEBT (continued)

The loan agreements relating to the financial arrangements discussed in this section (Foundation) require certain restrictive covenants, including, but not limited to, the following: \$ 500,000 minimum liquidity; maintaining a ratio of (i) net income from operations plus depreciation/amortization and interest expense, to (ii) total interest expense and total current maturities of long-term debt of at least 1.25 to 1.00; continuation of a Center’s third party accreditation; financial reporting; and on-going grant agreements between the Center and both the State of Florida Department of Children and Families and Palm Beach County. At June 30, 2013, both the Center (as guarantor) and the Foundation were in compliance with these requirements.

NOTE 6 - GRANTS AND CONTRACTS FOR CENTER OPERATIONS

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

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

Matching requirements fulfilled were as follows:

| <u>Grantor</u> | <u>Year</u> | <u>Contract Number</u> | <u>Matching Requirement</u> |
|---|-------------|----------------------------|---------------------------------|
| State of Florida Department of Children and Families | 2013 | IH-606 | \$ <u>1,435,077</u> |

The Center receives financial assistance from Federal, state and local governmental agencies in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. As a result of such audits, the grantor agency may require that amounts be returned. In certain instances, the grantor agency may increase its grant of funds to the Center to offset amounts which would otherwise be repayable based on audits. As of June 30, 2013, the Center had no amounts required to be returned as a result of such audits.

In accordance with the Federal OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Florida Single Audit Act, the Center is required to perform “single audits” when the required threshold of \$ 500,000 in grant expenditures from either source is exceeded. The Center has grant revenue for the year ended June 30, 2013 from the following governmental agencies that was not subject to the single audit requirements:

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013

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

| Grantor | Contract Number | Amount |
|---|--------------------|--------------|
| LOCAL FINANCIAL ASSISTANCE: | | |
| Palm Beach County: | | |
| Financially Assisted Agency Program | R2012-1507 | \$ 1,115,260 |
| | R2011-1996 | 371,510 |
| Total expenditures of local financial assistance | | \$ 1,486,770 |
| OTHER STATE FUNDING: | | |
| State of Florida Department of Children and Families: | | |
| Maintenance of Effort (MOE) | IH-606 | \$ 631,050 |
| Passed through Southeast Florida Behavioral Health Network, Inc. - | | |
| Maintenance of Effort (MOE) | IH-606 | 1,909,151 |
| Total expenditures of other state funding | | \$ 2,540,201 |

NOTE 7 - COMMITMENTS

Lease agreement:

The Center leases its facilities from a related party, South County Foundation For Mental Health, Inc. (the "Foundation"). The lease has a forty year term and provides for monthly rent totaling an amount estimated to equal to the costs of ownership, including depreciation, plus all amounts due under the terms of the outstanding debt of the Foundation (Note 5). During the year, the Center paid the Foundation approximately \$ 278,600. The financial balances and transactions of this intercompany lease have been eliminated on a combined basis.

Employment contract:

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

**SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Center previously established an employee savings plan under the Internal Revenue Code §401(k). Generally, this plan covers all qualified employees who are age eighteen or older and have one year of service (1,000 hours). The eligible participants are permitted to contribute up to \$ 17,500 of their compensation, subject to certain statutory limitations. Eligible participants over 50 years of age may contribute up to an additional \$ 5,500. The plan provides for discretionary matching contributions to be determined annually by the Center's Board of Directors. During the year ended June 30, 2013, the Center matched 100% of participants' contributions which could not exceed 5% of the participants' compensation for the plan year. The employee savings plan expense for the year ended June 30, 2013 was approximately \$ 122,200.

NOTE 9 - UNRESTRICTED NET ASSETS

The unrestricted net assets of the Foundation, totaling \$ 4,793,861, have been designated by the Foundation's governing board for the construction and/or acquisition and maintenance of mental health and substance abuse facilities.

NOTE 10 - INCOME TAXES

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

NOTE 11 - CONTINGENCIES

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

The Center has workers compensation policies, retrospective rating plan incurred loss, in which the Center may be liable for claims up to certain amounts. At June 30, 2013, there were outstanding claims, of which additional expenses may be incurred by the Center. Management has estimated and accrued approximately \$ 3,000 for open outstanding claims as of June 30, 2013.

