

**LEE MENTAL HEALTH CENTER, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
SCHEDULES AND REPORTS AS REQUIRED BY  
THE COMPTROLLER GENERAL OF  
THE UNITED STATES OF AMERICA**

**YEARS ENDED JUNE 30, 2010 AND 2009**

**LEE MENTAL HEALTH CENTER, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Lee Mental Health Center, Inc.  
Fort Myers, Florida

We have audited the accompanying consolidated statements of financial position of Lee Mental Health Center, Inc. (the "Center"), as of June 30, 2010 and 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of LMHC Properties, Inc., which reflect total assets and unrestricted support and revenue constituting 10% and .5%, respectively, as of June 30, 2010; and 11% and .4%, respectively, as of June 30, 2009, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LMHC Properties, Inc., is based solely on the report of the other auditors. The financial statements of LMHC Properties, Inc. were not audited in accordance with *Government Auditing Standards*.

We conducted our audits 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2010 on our consideration of the 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.

Board of Directors  
Lee Mental Health Center, Inc.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of the Center taken as a whole. The supplementary information on pages 22 through 32 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The consolidating schedules on pages 33 through 36 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and the changes in net assets of the individual organizations, and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650 *Rules of the Auditor General*, and is not a required part of the basic consolidated financial statement. All supplementary information, except for the Schedule of Bed-Days Available Payments and the Schedule of Related Party Transaction Adjustments on pages 29 through 32, has been subjected to the auditing procedures applied in the audits of the 2010 and 2009 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects, in relation to the 2010 and 2009 basic consolidated financial statements taken as a whole. The Schedules of Bed-Days Available Payments and Related Party Transaction Adjustments have not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, accordingly, we express no opinion on them.

*Larson Allen LLP*  
LarsonAllen LLP

Fort Myers, Florida  
October 22, 2010

**LEE MENTAL HEALTH CENTER, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

	2010	2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 695,414	\$ 534,882
Contracts Receivable, Net	1,118,371	578,206
Accounts Receivable, Net	381,517	489,678
Pledges Receivable, Net	20,000	42,500
Other Current Assets	90,341	110,966
Total Current Assets	2,305,643	1,756,232
<b>INVESTMENTS</b>		
Investments	101,466	82,371
Investment in LLC	(127)	16,940
<b>PROPERTY AND EQUIPMENT, NET</b>	5,656,346	5,225,037
<b>OTHER ASSETS</b>		
Restricted Cash Deposits	28,052	29,320
Other Assets	2,135	6,088
Total Assets	\$ 8,093,515	\$ 7,115,988
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 414,258	\$ 424,849
Deferred Revenue	5,088	11,771
Accrued Expenses	1,119,856	758,322
Current Portion of Long-Term Debt	59,395	62,473
Total Current Liabilities	1,598,597	1,257,415
<b>LONG-TERM LIABILITIES</b>		
Long-term Debt, Net of Current Portion	1,597,072	1,659,194
Compensated Absences	20,030	22,951
Total Long-Term Liabilities	1,617,102	1,682,145
Total Liabilities	3,215,699	2,939,560
<b>NET ASSETS</b>		
Unrestricted	4,800,567	4,149,271
Temporarily Restricted	77,249	27,157
Total Net Assets	4,877,816	4,176,428
Total Liabilities and Net Assets	\$ 8,093,515	\$ 7,115,988

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
<b>UNRESTRICTED NET ASSETS</b>		
<b>Support and Revenue:</b>		
Support:		
State Grants	\$ 8,491,406	\$ 9,129,609
Other Governmental	3,570,901	3,114,689
Contributions and In-kind Revenue	741,678	741,062
Total Support	12,803,985	12,985,360
Revenue:		
Net Client Fee Revenue	5,635,113	4,960,533
Interest Income	6,935	10,007
Loss in Equity of LLC	(17,067)	(59)
Other Income	295,256	138,883
Total Revenue	5,920,237	5,109,364
Total Unrestricted Support and Revenue	18,724,222	18,094,724
<b>Expenses:</b>		
Program Services:		
Adult Mental Health	13,233,525	12,911,970
Children's Mental Health	2,674,847	2,535,278
Children and Family Services	592,639	1,201,078
Adult Substance Abuse	776,734	793,037
Children's Substance Abuse	154,130	124,345
Other Program Services	411,161	334,103
Total Program Services	17,843,036	17,899,811
Support Services:		
Administrative	-	25,000
Real Estate Holding Company	229,890	236,182
Total Support Services	229,890	261,182
Total Unrestricted Expenses	18,072,926	18,160,993
Net Increase (Decrease) in Unrestricted Net Assets	651,296	(66,269)
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	50,092	4,278
Increase in Temporarily Restricted Net Assets	50,092	4,278
Increase (Decrease) in Net Assets	701,388	(61,991)
<b>NET ASSETS, beginning of year</b>	4,176,428	4,238,419
<b>NET ASSETS, end of year</b>	\$ 4,877,816	\$ 4,176,428

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2010**

	Program Services						Support Services			Total
	Adult Mental Health	Children's Mental Health	Children and Family Services	Adult Substance Abuse	Children's Substance Abuse	Other Program Services	Total Program	Administration and Support	Helpgro, Inc. and LMHC Properties, Inc.	
<b>PERSONNEL EXPENSES</b>										
Salaries	\$ 5,827,514	\$ 1,097,884	\$ 226,962	\$ 322,027	\$ 74,277	\$ 219,829	\$ 7,768,493	\$ 1,761,939	\$ -	\$ 9,530,432
Fringe Benefits	1,181,642	242,991	53,709	73,727	19,497	44,650	1,616,216	430,519	-	2,046,735
Total Personnel Expenses	7,009,156	1,340,875	280,671	395,754	93,774	264,479	9,384,709	2,192,458	-	11,577,167
<b>OPERATING EXPENSES</b>										
Building Occupancy	846,495	209,296	31,960	83,166	18,260	71,830	1,261,007	76,108	99,442	1,436,557
Professional Services	1,652,201	353,145	61,916	18,946	-	6,289	2,092,497	100,276	22,260	2,215,033
Travel	56,280	36,080	21,373	457	1,261	77	115,528	24,859	-	140,387
Equipment Costs	67,919	14,632	2,437	8,817	445	3,155	97,405	17,381	-	114,786
Food Services	125,369	11,926	545	34,449	-	39,473	211,762	2,281	-	214,043
Medicine and Pharmacy	754,785	34,907	132	6,449	-	5,243	801,516	6,710	-	806,226
Subcontracted Services	56,044	-	54,452	164	-	121	110,781	102	-	110,883
Insurance	257,319	59,256	14,505	19,145	3,108	8,988	362,321	1,549	15,084	378,954
Interest Paid	-	-	-	-	-	-	-	19,321	32,018	51,339
Operating Supplies and Expenses	228,098	57,751	8,430	18,199	2,440	11,240	326,158	241,688	61,086	628,932
Bad Debt	306,641	63,329	-	26,383	-	266	396,619	-	-	396,619
Total Operating Expenses	4,351,151	840,322	195,750	216,175	25,514	146,682	5,775,594	490,275	229,890	6,495,759
Total Direct Expenses	11,360,307	2,181,197	476,421	611,929	119,288	411,161	15,160,303	2,682,733	229,890	18,072,926
<b>ALLOCATED EXPENSES</b>										
Other Support	865,877	231,314	46,096	76,172	16,110	-	1,235,569	(1,235,569)	-	-
Administration	1,007,341	262,336	70,122	88,633	18,732	-	1,447,164	(1,447,164)	-	-
Total Allocated Expenses	1,873,218	493,650	116,218	164,805	34,842	-	2,682,733	(2,682,733)	-	-
Total Expenses	\$ 13,233,525	\$ 2,674,847	\$ 592,639	\$ 776,734	\$ 154,130	\$ 411,161	\$ 17,843,036	\$ -	\$ 229,890	\$ 18,072,926

