

HHC Focus Florida, Inc.

d/b/a High Point Treatment Center

**Report on State Financial Assistance in Accordance
with Florida Statutes Section 215.97 and Rules of the
Auditor General of the State of**

Florida Chapter 10.650

December 31, 2010

HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Index
December 31, 2010

| | Page(s) |
|---|----------------|
| Report of Independent Certified Public Accountants | 1–2 |
| Financial Statements | |
| Balance Sheet | 3 |
| Statement of Income and Changes in Stockholder's Equity | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6-10 |
| Supplemental Information | |
| Schedule of Expenditures of Federal Awards and State Financial Assistance | 11 |
| Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance | 12 |
| Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 13–14 |
| Report of Independent Certified Public Accountants on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Financial Assistance Project and on Internal Control Over Compliance in Accordance with Florida Statutes Section 215.97 and Rules of the Auditor General Chapter 10.650 | 15–16 |
| Schedule of Findings and Questioned Costs | |
| Section I: Summary of Certified Public Accountant's Results | 17 |
| Section II: Financial Statement Findings | 18 |
| Section III: State Financial Assistance Findings and Questioned Costs | 18 |
| Summary Schedule of Prior Audit Findings | |
| Summary Schedule of Prior Audit Findings | 19 |



Report of Independent Certified Public Accountants

The Board of Directors
HHC Focus Florida, Inc.
d/b/a High Point Treatment Center

In our opinion, the accompanying balance sheet and related statements of income and changes in stockholder's equity and of cash flows present fairly, in all material respects, the financial position of HHC Focus Florida, Inc. d/b/a High Point Treatment Center (the "Treatment Center"), at December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Treatment Center's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Notes 1 and 2 to the financial statements, the Treatment Center has significant transactions with Universal Health Services, Inc. (the "Parent"), the terms of which may not necessarily be the same as those that would result in transactions among unrelated parties. Further, the Parent has committed to making contributions to the Treatment Center, as necessary, to fulfill any operating requirements or additional financing that may be needed to sustain operations through December 31, 2011.

In accordance with *Government Auditing Standards*, we have issued our report dated June 20, 2011 on our consideration of the Treatment Center'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of State Financial Assistance is required by the State of Florida's Department of Financial Services' Florida Administrative Code Section 69I-5.003. The schedule is presented for purposes of additional analysis as required by Florida Statutes Section 215.97 and Rules of the Auditor General of the State of Florida Chapter 10.65, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

June 20, 2011

HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Balance Sheet
December 31, 2010

Assets

| | |
|--|---------------------|
| Current assets | |
| Cash | \$ 397 |
| Accounts receivable, net of allowance for doubtful accounts of \$369,503 | 724,776 |
| Other current assets | 141,347 |
| Total current assets | <u>866,520</u> |
| Property and equipment | |
| Land | 1,530,025 |
| Buildings and improvements | 4,702,803 |
| Equipment | 378,876 |
| Assets under capital leases | 31,597 |
| Construction in progress | 101,153 |
| Total property and equipment | <u>6,744,454</u> |
| Less: Accumulated depreciation | <u>(649,567)</u> |
| Property and equipment, net | <u>6,094,887</u> |
| Total assets | <u>\$ 6,961,407</u> |

Liabilities and Stockholder's Equity

| | |
|---|---------------------|
| Current liabilities | |
| Accounts payable | \$ 183,339 |
| Accrued salaries and benefits | 133,081 |
| Obligations under capital lease | 9,991 |
| Total current liabilities | <u>326,411</u> |
| Obligations under capital lease | 10,682 |
| Due to Parent | 31,595 |
| Total liabilities | <u>368,688</u> |
| Stockholder's equity | |
| Common stock, \$1 par value; authorized 1,000 shares; 1,000 shares issued and outstanding at December 31, 2010 | 1,000 |
| Accumulated equity | <u>6,591,719</u> |
| Total liabilities and stockholder's equity | <u>\$ 6,961,407</u> |