NOTE 12 - CONCENTRATION IN OPERATIONS

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC. AND
SOUTH COUNTY FOUNDATION FOR MENTAL HEALTH, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Other Cash Flow Information:

| | <u>The Center</u> | <u>The Foundation</u> | <u>Total</u> |
|---|-----------------------|---------------------------|--------------|
| Cash received during the year for - Interest and dividend income | \$ 359 | \$ 2,938 | \$ 3,297 |
| Cash paid during the year for - Interest expense | \$ 5,449 | \$ 109,724 | \$ 115,173 |

SUPPLEMENTAL INFORMATION

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2013

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA/ CSFA Number | Contract/Grant Number | Expenditures | Transfers to Subrecipients |
|---|-------------------------|-----------------------|-------------------|-------------------------------|
| FEDERAL PROGRAMS: | | | | |
| Indirect Programs: | | | | |
| Department of Health and Human Services - Passed through the State of Florida | 93.958 | IH-606 | \$ 6,842 | \$ - |
| Department of Children and Families - Block Grants for Community Mental Health Services | 93.959 | IH-606 | 5,361 | - |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.667 | IH-606 | 21,223 | - |
| Social Services Block Grants | 93.558 | IH-606 | 94,106 | - |
| Temporary Assistance for Needy Families | | | | |
| Passed through Southeast Florida Behavioral Health Network, Inc. - Block Grants for Community Mental Health Services | 93.958 | IH-606 | \$ 20,698 | \$ - |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | IH-606 | 16,220 | - |
| Social Services Block Grants | 93.667 | IH-606 | 64,208 | - |
| Temporary Assistance for Needy Families | 93.558 | IH-606 | 284,704 | - |
| Department of Agriculture - Passed through the State of Florida | | | | |
| Department of Elder Affairs - Child and Adult Care Food Program | 10.558 | Y3036 | 42,264 | - |
| | 10.558 | Y2036 | 21,591 | - |
| Total Expenditures of Federal Awards | | | \$ 577,217 | \$ - |

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

(continued)

For the Year Ended June 30, 2013

| Federal/State Agency, Pass-through Entity, Federal Program/State Project | CFDA/ CSFA Number | Contract/Grant Number | Expenditures | Transfers to Subrecipients |
|--|-------------------------|-----------------------|---------------------|-------------------------------|
| STATE AGENCY NAME | | | | |
| Direct Projects: | | | | |
| State of Florida, Department of Children and Families - Baker Act | 60.006 | IH-606 | \$ 467,596 | \$ - |
| Children's Baker Act | 60.001 | IH-606 | 82,458 | - |
| Indigent Psychiatric Medication Program | 60.039 | IH-606 | 6,725 | - |
| Community Forensic Beds and Competency Restoration Training | 60.114 | IH-606 | 9,341 | - |
| Indirect Projects: | | | | |
| State of Florida, Department of Children and Families - Passed through Southeast Florida Behavioral Health Network, Inc. - Baker Act | 60.006 | IH-606 | 1,414,642 | - |
| Children's Baker Act | 60.001 | IH-606 | 249,464 | - |
| Indigent Psychiatric Medication Program | 60.039 | IH-606 | 20,345 | - |
| Community Forensic Beds and Competency Restoration Training | 60.114 | IH-606 | 28,262 | - |
| Total Expenditures of State Financial Assistance | | | \$ 2,278,833 | \$ - |

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
June 30, 2013

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – CONTINGENCY

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES
For the Year Ended June 30, 2013