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2009**

	Program Services						Support Services			Total
	Adult Mental Health	Children's Mental Health	Children and Family Services	Adult Substance Abuse	Children's Substance Abuse	Other Program Services	Total Program	Administration and Support	Helpgro, Inc. and LMHC Properties, Inc.	
<b>PERSONNEL EXPENSES</b>										
Salaries	\$ 4,662,845	\$ 1,086,764	\$ 439,138	\$ 323,643	\$ 66,089	\$ 200,384	\$ 6,778,863	\$ 1,705,630	\$ -	\$ 8,484,493
Fringe Benefits	1,093,348	235,461	106,160	85,725	18,844	53,784	1,593,322	449,350	-	2,042,672
Total Personnel Expenses	<u>5,756,193</u>	<u>1,322,225</u>	<u>545,298</u>	<u>409,368</u>	<u>84,933</u>	<u>254,168</u>	<u>8,372,185</u>	<u>2,154,980</u>	<u>-</u>	<u>10,527,165</u>
<b>OPERATING EXPENSES</b>										
Building Occupancy	818,494	194,284	58,539	71,583	10,774	14,938	1,168,612	128,674	99,746	1,397,032
Professional Services	2,310,891	250,374	68,242	24,274	41	437	2,654,259	83,085	21,080	2,758,424
Travel	60,999	27,807	36,735	172	1,841	229	127,783	17,445	-	145,228
Equipment Costs	59,804	11,632	4,284	10,114	431	(119)	86,146	21,605	-	107,751
Food Services	108,926	12,358	686	33,830	-	49,771	205,571	14,335	-	219,906
Medicine and Pharmacy	747,809	58,992	106	8,142	-	39	815,088	6,625	-	821,713
Subcontracted Services	56,438	-	228,049	281	-	-	284,768	100	-	284,868
Insurance	234,472	44,347	28,504	16,599	2,546	8,344	334,812	1,681	11,492	347,985
Interest paid	-	-	-	-	-	-	-	8,287	46,124	54,411
Operating Supplies and Expenses	218,029	44,755	18,416	18,683	2,704	5,973	308,560	260,977	56,686	626,223
Bad Debt	670,975	158,665	-	39,270	-	323	869,233	-	1,054	870,287
Total Operating Expenses	<u>5,286,837</u>	<u>803,214</u>	<u>443,561</u>	<u>222,948</u>	<u>18,337</u>	<u>79,935</u>	<u>6,854,832</u>	<u>542,814</u>	<u>236,182</u>	<u>7,633,828</u>
Total Direct Expenses	<u>11,043,030</u>	<u>2,125,439</u>	<u>988,859</u>	<u>632,316</u>	<u>103,270</u>	<u>334,103</u>	<u>15,227,017</u>	<u>2,697,794</u>	<u>236,182</u>	<u>18,160,993</u>
<b>ALLOCATED EXPENSES</b>										
Other Support	968,983	214,815	119,404	89,237	10,664	-	1,403,103	(1,403,103)	-	-
Administration	899,957	195,024	92,815	71,484	10,411	-	1,269,691	(1,269,691)	-	-
Total Allocated Expenses	<u>1,868,940</u>	<u>409,839</u>	<u>212,219</u>	<u>160,721</u>	<u>21,075</u>	<u>-</u>	<u>2,672,794</u>	<u>(2,672,794)</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 12,911,970</u>	<u>\$ 2,535,278</u>	<u>\$ 1,201,078</u>	<u>\$ 793,037</u>	<u>\$ 124,345</u>	<u>\$ 334,103</u>	<u>\$ 17,899,811</u>	<u>\$ 25,000</u>	<u>\$ 236,182</u>	<u>\$ 18,160,993</u>

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Contracts, Client Fees and Donations	\$ 18,324,779	\$ 17,947,201
Cash Payments for Program and Support Services	(17,191,099)	(17,502,936)
Cash Received for Interest	6,935	10,007
Cash Payments for Interest	(51,339)	(54,411)
Net Cash Provided by Operating Activities	1,089,276	399,861
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(889,197)	(256,222)
Purchases of Investments	(10,000)	(456)
Proceeds on Sale of Investments	34,385	-
Net Change in Restricted Cash Deposits	1,268	(1,110)
Net Cash Used in Investing Activities	(863,544)	(257,788)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of Notes Payable	(65,200)	(51,094)
Net Cash Used in Financing Activities	(65,200)	(51,094)
<b>NET INCREASE IN CASH</b>	160,532	90,979
<b>CASH, Beginning of Year</b>	534,882	443,903
<b>CASH, End of Year</b>	\$ 695,414	\$ 534,882

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	<b>\$ 701,388</b>	<b>\$ (61,991)</b>
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	457,888	416,065
Net Realized/Unrealized (Gain) Loss on Investments	(43,480)	40,909
(Increase) Decrease in:		
Accounts Receivable, Net	108,161	(27,177)
Contract and Other Receivables	(517,665)	(124,255)
Interest in LMHC Properties, LLC		
Net Assets	17,067	59
Other Assets	24,578	(14,697)
Increase (Decrease) in:		
Accounts Payable	(10,591)	106,630
Deferred Revenue	(6,683)	(60,774)
Accrued Liabilities	358,613	125,092
Total Adjustments	<b>387,888</b>	<b>461,852</b>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <b>\$ 1,089,276</b>	 <b>\$ 399,861</b>

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1      NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Lee Mental Health Center, Inc., Helpgro, Inc., and LMHC Properties, Inc. (collectively referred to as the "Center") are related not-for-profit corporations formed for the promotion and treatment of behavioral health and related issues for Southwest Florida. These organizations plan, develop, and implement services which are designed to promote mental health, provide counseling, and prevent substance abuse for the citizens of Southwest Florida. The Center's support comes primarily from state and local government grants.

The consolidated entities which comprise the Center are entities related by common board members. Helpgro, Inc., and LMHC Properties, Inc., serve as support entities for Lee Mental Health Center, Inc. Helpgro, Inc., is the corporation that holds the title to Lee Mental Health Center, Inc.'s property and buildings. Helpgro, Inc., is a 501(c)(2) organization that is required by the Internal Revenue Code to remit any net profits from its activities back to Lee Mental Health Center, Inc. LMHC Properties, Inc., is a section 202 project, regulated by the U.S. Department of Housing and Urban Development, consisting of two separate apartment facilities with a total of 20 units for the disadvantaged located in Fort Myers, Florida. LMHC Properties, Inc., is designated as a 501(c)(3) not-for-profit organization.