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

HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Statement of Income and Changes in Stockholder's Equity
Year Ended December 31, 2010

| | |
|-------------------------------------|---------------------|
| Revenues | |
| Net patient service revenue | \$ 5,838,852 |
| Other revenue | 59,206 |
| | <u>5,898,058</u> |
| Operating expenses | |
| Salaries and benefits | 2,642,027 |
| Purchased services | 846,354 |
| Supplies | 415,446 |
| Rent expense | 8,020 |
| Other operating expenses | 999,657 |
| Provision for doubtful accounts | 287,561 |
| Depreciation and amortization | 229,039 |
| Management fees allocated by Parent | 185,012 |
| Interest expense | 17,507 |
| | <u>5,630,623</u> |
| Total operating expenses | 5,630,623 |
| Income before tax provision | 267,435 |
| Income tax provision | 109,477 |
| Net income | <u>157,958</u> |
| Stockholder's Equity | |
| Beginning of year | (552,275) |
| Forgiveness of Due to Parent | 6,987,036 |
| End of year | <u>\$ 6,592,719</u> |

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

HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Statement of Cash Flows
Year Ended December 31, 2010

| | |
|--|------------------|
| Cash flows from operating activities | |
| Net income | \$ 157,958 |
| Adjustments to reconcile net loss to net cash provided by operating activities | |
| Depreciation and amortization | 229,039 |
| Provision for doubtful accounts | 287,561 |
| Changes in operating assets and liabilities | |
| Accounts receivable | (390,513) |
| Other assets | 64,749 |
| Accounts payable and accrued expenses | 117,933 |
| Accrued salaries and benefits | 59,065 |
| Other current liabilities | <u>(32,855)</u> |
| Net cash provided by operating activities | <u>492,937</u> |
| Cash flows from investing activity | |
| Purchases of property and equipment | <u>(754,795)</u> |
| Net cash used in investing activity | <u>(754,795)</u> |
| Cash flows from financing activities | |
| Transfers from Parent, net | 267,182 |
| Payments made under capital lease obligation | <u>(5,617)</u> |
| Net cash provided by financing activities | <u>261,565</u> |
| Net decrease in cash | (293) |
| Cash | |
| Beginning of year | <u>690</u> |
| End of year | <u>\$ 397</u> |

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

**HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Notes to Financial Statements
December 31, 2010**

1. Summary of Significant Accounting Policies

Description of Business

HHC Focus Florida, Inc. d/b/a High Point Treatment Center (the "Treatment Center") is a wholly-owned subsidiary of Universal Health Services, Inc. (the "Parent" or "UHS"). The Treatment Center was purchased by the Parent from Psychiatric Solutions, Inc. ("PSI") on November 15, 2010. The Treatment Center provides psychiatric and other behavioral health services principally to at-risk and troubled youth from a free standing facility located in Cooper City, Florida. The Treatment Center is dependent upon its Parent for operating and financial support. The Parent has committed to providing such support through December 31, 2011.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

Net Patient Service Revenue

Patient service revenue is reported on the accrual basis in the period in which services are provided, at established rates. Net patient service revenue includes amounts the Treatment Center estimates to be reimbursable by federal and state governments under the Statewide Inpatient Psychiatric Program ("SIPP") and other similar programs, privately sponsored managed care and commercial insurance plans and other payers under provisions of cost or prospective reimbursement formulas in effect. Amounts received are generally less than the established billing rates and the differences (contractual adjustments) are reported as deductions from patient service revenue at the time the service is rendered. For the year ended December 31, 2010, approximately 19% and 59% of the Treatment Center's net revenues related to patients participating in Blue Cross and managed care programs, respectively.

Reimbursement regulations are complex and various federal and state government contracts may include multiple reimbursement mechanisms for services provided. The Treatment Center estimates patient service revenue on a payer-specific basis given its interpretation of the applicable regulations or contract terms. The services provided and related reimbursements are often subject to interpretation and could result in payments differing from our estimates. Additionally, updated regulations and contract negotiations occur frequently, necessitating continual review and assessment of the estimation process by management.