| | Adult Mental Health | | | | | | | Total | |
|--|---------------------|---------------------------|-------------------|---|----------------------------|----------------------|---------------------|---------------------|-------------------------|
| Funding Sources and Revenues | Case Management | Intensive Case Management | Outreach | Room and Board With Supervision Level 2 | Crisis Support / Emergency | Crisis Stabilization | Medical Services | Incidental Expenses | for Adult Mental Health |
| STATE SAMH FUNDING: | | | | | | | | | |
| From the District funding these contracts (District 9) | \$ 323,000 | \$ 316,647 | \$ 132,321 | \$ 567,210 | \$ 501,550 | \$ 2,546,911 | \$ 484,107 | \$ 29,228 | \$ 4,900,974 |
| Total State SAMH funding | <u>323,000</u> | <u>316,647</u> | <u>132,321</u> | <u>567,210</u> | <u>501,550</u> | <u>2,546,911</u> | <u>484,107</u> | <u>29,228</u> | <u>4,900,974</u> |
| OTHER GOVERNMENT FUNDING: | | | | | | | | | |
| Medicaid | 217,621 | 181,722 | - | - | - | 344,997 | 353,598 | - | 1,097,938 |
| Local government | - | - | - | - | 304,355 | 781,549 | 409,176 | - | 1,495,080 |
| Federal grants and contracts | - | - | - | - | - | - | - | - | - |
| Total other government funding | <u>217,621</u> | <u>181,722</u> | <u>-</u> | <u>-</u> | <u>304,355</u> | <u>1,126,546</u> | <u>762,774</u> | <u>-</u> | <u>2,593,018</u> |
| ALL OTHER REVENUES: | | | | | | | | | |
| Contributions and donations | - | - | - | - | - | 129,408 | 58,195 | - | 187,603 |
| Third party payments (except Medicare) | - | - | - | - | - | 221,163 | 67,546 | - | 288,709 |
| Medicare | - | - | - | - | - | - | 69,242 | - | 69,242 |
| First and second party payments | - | - | - | 218,382 | - | 8,893 | 147,134 | - | 374,409 |
| Other | - | - | - | - | 18,152 | - | 16,105 | - | 34,257 |
| Total all other revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>218,382</u> | <u>18,152</u> | <u>359,464</u> | <u>358,222</u> | <u>-</u> | <u>954,220</u> |
| Total funding | <u>\$ 540,621</u> | <u>\$ 498,369</u> | <u>\$ 132,321</u> | <u>\$ 785,592</u> | <u>\$ 824,057</u> | <u>\$ 4,032,921</u> | <u>\$ 1,605,103</u> | <u>\$ 29,228</u> | <u>\$ 8,448,212</u> |

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

For the Year Ended June 30, 2013

| Funding Sources and Revenues | Adult Substance Abuse | | | Children's Mental Health | | | | | Total for Children's Mental Health |
|--|-----------------------|------------------|---------------------------------|----------------------------|-----------------|------------------|------------------|--------------------|------------------------------------|
| | Case Management | Outreach | Total for Adult Substance Abuse | Crisis Support / Emergency | Assessment | Case Management | Medical Services | Incidental Expense | |
| STATE SAMH FUNDING: | | | | | | | | | |
| From the District funding these contracts (District 9) | \$ 22,292 | \$ 20,987 | \$ 43,279 | \$ 417,046 | \$ 1,372 | \$ 41,531 | \$ 23,072 | \$ 2,105 | \$ 485,126 |
| Total State SAMH funding | <u>22,292</u> | <u>20,987</u> | <u>43,279</u> | <u>417,046</u> | <u>1,372</u> | <u>41,531</u> | <u>23,072</u> | <u>2,105</u> | <u>485,126</u> |
| OTHER GOVERNMENT FUNDING: | | | | | | | | | |
| Medicaid | - | - | - | - | - | 43,172 | 39,551 | - | 82,723 |
| Local government | - | - | - | - | - | - | - | - | - |
| Federal grants and contracts | - | - | - | - | - | - | - | - | - |
| Total other government funding | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>43,172</u> | <u>39,551</u> | <u>-</u> | <u>82,723</u> |
| ALL OTHER REVENUES: | | | | | | | | | |
| Contributions and donations | - | - | - | - | - | - | 6,509 | - | 6,509 |
| Third party payments (except Medicare) | - | - | - | - | - | - | 7,555 | - | 7,555 |
| Medicare | - | - | - | - | - | - | 16,457 | - | 16,457 |
| First and second party payments | - | - | - | - | - | - | 1,801 | - | 1,801 |
| Other | - | - | - | - | - | - | 32,322 | - | 32,322 |
| Total all other revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>94,945</u> | <u>-</u> | <u>94,945</u> |
| Total funding | <u>\$ 22,292</u> | <u>\$ 20,987</u> | <u>\$ 43,279</u> | <u>\$ 417,046</u> | <u>\$ 1,372</u> | <u>\$ 84,703</u> | <u>\$ 94,945</u> | <u>\$ 2,105</u> | <u>\$ 600,171</u> |