**Significant Accounting Policies**

The accounting and reporting policies of the Center conform to accounting principles generally accepted in the United States of America, and are in accordance with the Audit and Accounting Guide issued by the American Institute of Certified Public Accountants, *Not-for-Profit Organizations*. A summary of the significant accounting policies followed by the Center is set forth below:

**Basis of Presentation**

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, or permanently restricted, depending on the nature of any donor restrictions. Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by Board designation. Temporarily restricted net assets include those net assets whose use by the Center has been limited by donors to either later periods of time or after specified dates or specified purposes. The Center has no permanently restricted net assets.

**Principles of Consolidation**

The consolidated financial statements of the Center include the accounts of Lee Mental Health Center, Inc., Helpgro, Inc., and LMHC Properties, Inc., after elimination of all material inter-company accounts and transactions.

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1      NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Significant Accounting Policies (Continued)**

**Basis of Accounting**

The Center prepares its financial statements on the accrual basis of accounting. Grant revenues are recorded as support when performance occurs under the terms of the grant agreement. Grant revenue includes all resources received from another entity in accordance with a contract, entitlement, or grant document. Net client fee revenue is recognized when services are provided.

The cost of providing the various programs and other activities have been detailed in the consolidated statement of functional expenses and summarized on a functional basis in the consolidated statement of activities. Salaries and other expenses that are associated with a specific program are charged directly to that program. Salaries and other expenses that benefit more than one program are allocated to the various programs based on the relative benefit provided. Administrative expenses are allocated to the various programs based on each program's full time positions. Occupancy costs are allocated to the various programs based on square footage occupied by each program. The Center does not actively engage in fundraising activities; therefore, no fundraising expenses are included in the accompanying consolidated financial statements.

**Cash and Cash Equivalents**

For purposes of reporting consolidated cash flows, the Center considers all highly liquid debt instruments with an initial maturity of less than three months to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation up to certain limits. At times, cash in bank may exceed FDIC insurable limits. Cash and cash equivalents for the purpose of the consolidated statements of cash flows exclude restricted cash and cash equivalents.

**Accounts and Contracts Receivable**

Accounts and contracts receivable are stated at net realizable value. The allowance for doubtful accounts is the Center's best estimate of the amount of probable credit losses in the Center's existing accounts and contracts receivable; however, changes in circumstances relating to accounts and contracts receivable may result in a requirement for additional allowances in the future. The Center determines the allowance based on historical write-off experience and current economic factors. The Center continually reviews its allowance for doubtful accounts. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectibility. Based on management's assessment, the Center provides for estimated uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1      NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Significant Accounting Policies (Continued)**

**Investments**

Investments with readily determinable fair values are stated at fair value based on quoted market rates. Unrealized gains (losses) on investments amounted to \$10,363 and (\$41,027) for the years ended June 30, 2010 and 2009, respectively, and is included in other income.

**Investment in D'Alessandro Partners & Lee Mental Health, LLC**

The Center is accounting for its interest in D'Alessandro Partners & Lee Mental Health, LLC (the "LLC"), using the equity method of accounting under which the Center's share of the net income or loss of the LLC is recognized in the Center's consolidated statements of activities and added to or subtracted from the investment account. Distributions received from the LLC, if any, reduce the investment account. The Center's interest in the LLC was 33% for the years ended June 30, 2010 and 2009, respectively.

**Property and Equipment**

Property and equipment are capitalized at cost when purchased or at fair value at the date of gift, if contributed. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The lives of the various assets range from 3 to 40 years. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss is recognized. Disposition of items acquired from certain state contracts require state approval. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**Impairment of Long-Lived Assets**

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

The Center periodically reviews its long-lived assets for impairment. Management has determined that no adjustment to the carrying value is required.

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1      NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Significant Accounting Policies (Continued)**

**Compensated Absences**

In the years prior to 1995, the Center had a policy of allowing employees to accumulate annual leave based on the employee's years of service. Upon termination of employment, the employee would be paid for the amount of this accumulated leave. In 1995, the Center implemented a new policy that allows for the accumulation of employee leave time, but does not require the payment of this amount when the employee terminates employment. The Center allowed for a maximum of 500 hours per employee to be carried over from the old policy. The Center's liability for this carryover is reflected as a long-term liability in the consolidated statements of financial position.

**Income Taxes**

The Internal Revenue Service has determined that the Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center is a not-for-profit Florida corporation and, therefore, is not subject to state income taxes. Should the Center's tax exempt status be challenged in the future, the entity's 2009, 2008, and 2007 tax years are open for examination by the IRS.

The Center has adopted the income tax standard for uncertain tax positions on July 1, 2009. As a result of the implementation, the Center has evaluated its tax position and has determined it has no uncertain tax positions as of June 30, 2010.

**Contributions**

As required, the Center records contributions received as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Unconditional promises to give (pledges) are recognized as support in the period received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1      NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Significant Accounting Policies (Continued)**

**Contributions (Continued)**

Contributions of assets other than cash are recorded at their estimated fair value on the date received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their estimated fair values in the period received. Contributions of non cash items primarily consisted of medicines for clients of the Center.

**Deferred Revenue**

Amounts received, but not yet earned, relating to grant income received in a lump sum, are reported as deferred revenue.

**Concentrations**

The Center receives substantially all of its revenue from government sources. If a significant reduction in the level of funding were to occur, it could have an adverse effect on the Center's programs and activities.

**Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Fair Value Measurements**

The Center measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Center may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1      NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Significant Accounting Policies (Continued)**

**Fair Value Measurements (Continued)**

The inputs used to measure fair value are categorized into the following three categories:

**Level 1**

Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds that the Center has the ability to access as of the measurement date.

**Level 2**

Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

**Level 3**

Inputs that are unobservable. Unobservable inputs reflect the Center's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Center adopted the policy to value certain financial instruments at fair value. The Center has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

**Reclassifications**

Certain amounts in the 2009 financial statements have been reclassified to conform with the 2010 presentation. These reclassifications do not affect net assets as previously reported.

**Subsequent Events**

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through October 22, 2010, the date the financial statements were available to be issued.

**LEE MENTAL HEALTH CENTER, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 2      CONTRACTS RECEIVABLE**

Contracts receivable consisted of the following at June 30:

	2010	2009
Lee County	\$ 223,292	\$ 273,942
State of Florida, Department of Children & Families	762,991	205,296
Other	149,649	116,529
	<u>1,135,932</u>	<u>595,767</u>
Less Allowance for Doubtful Accounts	(17,561)	(17,561)
	<u>\$ 1,118,371</u>	<u>\$ 578,206</u>

**NOTE 3      ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30:

	2010	2009
Self-Pay and Insurance	\$ 693,810	\$ 857,690
Medicaid	33,905	75,732
Medicare	34,883	75,137
Other	47,796	38,710
	<u>810,394</u>	<u>1,047,269</u>
Less Allowance for Doubtful Accounts	(428,877)	(557,591)
	<u>\$ 381,517</u>	<u>\$ 489,678</u>

**NOTE 4      PLEDGES RECEIVABLE**

Unconditional promises to give are recognized as support in the period in which the pledge is received. Pledges were receivable primarily from other medical facilities and board members. Pledges were receivable in connection with the capital campaign to raise funds for the construction of a new emergency assessment and crisis stabilization center located in Fort Myers, Florida. Amounts not expected to be collected within one year have been discounted to their fair value. All amounts are expected to be collected within one year in 2010.