The Treatment Center provides care without charge to patients who are financially unable to pay for the health care services they receive. Because the Treatment Center does not pursue collection of amounts determined to qualify as charity care, they are not reported in revenues. Charges forgone from the provision of charity care during the year ended December 31, 2010 were \$9,765.

HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Notes to Financial Statements
December 31, 2010

Accounts Receivable

Accounts receivable is comprised of patient service revenue and is recorded net of contractual adjustments and estimated bad debts. Such amounts are owed by various governmental agencies, insurance companies and private patients. At December 31, 2010, accounts receivable from Blue Cross and managed care comprised approximately 11% and 63%, respectively, of net patient receivables. Concentration of credit risk from other payers is limited by the number of patients and payers.

Allowance for Doubtful Accounts

The Treatment Center's ability to collect outstanding patient receivables from third-party payers is critical to its operating performance and cash flows. The primary collection risk with regard to patient receivables lies with uninsured patient accounts or patient accounts for which primary insurance has paid, but the portion owed by the patient remains outstanding. The Treatment Center estimates the allowance for doubtful accounts primarily based on the age of the account since the date of patient discharge. The Treatment Center continually monitors its accounts receivable balances and utilizes cash collections data to support its estimates of the provision for doubtful accounts. Significant changes in payer mix or business office operations could have a significant impact on the Treatment Center's results of operations and cash flows.

Allowance for Contractual Discounts

Reimbursement regulations are complex and various managed care contracts may include multiple reimbursement mechanisms for different types of services provided by the Treatment Center. The Treatment Center estimates the allowance for contractual discounts on a payer-specific basis given its interpretation of the applicable regulations or contract terms. The services authorized and provided and related reimbursement are often subject to interpretation and could result in payments differing from estimates. Additionally, updated regulations and contract negotiations occur frequently necessitating continual review and assessment of the estimation process by the Treatment Center's management.

Concentration of Credit Risk

Financial instruments that potentially subject the Treatment Center to concentration of credit risk consist primarily of patient receivables. The Treatment Center grants unsecured credit to its patients, most of whom reside in the service area of the Treatment Center facility and are insured under third-party payer agreements.

Income Taxes

The Treatment Center is included in the consolidated tax return of its Parent and, through an agreement with the Parent, accounts for its share of consolidated tax obligations using an "as if separate return" methodology. The provision for income taxes is determined utilizing maximum federal and state statutory rates applied to income before income taxes. Income tax benefits are not allocated to the Treatment Center for losses before income taxes. Income tax liabilities, including deferred amounts and payments, are reflected in the amounts due to Member.

Insurance Risk Programs

The Treatment Center participates in the Parent's group insurance programs. Costs related to these programs are allocated to the Treatment Center by the Parent based on various methodologies which reasonably approximate the Treatment Center's portion of the program cost, including allocations based on number of beds, risks associated with the Treatment Center's employees and property value.

HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Notes to Financial Statements
December 31, 2010

Under a number of the Parent's insurance programs in which the Treatment Center participates, which includes the employee health insurance program, the workers compensation insurance programs, medical malpractice insurance and certain components of the property and casualty insurance program, the Parent is liable for a portion of the losses. In these cases, the liabilities for claims are accrued for under an occurrence based principal whereby an estimation of the losses that will be incurred in a respective accounting period is made and that estimated liability is accrued by the Parent and included in the total costs for the program that is allocated to the Treatment Center on a pro-rata basis. Actuarial methods are utilized in estimating the losses. Professional and general liability and workers compensation costs allocated to the Treatment Center during the year ended December 31, 2010 were \$104,206 and \$50,443, respectively.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation was recorded using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|-----------------------|------------|
| Building improvements | 5-35 years |
| Equipment | 2-15 years |

When events, circumstances, and operating results indicate that the carrying values of certain long-lived assets might be impaired, the Treatment Center prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value. Fair value is estimated based upon projections of discounted cash flows. No impairments were recorded during the year ended December 31, 2010.

Advertising Costs

The Treatment Center expenses advertising costs as incurred. Total advertising expense for the year ended December 31, 2010 was \$152,629.