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

For the Year Ended June 30, 2013

| Funding Sources and Revenues | Total for State SAMH-Funded Cost Centers | Total for Non-State Funded SAMH Cost Centers | Total for All-State Designated SAMH Cost Centers | Non-SAMH Cost Center (Pharmacy) | Total Funding |
|---|---|---|--|---------------------------------------|----------------------|
| STATE SAMH FUNDING: | | | | | |
| From the District funding these contracts (District 9) | \$ 5,429,379 | \$ - | \$ 5,429,379 | \$ - | \$ 5,429,379 |
| Total State SAMH funding | <u>5,429,379</u> | <u>-</u> | <u>5,429,379</u> | <u>-</u> | <u>5,429,379</u> |
| OTHER GOVERNMENT FUNDING: | | | | | |
| Medicaid | 1,180,661 | 869,027 | 2,049,688 | 808,787 | 2,858,475 |
| Local government | 1,495,080 | - | 1,495,080 | 24,880 | 1,519,960 |
| Federal grants and contracts | - | 133,911 | 133,911 | - | 133,911 |
| Total other government funding | <u>2,675,741</u> | <u>1,002,938</u> | <u>3,678,679</u> | <u>833,667</u> | <u>4,512,346</u> |
| ALL OTHER REVENUES: | | | | | |
| Contributions and donations | 194,112 | 109,662 | 303,774 | 2,108,775 | 2,412,549 |
| Third party payments (except Medicare) | 296,264 | 25,312 | 321,576 | 285,117 | 606,693 |
| Medicare | 69,242 | 112,118 | 181,360 | 989,735 | 1,171,095 |
| First and second party payments | 390,866 | 474,783 | 865,649 | 192,045 | 1,057,694 |
| Other | 36,058 | 4,202 | 40,260 | - | 40,260 |
| Total all other revenue | <u>986,542</u> | <u>726,077</u> | <u>1,712,619</u> | <u>3,575,672</u> | <u>5,288,291</u> |
| Total funding | <u>\$ 9,091,662</u> | <u>\$ 1,729,015</u> | <u>\$ 10,820,677</u> | <u>\$ 4,409,339</u> | <u>\$ 15,230,016</u> |