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 4 PLEDGES RECEIVABLE (CONTINUED)**

Included in pledges receivable at June 30, 2010 and 2009 are the following unconditional promises to give:

	<u>2010</u>	<u>2009</u>
Unconditional Promises to Give Before Unamortized Discount and Allowance for Uncollectible Pledges	\$ 20,000	\$ 42,500
Less: Unamortized Discount	-	-
	<u>20,000</u>	<u>42,500</u>
Less: Allowance for Uncollectible Pledges	-	-
	<u>\$ 20,000</u>	<u>\$ 42,500</u>
Amounts Due in:		
Less Than One Year	<u>\$ 20,000</u>	<u>\$ 42,500</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Land	\$ 636,174	\$ 636,174
Buildings and Improvements	8,118,598	7,368,645
Furniture and Equipment	2,480,662	2,375,304
Vehicles	178,232	171,192
	<u>11,413,666</u>	<u>10,551,315</u>
Less Accumulated Depreciation	<u>(5,757,320)</u>	<u>(5,326,278)</u>
	<u>\$ 5,656,346</u>	<u>\$ 5,225,037</u>

Depreciation expense for the years ended June 30, 2010 and 2009, was \$457,888 and \$416,065, respectively.

**NOTE 6 FAIR VALUE MEASUREMENTS**

The following tables set forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30:

	<u>2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Common Stocks	\$ 55,916	\$ -	\$ -	\$ 55,916
Pooled Investment with Southwest Florida Community Foundation	-	-	45,550	45,550
	<u>\$ 55,916</u>	<u>\$ -</u>	<u>\$ 45,550</u>	<u>\$ 101,466</u>

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

	2009			
	Investment Assets at Fair Value as of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Common Stocks	\$ 43,013	\$ -	\$ -	\$ 43,013
Pooled Investment with Southwest Florida Community Foundation	-	-	39,358	39,358
	\$ 43,013	\$ -	\$ 39,358	\$ 82,371

The following tables set forth a summary of changes in the fair value of the Center's Level 3 assets for the year ended June 30:

	2010		2009	
	Asset #1	Total	Asset #1	Total
Balance, Beginning of Year	\$ 39,358	\$ 39,358	\$ 50,910	\$ 50,910
Unrealized Gains (Losses)	6,192	6,192	(11,552)	(11,552)
<b>Balance, End of Year</b>	<b>\$ 45,550</b>	<b>\$ 45,550</b>	<b>\$ 39,358</b>	<b>\$ 39,358</b>

**NOTE 7 INVESTMENT IN LLC**

The LLC was established by the Center and D'Alessandro Partners, LLC for the purpose of owning, operating, leasing and/or holding for investment certain real property in Lee County. The LLC has an outstanding mortgage loan which is partially guaranteed by Lee Mental Health Center, Inc. (See Note 12).

Commencing in 2005, the Center began making payments on a 20-year lease for land and a building from the LLC. Payment terms call for monthly payments calculated at 9% of the agreed upon acquisition costs plus total tenant improvements, which were approximately \$29,000 per month. The monthly rent is increased by 3% each year after the initial year. The total lease payments are recorded as rent expense on a straight-line basis over the lease period, resulting in a deferred rent liability of approximately \$506,000 and 431,000 as of June 30, 2010 and 2009, respectively, which is included in accrued expenses in the accompanying consolidated statements of financial position.

**NOTE 8 ACCRUED EXPENSES**

Accrued expenses consist of the following at June 30:

	2010	2009
Payroll and Payroll Taxes	\$ 337,888	\$ 289,753
Deferred Rent	506,130	430,767
Other Accrued Expenses	275,838	37,802
	<b>\$ 1,119,856</b>	<b>\$ 758,322</b>

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 9 LONG-TERM OBLIGATIONS**

Long-term obligations consist of the following at June 30:

	2010	2009
The Capital Advance Mortgage note, sponsored by HUD, requires no monthly mortgage payment as long as the project is in regulatory compliance; the note does not have an amount for any current portion. Any payment of principal or accrued interest requires prior approval of HUD.	\$ 998,400	\$ 998,400
Farmers Home Loan Bank Administration mortgage loan, serviced by Capmark Finance, Inc., interest at 5%, annual principal and interest payments of \$97,218, collateralized by real estate, final payment due June 2019.	658,067	723,267
	1,656,467	1,721,667
Less: current portion	(59,395)	(62,473)
	\$ 1,597,072	\$ 1,659,194

Scheduled principal maturities of debt payable are approximately as follows:

2011	\$	59,395
2012		62,434
2013		65,628
2014		68,986
2015		72,515
Thereafter		329,109
		\$ 658,067

The Center had available an \$800,000 revolving line of credit with Fifth Third Bank at June 30, 2010 and 2009. The line of credit has a current maturity date of May 7, 2011. Interest is charged at 3.00% in excess of the LIBOR rate (3.375 and 3.50, respectively). The line is collateralized by all business assets of Lee Mental Health Center, Inc., other than real estate and non-titled vehicles. As of June 30, 2010 and 2009, there was no outstanding balance on this line of credit.

**LEE MENTAL HEALTH CENTER, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 10 NET ASSETS**

Unrestricted net assets consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Lee Mental Health Center, Inc.	\$ 4,722,631	\$ 4,044,471
Helpgro, Inc.	536,961	536,961
LMHC Properties, Inc.	<u>(459,025)</u>	<u>(432,161)</u>
Net Assets	<u>4,800,567</u>	<u>4,149,271</u>

Temporarily restricted net assets consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Special Purpose Funds	<u>77,249</u>	<u>27,157</u>
Net Assets	<u>77,249</u>	<u>27,157</u>
 Total Net Assets	 <u>\$ 4,877,816</u>	 <u>\$ 4,176,428</u>

**NOTE 11 PENSION PLAN**

The Center offers its employees a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers all employees subject to a minimum employment requirement. The plan permits the Center to provide discretionary employer contributions.

Employer contributions, including administrative costs to the plan for the years ended June 30, 2010 and 2009, were \$128,683 and \$140,593, respectively.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

The Center leases certain equipment and office space under various non-cancelable operating leases. The future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 635,061
2012	608,171
2013	586,376
2014	585,391
2015	585,391
Thereafter	5,118,970

Rent expense was \$540,242 and \$551,406 for the years ended June 30, 2010 and 2009, respectively.

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The Center receives grants and other reimbursements from state and local agencies subject to special compliance audit requirements. These audits have resulted in refunds in amounts that were not material in relation to the financial statements. Future audits may also result in disallowed expense amounts. Disallowed amounts, if any, constitute a contingent liability to the Center. Management does not believe any resulting contingent liabilities would be material to the financial position of the Center.

The Center entered into an agreement to guarantee a construction loan made to D'Alessandro Partners & Lee Mental Health, LLC (the "LLC") (See Note 7). The maximum amount of the construction loan is \$3,840,000; however, the Center's guarantee is for a maximum of \$1,908,000 plus interest, attorney fees and costs to collect. Other members of the LLC guarantee the remaining portion of the construction loan. The construction loan bears interest at 7.3% and matured in June 2010. The members of the LLC are negotiating a refinance on the construction loan that was not completed as of the date of this report. The Center may be required to perform under this guarantee, if there is any event of default, as defined in the construction loan, by the LLC. At June 30, 2010, the outstanding balance of the construction loan was \$3,578,259. Management has determined the value of the guarantee to be immaterial and has not recorded a liability in the accompanying consolidated financial statements.