Fair Value of Financial Instruments

The carrying amounts reported in the balance sheet for accounts receivable and accounts payable approximate their fair value given the short-term maturity of these instruments.

Subsequent Events

The Treatment Center has evaluated subsequent events through June 20, 2011, the date the financial statements were available to be issued.

2. Transfers to Parent

UHS provides certain general and administrative services to the Treatment Center, including finance, legal, regulatory, risk management, treasury, information systems, and human resources. A management fee is allocated to the Treatment Center considering the nature and extent of such services during the year. Also, certain other costs incurred by UHS are allocated to the Treatment Center. Total management fees and other Parent allocations were \$185,012 for the year ended December 31, 2010. Because UHS can exercise its discretion when allocating management fees and other costs to the Treatment Center, the financial position and operating results presented herein may not necessarily be indicative of those that would have occurred if the Treatment Center had operated autonomously.

**HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Notes to Financial Statements
December 31, 2010**

Substantially all of the Treatment Center's cash accounts are linked to UHS's centralized cash management system. Accordingly, substantially all cash generated from or used in the Treatment Center's operations has been transferred to and from UHS. For instance, UHS funds nearly all routine and capital cash disbursements on behalf of the Treatment Center. Likewise, on a daily basis, the Treatment Center transfers its cash receipts directly to the concentrated bank account of UHS.

The forgiveness of Due to Parent included in changes in stockholder's equity represents forgiveness of intercompany balances due to PSI, the former parent, which were forgiven by UHS upon acquisition at November 15, 2010.

UHS maintains a contributory retirement plan for eligible employees of the Treatment Center. The Treatment Center made no discretionary contributions during 2010 related to benefits earned under this plan.

3. Contingencies and Healthcare Regulation

Commitments and Contingencies

The Treatment Center is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated, which include malpractice claims covered under the Parent's insurance policy. In the opinion of management, the outcome of these actions will not have a material effect on the financial position or results of operations of the Treatment Center.

Laws and regulations governing the Medicare program are complex and subject to interpretation. The Treatment Center believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program.

4. Leases

The Treatment Center has assumed or executed various leases with third parties for office and other equipment. The future minimum lease payments under noncancelable operating and capital lease with terms greater than one year at December 31, 2010 are as follows:

| | Capital Lease |
|---|--------------------------|
| 2011 | \$ 23,124 |
| 2012 | 23,124 |
| Total minimum lease payments | <u>46,248</u> |
| Less: Amount representing interest | <u>25,575</u> |
| Present value of net minimum lease payments | <u>\$ 20,673</u> |

HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Notes to Financial Statements
December 31, 2010

| | Operating Leases |
|------------------------------|-----------------------------|
| 2011 | \$ 13,573 |
| 2012 | 8,762 |
| 2013 | 8,244 |
| 2014 | 4,122 |
| 2015 | - |
| Thereafter | - |
| | <hr/> |
| Total minimum lease payments | \$ 34,701 |

Total rental expense for operating leases was \$8,020 for the year ended December 31, 2010.

Supplemental Information

HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended December 31, 2010

| Federal/State Agency Pass-Through Entity Federal Program/State Project | CFDA CSFA Number | Contract/ Grant Number | Expenditures |
|--|------------------------|------------------------------|-------------------|
| Schedule of Expenditures of Federal Awards - Unaudited | | | |
| U.S. Department of Health and Human Services | | | |
| Indirect Projects | | | |
| Passed through State of Florida Department of Children and Families | | | |
| Block Grants for Community Mental Health Services | 93.958 | JD251 | \$ 104,133 |
| Total Expenditures of Federal Awards | | | <u>\$ 104,133</u> |
| Schedule of Expenditures of State Financial Assistance | | | |
| State of Florida Department of Children and Families | | | |
| Direct Projects | | | |
| Substance Abuse Treatment and Aftercare Services for Children | 60.030 | JD251 | \$ 882,848 |
| Children's Mental Health SIPP RTC Non Medicaid Eligible | 60.048 | JD251 | 76,234 |
| Total Expenditures of State Financial Assistance | | | <u>\$ 959,082</u> |

The accompanying notes are an integral part of this schedule.

**HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Notes to the Schedule of Expenditures of Federal Awards and
State Financial Assistance
December 31, 2010**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance presents the activity of all federal and state financial assistance projects of the Treatment Center for the year ended December 31, 2010 and is presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Florida Statutes Section 215.97 and Rules of the Auditor General Chapter 10.650.



**Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors
HHC Focus Florida, Inc.
d/b/a High Point Treatment Center

We have audited the financial statements of HHC Focus Florida, Inc. d/b/a High Point Treatment Center (the "Treatment Center") as of and for the year ended December 31, 2010, and have issued our report thereon dated June 20, 2011, which included a matter of emphasis paragraph concerning the Treatment Center's transactions with its Parent, Universal Health Services, Inc. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Treatment Center's internal control over financial reporting as a basis for designing our auditing procedures 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 Treatment Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Treatment Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Treatment Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Treatment Center's Board of Directors, management, others within the entity, state awarding agencies, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

June 20, 2011



**Report of Independent Certified Public Accountants on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major State Financial Assistance Project and
on Internal Control Over Compliance in Accordance with Florida Statutes Section 215.97
and Rules of the Auditor General Chapter 10.650**

To the Board of Directors
HHC Focus Florida, Inc.
d/b/a High Point Treatment Center

Compliance

We have audited the compliance of HHC Focus Florida, Inc. d/b/a High Point Treatment Center (the "Treatment Center") with the types of compliance requirements described in the State of Florida's Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of its major state financial assistance projects for the year ended December 31, 2010. The Treatment Center's major state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state financial assistance projects is the responsibility of the Treatment Center's management. Our responsibility is to express an opinion on the Treatment Center's compliance based on our audit.

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; Florida Statutes Section 215.97 and Rules of the Auditor General of the State of Florida Chapter 10.650. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Treatment 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. Our audit does not provide a legal determination of the Treatment Center's compliance with those requirements.

In our opinion, the Treatment Center complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state financial assistance projects for the year ended December 31, 2010.



Internal Control Over Compliance

Management of the Treatment Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state financial assistance projects. In planning and performing our audit, we considered the Treatment Center's internal control over compliance with the requirements that could have a direct and material effect on a major state financial assistance project in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 Treatment 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 state financial assistance project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state financial assistance project will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Treatment Center's Board of Directors, management, others within the entity, state awarding agencies, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

June 20, 2011

Schedule of Findings and Questioned Costs

**HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010**

Section I – Summary of Certified Public Accountant’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not
 considered to be material weaknesses? yes none reported

Noncompliance material to financial statements
noted? yes no

State Awards

Internal control over major state financial assistance projects:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not
 considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major state financial
assistance projects: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Florida Statutes
Section 215.97 and Rules of the Auditor General of
the State of Florida Chapter 10.650? yes no

Identification of major state financial assistance projects:

| <i>CSFA Number</i> | <i>Name of State Program</i> |
|--------------------|---|
| 60.030 | Substance Abuse Treatment and Aftercare Services for Children |

Dollar threshold used to distinguish between type A
and type B programs: \$300,000

**HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010**

Section II – Financial Statement Findings

No matters were noted.

Section III – State Financial Assistance Findings and Questioned Costs

No matters were noted.

Summary Schedule of Prior Audit Findings

**HHC Focus Florida, Inc.
d/b/a High Point Treatment Center
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2009**

| Reference | Program | Questioned Costs |
|------------------|---|-------------------------|
| 2009-01 | CSFA 60.030 – Substance Abuse Treatment and Aftercare Services for Children | None |

Condition

The contract requires the Treatment Center to notify the contract manager at least 10 days prior to staffing changes within management. The Treatment Center did not properly notify the contract manager in regard to the timing requirement for staffing changes related to the Chief Executive Officer and Chief Financial Officer during 2009.

Status

During 2010, the Treatment Center implemented policies to ensure the proper notification of the contract manager in the instance of management staffing changes. This included notifying the regional CFO of the Treatment Center's Parent of the compliance requirement.