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

For the Year Ended June 30, 2013

| Expense Categories | Adult Mental Health | | | | | | | | | | Total for Adult Mental Health | |
|---|---------------------|---------------------------------|------------|--|----------------------------------|-------------------------|---------------------|------------------------|------|--------------|--|--|
| | Case Management | Intensive Case Management | Outreach | Room and Board With Supervision Level 2 | Crisis Support / Emergency | Crisis Stabilization | Medical Services | Incidental Expenses | | | | |
| PERSONNEL EXPENSES: | | | | | | | | | | | | |
| Salaries | \$ 355,172 | \$ 297,618 | \$ 76,415 | \$ 306,392 | \$ 558,671 | \$ 1,891,654 | \$ 928,917 | \$ - | \$ - | \$ 4,414,839 | | |
| Fringe benefits | 66,802 | 53,852 | 13,827 | 66,361 | 91,088 | 261,339 | 139,352 | - | - | 692,621 | | |
| Total personnel expenses | 421,974 | 351,470 | 90,242 | 372,753 | 649,759 | 2,152,993 | 1,068,269 | - | - | 5,107,460 | | |
| OTHER EXPENSES: | | | | | | | | | | | | |
| Medical and pharmacy | - | - | - | 46,219 | - | 601,754 | 97,676 | - | - | 745,649 | | |
| Insurance | 28,175 | 21,537 | 6,064 | 39,073 | 36,252 | 114,379 | 34,693 | - | - | 280,173 | | |
| Professional services | 412 | 785 | 222 | 1,859 | 9,215 | 78,940 | 106,222 | - | - | 197,655 | | |
| Building occupancy costs | 16,827 | 14,710 | 3,579 | 49,015 | 14,010 | 105,555 | 63,098 | - | - | 266,794 | | |
| Other, including provision for depreciation | 6,535 | 4,453 | 1,254 | 23,172 | 4,614 | 163,930 | 59,705 | - | - | 263,663 | | |
| Operating supplies and expenses | 6,084 | 4,409 | 113 | 29,034 | 11,294 | 65,404 | 18,151 | 29,228 | - | 163,717 | | |
| Food costs and allocation of food services | - | 150 | 39 | 76,140 | 12,329 | 129,841 | - | - | - | 218,499 | | |
| Equipment costs | 3,358 | 814 | 229 | 8,812 | 1,375 | 16,449 | 1,623 | - | - | 32,660 | | |
| Travel | 4,110 | 6,920 | 4,290 | 254 | 568 | 1,463 | 581 | - | - | 18,186 | | |
| Interest expense | - | - | - | - | - | - | - | - | - | - | | |
| Total other expenses | 65,501 | 53,778 | 15,790 | 273,578 | 89,657 | 1,277,715 | 381,749 | 29,228 | - | 2,186,996 | | |
| Total personnel and other expenses | 487,475 | 405,248 | 106,032 | 646,331 | 739,416 | 3,430,708 | 1,450,018 | 29,228 | - | 7,294,456 | | |
| DISTRIBUTED INDIRECT COSTS: | | | | | | | | | | | | |
| Allocation of other support | 70,121 | 57,497 | 13,114 | 80,907 | 49,890 | 332,414 | 119,215 | - | - | 723,158 | | |
| Allocation of administration | 50,304 | 40,988 | 14,123 | 78,410 | 69,222 | 319,254 | 145,310 | - | - | 717,611 | | |
| Total distributed indirect costs | 120,425 | 98,485 | 27,237 | 159,317 | 119,112 | 651,668 | 264,525 | - | - | 1,440,769 | | |
| Total actual expenses | 607,900 | 503,733 | 133,269 | 805,648 | 858,528 | 4,082,376 | 1,714,543 | 29,228 | - | 8,735,225 | | |
| UNALLOWABLE COSTS | | | | | | | | | | | | |
| Total allowed expenses | 822 | 1,384 | 857 | 51 | 114 | 293 | 116 | - | - | 3,637 | | |
| Total allowed expenses | \$ 607,078 | \$ 502,349 | \$ 132,412 | \$ 805,597 | \$ 858,414 | \$ 4,082,083 | \$ 1,714,427 | \$ 29,228 | \$ - | \$ 8,731,588 | | |
| CAPITAL EXPENDITURES | | | | | | | | | | | | |
| | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 78,000 | \$ - | \$ - | \$ 78,000 | | |