**NOTE 13 SUPPORT FROM THE STATE OF FLORIDA WHICH REQUIRES MATCH**

During the years ended June 30, 2010 and 2009, the Center received support from the State of Florida, under grant contracts with the Department of Children and Families, Alcohol, Drug Abuse, and Mental Health Program. These contracts are renegotiated annually. The income from these contracts is earned by providing services to patients. The contracts required a local match of \$2,037,443 in 2010, and \$2,021,181, in 2009, for certain program services.

The Center incurred and funded allowable program costs in excess of the required match during the fiscal years ending June 30, 2010 and 2009.

**NOTE 14 SUPPORT FROM LEE COUNTY**

Financial support of \$3,375,559 and \$2,879,586 was received from Lee County for the years ended June 30, 2010 and 2009, respectively, as part of its annual award to the Center.

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 15    CONFLICT OF INTEREST POLICY**

The Board of Directors has adopted a conflict of interest policy. Every Officer and Director is required to disclose any potential conflicts of interest. Any Officer or Director with a potential conflict of interest is required to refrain from participating in any decision by the Board of Directors on any issue involving the potential conflict of interest. Lee Mental Health Center, Inc., may, with proper notice and disclosure, from time to time do business with firms with whom Board of Directors members or Corporate Officers are affiliated. Such business arrangements are to be made on an arm's length basis and on terms not less favorable to Lee Mental Health Center, Inc. than other transactions with unrelated parties.

Currently, management is not aware of any business relationships in effect that would constitute a conflict of interest with any Officer or Board member of Lee Mental Health Center, Inc.

**SUPPLEMENTARY INFORMATION**

**LEE MENTAL HEALTH CENTER, INC.  
SCHEDULE OF REVENUES BY COST CENTER  
YEAR ENDED JUNE 30, 2010**

	Crisis Stabilization			Residential			Crisis/Support Emergency Services	Adult & Child Medical Services
	Adult Crisis Stabilization	Children's Crisis Stabilization	Total	Adult Mental Health	Adult Substance Abuse	Total		
<b>STATE SAMH FUNDING</b>								
SAMH	\$ 2,352,946	\$ 826,288	\$ 3,179,234	\$ 1,077,500	\$ 441,746	\$ 1,519,246	\$ 886,440	\$ 967,425
TANF	-	-	-	-	-	-	45	-
Total State SAMH Funding	<u>2,352,946</u>	<u>826,288</u>	<u>3,179,234</u>	<u>1,077,500</u>	<u>441,746</u>	<u>1,519,246</u>	<u>886,485</u>	<u>967,425</u>
<b>OTHER GOVERNMENT FUNDING</b>								
Other State Agency Funding	-	-	-	-	-	-	-	-
Medicaid	619,268	352,373	971,641	58,671	382	59,053	7,443	1,082,571
Local Government	1,036,963	163,223	1,200,186	84,817	157,092	241,909	407,291	527,849
Federal Grants and Contracts	-	-	-	-	-	-	-	-
In-Kind from local Government	-	-	-	-	-	-	-	-
Total Other Government Funding	<u>1,656,231</u>	<u>515,596</u>	<u>2,171,827</u>	<u>143,488</u>	<u>157,474</u>	<u>300,962</u>	<u>414,734</u>	<u>1,610,420</u>
<b>ALL OTHER FUNDING &amp; REVENUE</b>								
First and Second Party Payments	365,835	89,914	455,749	24,021	74,369	98,390	930	174,106
Third Party Payments (Except Medicare)	352,533	124,631	477,164	(1,796)	6,790	4,994	(30)	76,047
Medicare	50,032	-	50,032	3,574	-	3,574	54	40,686
Contributions and Donations	-	-	-	-	-	-	-	-
Other	6,200	2,500	8,700	-	556	556	-	-
In-kind Revenue	100	-	100	305	-	305	-	480,443
Total Nongovernmental Funding	<u>774,700</u>	<u>217,045</u>	<u>991,745</u>	<u>26,104</u>	<u>81,715</u>	<u>107,819</u>	<u>954</u>	<u>771,282</u>
Total All Funding and Revenue	<u>\$ 4,783,877</u>	<u>\$ 1,558,929</u>	<u>\$ 6,342,806</u>	<u>\$ 1,247,092</u>	<u>\$ 680,935</u>	<u>\$ 1,928,027</u>	<u>\$ 1,302,173</u>	<u>\$ 3,349,127</u>

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF REVENUES BY COST CENTER (CONTINUED)**  
**YEAR ENDED JUNE 30, 2010**

	<u>Comprehensive Community Service Team</u>				Miscellaneous SAMH Programs	Total for State SAMH-Funded Cost Centers	Non State SAMH Funded Cost Centers
	Adult	Forensic	Child	Total			
<b>STATE SAMH FUNDING</b>							
SAMH	\$ 571,558	\$ 575,459	\$ 132,111	\$ 1,279,128	\$ 127,175	\$ 7,958,648	\$ 7,869
TANF	-	-	-	-	-	45	-
Total State SAMH Funding	<u>571,558</u>	<u>575,459</u>	<u>132,111</u>	<u>1,279,128</u>	<u>127,175</u>	<u>7,958,693</u>	<u>7,869</u>
<b>OTHER GOVERNMENT FUNDING</b>							
Other State Agency Funding	-	-	-	-	-	-	38,807
Medicaid	-	50,048	-	50,048	-	2,170,756	1,724,055
Local Government	-	-	2,736	2,736	-	2,379,971	189,496
Federal Grants and Contracts	-	-	-	-	-	-	56,858
In-Kind from local Government	-	-	-	-	-	-	-
Total Other Government Funding	<u>-</u>	<u>50,048</u>	<u>2,736</u>	<u>52,784</u>	<u>-</u>	<u>4,550,727</u>	<u>2,009,216</u>
<b>ALL OTHER FUNDING &amp; REVENUE</b>							
First and Second Party Payments	13,725	8,400	3,713	25,838	-	755,013	37,613
Third Party Payments (Except Medicare)	-	(24)	-	(24)	-	558,151	24,101
Medicare	-	-	-	-	-	94,346	12,813
Contributions and Donations	28,243	-	-	28,243	-	28,243	139,963
Other	-	6,668	-	6,668	-	15,924	67,500
In-kind Revenue	-	-	-	-	14,000	494,848	-
Total Nongovernmental Funding	<u>41,968</u>	<u>15,044</u>	<u>3,713</u>	<u>60,725</u>	<u>14,000</u>	<u>1,946,525</u>	<u>281,990</u>
<b>Total All Funding and Revenue</b>	<u>\$ 613,526</u>	<u>\$ 640,551</u>	<u>\$ 138,560</u>	<u>\$ 1,392,637</u>	<u>\$ 141,175</u>	<u>\$ 14,455,945</u>	<u>\$ 2,299,075</u>

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF REVENUES BY COST CENTER (CONTINUED)**  
**YEAR ENDED JUNE 30, 2010**

	Total for All State Designated SAMH Cost Centers	Non SAMH Cost Centers	Direct Support Cost Centers	Administrative Cost Centers	Indirect Support Cost Centers	Helpgro, Inc. and LMHC Properties, Inc.	Total Funding
<b>STATE SAMH FUNDING</b>							
SAMH	\$ 7,966,517	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,966,517
TANF	45	-	-	-	-	-	45
Total State SAMH Funding	<u>7,966,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,966,562</u>
<b>OTHER GOVERNMENT FUNDING</b>							
Other State Agency Funding	38,807	375,616	-	-	-	-	414,423
Medicaid	3,894,811	116,498	1,978	123,884	-	-	4,137,171
Local Government	2,569,467	99,676	220,202	599,885	-	-	3,489,230
Federal Grants and Contracts	56,858	-	-	-	-	-	56,858
In-Kind from local Government	-	-	-	-	-	37,703	37,703
Total Other Government Funding	<u>6,559,943</u>	<u>591,790</u>	<u>222,180</u>	<u>723,769</u>	<u>-</u>	<u>37,703</u>	<u>8,135,385</u>
<b>ALL OTHER FUNDING &amp; REVENUE</b>							
First and Second Party Payments	792,626	14,024	247	-	-	-	806,897
Third Party Payments (Except Medicare)	582,252	1,630	(8)	-	-	-	583,874
Medicare	107,159	-	14	-	-	-	107,173
Contributions and Donations	168,206	77,550	20,636	-	-	-	266,392
Other	83,424	5,732	41,000	180,500	47,681	54,548	412,885
In-kind Revenue	494,848	-	-	298	-	-	495,146
Total Nongovernmental Funding	<u>2,228,515</u>	<u>98,936</u>	<u>61,889</u>	<u>180,798</u>	<u>47,681</u>	<u>54,548</u>	<u>2,672,367</u>
Total All Funding and Revenue	<u>\$ 16,755,020</u>	<u>\$ 690,726</u>	<u>\$ 284,069</u>	<u>\$ 904,567</u>	<u>\$ 47,681</u>	<u>\$ 92,251</u>	<u>\$ 18,774,314</u>

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF EXPENSES BY COST CENTER**  
**YEAR ENDED JUNE 30, 2010**

	Crisis Stabilization			Residential			Crisis Support Emergency Services	Adult & Child Medical Services
	Adult Crisis Stabilization	Children's Crisis Stabilization	Total	Adult Mental Health	Adult Substance Abuse	Total		
<b>PERSONNEL EXPENSES</b>								
Salaries	\$ 2,230,241	\$ 645,513	\$ 2,875,754	\$ 686,526	\$ 322,027	\$ 1,008,553	\$ 716,398	\$ 1,032,926
Fringe Benefits	431,981	124,229	556,210	161,910	73,727	235,637	140,627	160,860
Total Personnel Expenses	<u>2,662,222</u>	<u>769,742</u>	<u>3,431,964</u>	<u>848,436</u>	<u>395,754</u>	<u>1,244,190</u>	<u>857,025</u>	<u>1,193,786</u>
<b>OPERATING EXPENSES</b>								
Building Occupancy	425,248	168,072	593,320	114,934	83,166	198,100	78,253	67,461
Professional Services	474,795	352,932	827,727	42,509	18,946	61,455	20,850	1,100,434
Travel	2,203	632	2,835	2,124	457	2,581	93	2,597
Equipment Costs	26,898	10,658	37,556	12,702	8,817	21,519	6,401	6,285
Food Services	77,690	11,926	89,616	42,915	34,449	77,364	4,764	-
Medicine and Pharmacy	199,882	34,658	234,540	9,422	6,449	15,871	19,673	524,843
Subcontracted Services	2,968	-	2,968	370	164	534	456	-
Insurance	95,429	35,856	131,285	28,840	19,145	47,985	20,462	45,948
Interest Paid	-	-	-	-	-	-	-	-
Operating Supplies and Expenses	58,726	34,792	93,518	20,258	18,199	38,457	37,230	62,917
Bad Debt	200,868	53,423	254,291	4,900	26,384	31,284	1,001	65,397
Total Operating Expenses	<u>1,564,707</u>	<u>702,949</u>	<u>2,267,656</u>	<u>278,974</u>	<u>216,176</u>	<u>495,150</u>	<u>189,183</u>	<u>1,875,882</u>
Total Direct Expenses	<u>4,226,929</u>	<u>1,472,691</u>	<u>5,699,620</u>	<u>1,127,410</u>	<u>611,930</u>	<u>1,739,340</u>	<u>1,046,208</u>	<u>3,069,668</u>
<b>ALLOCATED EXPENSES</b>								
Other Support	359,331	119,311	478,642	123,271	76,172	199,443	-	106,933
Administration	418,113	138,720	556,833	143,366	88,633	231,999	-	124,422
Total Allocated Expenses	<u>777,444</u>	<u>258,031</u>	<u>1,035,475</u>	<u>266,637</u>	<u>164,805</u>	<u>431,442</u>	<u>-</u>	<u>231,355</u>
Total expenses	<u>\$ 5,004,373</u>	<u>\$ 1,730,722</u>	<u>\$ 6,735,095</u>	<u>\$ 1,394,047</u>	<u>\$ 776,735</u>	<u>\$ 2,170,782</u>	<u>\$ 1,046,208</u>	<u>\$ 3,301,023</u>
<b>SUPPLEMENTAL DISCLOSURES</b>								
State Excluded Costs	<u>\$ 200,868</u>	<u>\$ 53,423</u>	<u>\$ 254,291</u>	<u>\$ 4,900</u>	<u>\$ 26,384</u>	<u>\$ 31,284</u>	<u>\$ 1,001</u>	<u>\$ 65,397</u>

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF EXPENSES BY COST CENTER (CONTINUED)**  
**YEAR ENDED JUNE 30, 2010**

	<u>Comprehensive Community Service Team</u>				Miscellaneous SAMH Programs	Total for State SAMH-Funded Cost Centers	Non State SAMH Funded Cost Centers
	Adult	Forensic	Child	Total			
<b>PERSONNEL EXPENSES</b>							
Salaries	\$ 212,500	\$ 257,740	\$ 69,435	\$ 539,675	\$ 74,277	\$ 6,247,583	\$ 1,043,643
Fringe Benefits	46,471	74,019	17,882	138,372	19,497	1,251,203	257,910
Total Personnel Expenses	<u>258,971</u>	<u>331,759</u>	<u>87,317</u>	<u>678,047</u>	<u>93,774</u>	<u>7,498,786</u>	<u>1,301,553</u>
<b>OPERATING EXPENSES</b>							
Building Occupancy	24,549	32,451	6,087	63,087	18,260	1,018,481	107,930
Professional Services	304	255	30	589	-	2,011,055	50,417
Travel	9,977	16,711	6,150	32,838	1,261	42,205	51,009
Equipment Costs	2,502	4,721	577	7,800	445	80,006	10,291
Food Services	-	-	-	-	-	171,744	-
Medicine and Pharmacy	33	164	56	253	-	795,180	959
Subcontracted Services	21,435	18,218	-	39,653	-	43,611	12,597
Insurance	12,851	15,608	3,350	31,809	3,108	280,597	56,099
Interest Paid	-	-	-	-	-	-	-
Operating Supplies and Expenses	7,311	11,276	2,370	20,957	2,440	255,519	49,547
Bad Debt	3,775	3,633	498	7,906	-	359,879	34,815
Total Operating Expenses	<u>82,737</u>	<u>103,037</u>	<u>19,118</u>	<u>204,892</u>	<u>25,514</u>	<u>5,058,277</u>	<u>373,664</u>
Total Direct Expenses	<u>341,708</u>	<u>434,796</u>	<u>106,435</u>	<u>882,939</u>	<u>119,288</u>	<u>12,557,063</u>	<u>1,675,217</u>
<b>ALLOCATED EXPENSES</b>							
Other Support	55,102	70,503	16,735	142,340	16,110	943,468	240,693
Administration	64,067	82,015	19,475	165,557	18,732	1,097,543	273,303
Total Allocated Expenses	<u>119,169</u>	<u>152,518</u>	<u>36,210</u>	<u>307,897</u>	<u>34,842</u>	<u>2,041,011</u>	<u>513,996</u>
Total expenses	<u>\$ 460,877</u>	<u>\$ 587,314</u>	<u>\$ 142,645</u>	<u>\$ 1,190,836</u>	<u>\$ 154,130</u>	<u>\$ 14,598,074</u>	<u>\$ 2,189,213</u>
<b>SUPPLEMENTAL DISCLOSURES</b>							
State Excluded Costs	<u>\$ 3,775</u>	<u>\$ 3,633</u>	<u>\$ 498</u>	<u>\$ 7,906</u>	<u>\$ -</u>	<u>\$ 359,879</u>	<u>\$ 34,815</u>