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

For the Year Ended June 30, 2013

| Expense Categories | Adult Substance Abuse | | | Children's Mental Health | | | | | Total for Children's Mental Health |
|---|-----------------------|-----------|---------------------------------|--------------------------|-----------------|------------------|--------------------|------------|------------------------------------|
| | Case Management | Outreach | Total for Adult Substance Abuse | Assessment | Case Management | Medical Services | Incidental Expense | | |
| PERSONNEL EXPENSES: | | | | | | | | | |
| Salaries | \$ 15,966 | \$ 15,031 | \$ 30,997 | \$ 708 | \$ 86,046 | \$ 59,293 | \$ - | \$ 428,785 | |
| Fringe benefits | 2,395 | 2,255 | 4,650 | 119 | 13,154 | 8,895 | - | 68,267 | |
| Total personnel expenses | 18,361 | 17,286 | 35,647 | 827 | 99,200 | 68,188 | - | 497,052 | |
| OTHER EXPENSES: | | | | | | | | | |
| Medical and pharmacy | - | - | - | - | - | 6,235 | - | 6,235 | |
| Insurance | 596 | 561 | 1,157 | 502 | 10,303 | 2,214 | - | 31,366 | |
| Professional services | 3,166 | 2,981 | 6,147 | - | 98 | 11,759 | - | 16,521 | |
| Building occupancy costs | 1,085 | 1,021 | 2,106 | - | 5,613 | 4,028 | - | 16,732 | |
| Other, including provision for depreciation | 1,164 | 1,096 | 2,260 | - | 1,784 | 4,322 | - | 8,441 | |
| Operating supplies and expenses | 312 | 294 | 606 | 664 | 20,447 | 12,315 | 2,105 | 41,247 | |
| Food costs and allocation of food services | - | - | - | - | - | - | - | 6,240 | |
| Equipment costs | 28 | 26 | 54 | - | 380 | 104 | - | 1,180 | |
| Travel | 10 | 9 | 19 | - | 2,862 | 37 | - | 3,187 | |
| Interest expense | - | - | - | - | - | - | - | - | |
| Total other expenses | 6,361 | 5,988 | 12,349 | 1,166 | 41,487 | 41,014 | 2,105 | 131,149 | |
| Total personnel and other expenses | 24,722 | 23,274 | 47,996 | 1,993 | 140,687 | 109,202 | 2,105 | 628,201 | |
| DISTRIBUTED INDIRECT COSTS: | | | | | | | | | |
| Allocation of other support | 2,083 | 1,961 | 4,044 | - | 25,901 | 7,737 | - | 58,887 | |
| Allocation of administration | 2,351 | 2,213 | 4,564 | 117 | 12,848 | 9,277 | 185 | 57,460 | |
| Total distributed indirect costs | 4,434 | 4,174 | 8,608 | 117 | 38,749 | 17,014 | 185 | 116,347 | |
| Total actual expenses | 29,156 | 27,448 | 56,604 | 2,110 | 179,436 | 126,216 | 2,290 | 744,548 | |
| UNALLOWABLE COSTS | | | | | | | | | |
| Total allowed expenses | 29,154 | 27,446 | 56,600 | 2,110 | 178,864 | 126,209 | 2,290 | 743,911 | |
| CAPITAL EXPENDITURES | | | | | | | | | |
| | - | - | - | - | - | - | - | - | |

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

(continued)

For the Year Ended June 30, 2013

| Expense Categories | Total for State SAMH-Funded Cost Centers | Total for Non-State Funded SAMH Cost Centers | Total for All-State Designated SAMH Cost Centers | Non-SAMH Cost Center (Pharmacy) | Other Support (Credit) | Administration | Total Expenses |
|---|---|---|--|---------------------------------------|------------------------------|----------------|-------------------|
| PERSONNEL EXPENSES: | | | | | | | |
| Salaries | \$ 4,874,621 | \$ 585,212 | \$ 5,459,833 | \$ 175,660 | \$ 871,207 | \$ 743,460 | \$ 7,250,160 |
| Fringe benefits | 765,538 | 94,745 | 860,283 | 21,768 | 182,495 | 148,965 | 1,213,511 |
| Total personnel expenses | 5,640,159 | 679,957 | 6,320,116 | 197,428 | 1,053,702 | 892,425 | 8,463,671 |
| OTHER EXPENSES: | | | | | | | |
| Medical and pharmacy | 751,884 | - | 751,884 | 3,481,956 | - | - | 4,233,840 |
| Insurance | 312,696 | 42,696 | 355,392 | 8,151 | 82,484 | 35,716 | 481,743 |
| Professional services | 220,323 | 4,532 | 224,855 | 27,770 | 11,982 | 132,223 | 396,830 |
| Building occupancy costs | 285,632 | 167,370 | 453,002 | 6,989 | 77,297 | 102,494 | 639,782 |
| Other, including provision for depreciation | 274,364 | 114,305 | 388,669 | 1,835 | 13,409 | 59,594 | 463,507 |
| Operating supplies and expenses | 205,570 | 44,554 | 250,124 | 8,851 | 70,669 | 45,766 | 375,410 |
| Food costs and allocation of food services | 224,739 | 242,003 | 466,742 | - | (216,435) | 286 | 250,593 |
| Equipment costs | 33,894 | 22,060 | 55,954 | 1,884 | 13,960 | 10,789 | 82,587 |
| Travel | 21,392 | 633 | 22,025 | - | 3,438 | 1,930 | 27,393 |
| Interest expense | - | - | - | - | - | 5,449 | 5,449 |
| Total other expenses | 2,330,494 | 638,153 | 2,968,647 | 3,537,436 | 56,804 | 394,247 | 6,957,134 |
| Total personnel and other expenses | 7,970,653 | 1,318,110 | 9,288,763 | 3,734,864 | 1,110,506 | 1,286,672 | 15,420,805 |
| DISTRIBUTED INDIRECT COSTS: | | | | | | | |
| Allocation of other support | 786,089 | 308,241 | 1,094,330 | 16,176 | (1,110,506) | - | - |
| Allocation of administration | 779,635 | 143,245 | 922,880 | 363,792 | - | (1,286,672) | - |
| Total distributed indirect costs | 1,565,724 | 451,486 | 2,017,210 | 379,968 | (1,110,506) | (1,286,672) | - |
| Total actual expenses | 9,536,377 | 1,769,596 | 11,305,973 | 4,114,832 | - | - | 15,420,805 |
| UNALLOWABLE COSTS | 4,278 | 127 | 4,405 | 780 | - | - | 5,185 |
| Total allowed expenses | \$ 9,532,099 | \$ 1,769,469 | \$ 11,301,568 | \$ 4,114,052 | \$ - | \$ - | \$ 15,415,620 |
| CAPITAL EXPENDITURES | \$ 78,000 | \$ 48,365 | \$ 126,365 | \$ - | \$ - | \$ - | \$ 126,365 |