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF EXPENSES BY COST CENTER (CONTINUED)**  
**YEAR ENDED JUNE 30, 2010**

	Total for All State State SAMH Cost Centers	Non SAMH Cost Centers	Direct Support Cost Centers	Administrative Cost Centers	Indirect Support Cost Centers	Helpgro, Inc. and LMHC Properties, Inc.	Total Funding
<b>PERSONNEL EXPENSES</b>							
Salaries	\$ 7,291,226	\$ 257,440	\$ 219,829	\$ 961,794	\$ 800,144	\$ -	\$ 9,530,433
Fringe Benefits	1,509,113	62,453	44,650	225,128	205,391	-	2,046,735
Total Personnel Expenses	<u>8,800,339</u>	<u>319,893</u>	<u>264,479</u>	<u>1,186,922</u>	<u>1,005,535</u>	<u>-</u>	<u>11,577,168</u>
<b>OPERATING EXPENSES</b>							
Building Occupancy	1,126,411	62,760	71,832	32,292	43,816	99,442	1,436,553
Professional Services	2,061,472	24,735	6,289	74,709	25,567	22,260	2,215,032
Travel	93,214	22,237	77	19,074	5,785	-	140,387
Equipment Costs	90,297	3,954	3,155	7,744	9,637	-	114,787
Food Services	171,744	545	39,473	2,281	-	-	214,043
Medicine and Pharmacy	796,139	135	5,243	1,294	5,416	-	808,227
Subcontracted Services	56,208	54,452	121	102	-	-	110,883
Insurance	336,696	16,638	8,988	768	781	15,084	378,955
Interest Paid	-	-	-	19,321	-	32,018	51,339
Operating Supplies and Expenses	305,066	9,852	11,240	102,656	139,032	61,086	628,932
Bad Debt	394,694	1,660	266	-	-	-	396,620
Total Operating Expenses	<u>5,431,941</u>	<u>196,968</u>	<u>146,684</u>	<u>260,241</u>	<u>230,034</u>	<u>229,890</u>	<u>6,495,758</u>
Total Direct Expenses	<u>14,232,280</u>	<u>516,861</u>	<u>411,163</u>	<u>1,447,163</u>	<u>1,235,569</u>	<u>229,890</u>	<u>18,072,926</u>
<b>ALLOCATED EXPENSES</b>							
Other Support	1,184,161	51,408	-	-	(1,235,569)	-	-
Administration	1,370,846	76,317	-	(1,447,163)	-	-	-
Total Allocated Expenses	<u>2,555,007</u>	<u>127,725</u>	<u>-</u>	<u>(1,447,163)</u>	<u>(1,235,569)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 16,787,287</u>	<u>\$ 644,586</u>	<u>\$ 411,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,890</u>	<u>\$ 18,072,926</u>
<b>SUPPLEMENTAL DISCLOSURES</b>							
State Excluded Costs	<u>\$ 394,694</u>	<u>\$ 1,660</u>	<u>\$ 266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 396,620</u>

**LEE MENTAL HEALTH CENTER, INC.  
SCHEDULE OF STATE EARNINGS  
YEAR ENDED JUNE 30, 2010**

1.	Total Expenditures	\$ 18,072,926
2.	Less Other State and Federal Funds	(5,358,491)
3.	Less Non-Match SAMH Funds	(1,792,482)
4.	Less Unallowable Costs per 65E-14, FAC	<u>(396,620)</u>
5.	Total Allowable Expenditures	<u>\$ 10,525,333</u>
6.	Total Amount of State Earnings (Line 5 times 75%)	\$ 7,894,000
7.	Amount of State Funds Required Match	<u>6,112,329</u>
8.	Amount Due to Department (Subtract Line 7 from Line 6. If Negative, the Amount of the Difference is Due the Department up to the Amount of Line 8.)	<u>\$ 1,781,671</u>

**LEE MENTAL HEALTH CENTER, INC.  
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS  
YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

Program (A)	Cost Center (B)	State Contracted Rate (C)	Total Units of Service Provided (D)	Total Units of Service Paid for by Third Party Contracts, Local Government or Other State Agencies (E)	Maximum Number of Units Eligible for Payment by Department (F)	Amount Paid for Services by the Department (G)	Maximum Dollar Value of Units in Column F (H)	Amount Owed to Department (G less H or \$0 Whichever is Greater) (I)
Children's MH	Crisis Stabilization Unit	\$ 391	1,752	691	1,061	\$ 392,545	\$ 415,067	\$ -
Adult MH	Crisis Stabilization Unit	\$ 391	10,950	4,229	6,721	\$ 2,352,946	\$ 2,629,391	\$ -
Children's SA	Substance Abuse Detox	\$ 391	1,898	30	1,868	\$ 433,743	\$ 730,664	\$ -
<b>Total Amount Owed to Department</b>								<b>\$ -</b>

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS**  
**JUNE 30, 2010**  
**(UNAUDITED)**

	Related Party Helpgro, Inc.	Crisis Stabilization			Crisis Support Emergency Services	Residential		
		Adult Crisis Stabilization	Children's Crisis Stabilization	Total		Adult Mental Health	Adult Substance Abuse	Total
Revenues From Grantee								
Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue from Grantee	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses Associated with Grantee Transactions								
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-
Total Associated Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Related Party Transactions Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There were no related party transaction adjustments for the year ended June 30, 2010.