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF STATE EARNINGS
 For the Year Ended June 30, 2013

| | |
|---|--------------------------|
| TOTAL EXPENDITURES | \$ 15,420,805 |
| Less other state and Federal funds | (2,922,330) |
| Less nonmatch SAMH funds | (1,027,165) |
| Less unallowable costs per 65E-14, F.A.C. | <u>(5,185)</u> |
| TOTAL ALLOWABLE EXPENDITURES | \$ <u>11,466,125</u> |
| MAXIMUM AVAILABLE EARNINGS | \$ <u>8,599,594</u> |
| AMOUNT OF STATE FUNDS REQUIRING MATCH | \$ <u>4,402,214</u> |
| AMOUNT DUE TO DEPARTMENT * | \$ <u>4,197,380</u> |

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

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
 For the Year Ended June 30, 2013

| Program | Cost Center | State Contracted Rate | Total Units of Services Provided | Total Units of Services Paid by Third Party Contracts, Local Government or Other State Agencies | Maximum Number of Units Eligible For Payment by Department | Amount Paid For Services by the Department | Maximum Dollar Value of Units Eligible for Payment by the Department | Amount Owed to Department |
|---------------------|----------------------|-----------------------|----------------------------------|---|--|--|--|---------------------------|
| Adult Mental Health | Crisis Stabilization | \$ 291.24 | 12,775 | 3,482 | 9,293 | \$ 2,618,718 | \$ 2,706,493 | NONE |

INTERNAL CONTROLS AND COMPLIANCE



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

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

We have audited, 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 South County Mental Health Center, Inc. (the "Center") (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our reported thereon dated December 11, 2013.

Internal Control over Financial Reporting

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

South County Mental Health Center, Inc.

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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
December 11, 2013



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

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

Report on Compliance for Each Major Federal Program and State Project

We have audited South County Mental Health Center, Inc.'s (the "Center") (a not-for-profit organization) compliance with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement*, and the compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Center's major Federal program and state project for the year ended June 30, 2013. The Center's major Federal program and state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of South County Mental Health Center, 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 Nonprofit Organizations*; and Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program and/or state project occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program and state project. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program and state project for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center'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 and/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 and/or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program and/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.

Purpose of this Report

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

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
December 11, 2013

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of South County Mental Health Center, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of South County Mental Health Center, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal program and state project are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*.
5. The auditors' report on compliance for the major Federal program and state project for South County Mental Health Center, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major Federal program and state project for South County Mental Health Center, Inc. reported in Part C of this schedule.
7. The program/project tested as a major program/project is the following:

| Federal Program | <u>Federal CFDA No.</u> |
|--|--------------------------------|
| United States Department of Health and Human Services - Temporary Assistance for Need Families | 93.558 |
| State Project | <u>State CSFA No.</u> |
| State of Florida Department of Children and Families, Baker Act | 60.006 |

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

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported.

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

No matters were reported.

SOUTH COUNTY MENTAL HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)
For the Year Ended June 30, 2013

D. OTHER ISSUES

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