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS (CONTINUED)**  
**JUNE 30, 2010**  
**(UNAUDITED)**

	<u>Comprehensive Community Service Team</u>				<u>Adult &amp; Child Medical Services</u>	<u>Misc SAMH Programs</u>	<u>Total for State SAMH-Funded Cost Centers</u>	<u>Non State SAMH Funded Cost Centers</u>
	<u>Adult</u>	<u>Forensic</u>	<u>Child</u>	<u>Total</u>				
Revenues From Grantee								
Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue from Grantee	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses Associated with Grantee Transactions								
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-
Total Associated Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Related Party Transactions Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS (CONTINUED)**  
**JUNE 30, 2010**  
**(UNAUDITED)**

	Total for All State Designated SAMH Cost Centers	Non SAMH Cost Centers	Administrative Cost Centers	Support Cost Centers	LMHC Properties, Inc.	Total Funding
Revenues From Grantee						
Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue from Grantee	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses Associated with Grantee Transactions						
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-
Total Associated Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Related Party Transactions Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LEE MENTAL HEALTH CENTER, INC.**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**JUNE 30, 2010**

	Lee Mental Health, Inc.	Helpgro, Inc.	LMHC Properties, Inc.	Eliminations	Totals
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 594,154	\$ 101,189	\$ 71	\$ -	\$ 695,414
Contracts Receivable, Net	1,118,371	-	-	-	1,118,371
Accounts Receivable, Net	554,052	-	1,103	(173,638)	381,517
Pledges Receivable, Net	20,000	-	-	-	20,000
Other Current Assets	90,341	-	-	-	90,341
Total Current Assets	<u>2,376,918</u>	<u>101,189</u>	<u>1,174</u>	<u>(173,638)</u>	<u>2,305,643</u>
<b>INVESTMENTS</b>					
Investments	101,466	-	-	-	101,466
Investments in LLC	(127)	-	-	-	(127)
<b>PROPERTY AND EQUIPMENT, net</b>	<b>3,796,509</b>	<b>1,101,337</b>	<b>758,500</b>	<b>-</b>	<b>5,656,346</b>
<b>OTHER ASSETS</b>					
Restricted Cash Deposits	7,391	1,600	19,061	-	28,052
Other Assets	-	-	2,135	-	2,135
Total Assets	<u>\$ 6,282,157</u>	<u>\$ 1,204,126</u>	<u>\$ 780,870</u>	<u>\$ (173,638)</u>	<u>\$ 8,093,515</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 361,697	\$ 9,098	\$ 217,101	\$ (173,638)	\$ 414,258
Deferred Revenue	4,167	-	921	-	5,088
Accrued expenses	1,096,383	-	23,473	-	1,119,856
Current Portion of Long-Term Debt	-	59,395	-	-	59,395
Total Current Liabilities	<u>1,462,247</u>	<u>68,493</u>	<u>241,495</u>	<u>(173,638)</u>	<u>1,598,597</u>
<b>LONG-TERM LIABILITIES</b>					
Long-Term Debt, Net of Current Portion	-	598,672	998,400	-	1,597,072
Compensated Absences	20,030	-	-	-	20,030
Total Long-Term Liabilities	<u>20,030</u>	<u>598,672</u>	<u>998,400</u>	<u>-</u>	<u>1,617,102</u>
Total Liabilities	<u>1,482,277</u>	<u>667,165</u>	<u>1,239,895</u>	<u>(173,638)</u>	<u>3,215,699</u>
<b>NET ASSETS</b>					
Unrestricted	4,722,631	536,961	(459,025)	-	4,800,567
Temporarily Restricted	77,249	-	-	-	77,249
Total Net Assets	<u>4,799,880</u>	<u>536,961</u>	<u>(459,025)</u>	<u>-</u>	<u>4,877,816</u>
Total Liabilities and Net Assets	<u>\$ 6,282,157</u>	<u>\$ 1,204,126</u>	<u>\$ 780,870</u>	<u>\$ (173,638)</u>	<u>\$ 8,093,515</u>

**LEE MENTAL HEALTH CENTER, INC.**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**JUNE 30, 2009**

	Lee Mental Health, Inc.	Helpgro, Inc.	LMHC Properties, Inc.	Eliminations	Totals
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 449,860	\$ 84,628	\$ 394	\$ -	\$ 534,882
Contracts Receivable, Net	578,206	-	-	-	578,206
Accounts Receivable, Net	655,223	-	680	(166,225)	489,678
Pledges Receivable, Net	42,500	-	-	-	42,500
Other Current Assets	110,966	-	-	-	110,966
Total Current Assets	<u>1,836,755</u>	<u>84,628</u>	<u>1,074</u>	<u>(166,225)</u>	<u>1,756,232</u>
<b>INVESTMENTS</b>					
Investments	82,371	-	-	-	82,371
Investments in LLC	16,940	-	-	-	16,940
<b>PROPERTY AND EQUIPMENT, net</b>	<b>3,268,889</b>	<b>1,175,683</b>	<b>780,465</b>	<b>-</b>	<b>5,225,037</b>
<b>OTHER ASSETS</b>					
Restricted Cash Deposits	9,727	1,600	17,993	-	29,320
Other Assets	6,088	-	-	-	6,088
Total Assets	<u>\$ 5,220,770</u>	<u>\$ 1,261,911</u>	<u>\$ 799,532</u>	<u>\$ (166,225)</u>	<u>\$ 7,115,988</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 371,409	\$ 1,683	\$ 217,982	\$ (166,225)	\$ 424,849
Deferred Revenue	10,835	-	936	-	11,771
Accrued Liabilities	743,947	-	14,375	-	758,322
Current Portion of Long-Term Debt	-	62,473	-	-	62,473
Total Current Liabilities	<u>1,126,191</u>	<u>64,156</u>	<u>233,293</u>	<u>(166,225)</u>	<u>1,257,415</u>
<b>LONG-TERM LIABILITIES</b>					
Long-Term Debt, Net of Current Portion	-	660,794	998,400	-	1,659,194
Compensated Absences	22,951	-	-	-	22,951
Total Long-Term Liabilities	<u>22,951</u>	<u>660,794</u>	<u>998,400</u>	<u>-</u>	<u>1,682,145</u>
Total Liabilities	<u>1,149,142</u>	<u>724,950</u>	<u>1,231,693</u>	<u>(166,225)</u>	<u>2,939,560</u>
<b>NET ASSETS</b>					
Unrestricted	4,044,471	536,961	(432,161)	-	4,149,271
Temporarily Restricted	27,157	-	-	-	27,157
Total Net Assets	<u>4,071,628</u>	<u>536,961</u>	<u>(432,161)</u>	<u>-</u>	<u>4,176,428</u>
Total Liabilities and Net Assets	<u>\$ 5,220,770</u>	<u>\$ 1,261,911</u>	<u>\$ 799,532</u>	<u>\$ (166,225)</u>	<u>\$ 7,115,988</u>

**LEE MENTAL HEALTH CENTER, INC.  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

	Lee Mental Health, Inc.	Helpgro, Inc.	LMHC Properties, Inc.	Eliminations	Totals
<b>UNRESTRICTED NET ASSETS</b>					
<b>Support and Revenue:</b>					
Support:					
State Grants	\$ 8,491,406	\$ -	\$ -	\$ -	\$ 8,491,406
Other Governmental	3,570,901	-	-	-	3,570,901
Contributions and In-kind Revenue	741,678	-	-	-	741,678
Total Support	<u>12,803,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,803,985</u>
Revenue:					
Net Client Fee Revenue	5,635,113	-	-	-	5,635,113
Interest Income	6,558	342	35	-	6,935
Gain (Loss) in Equity of LLC	(17,067)	-	-	-	(17,067)
Other Income	215,383	122,775	91,874	(134,776)	295,256
Total Revenue	<u>5,839,987</u>	<u>123,117</u>	<u>91,909</u>	<u>(134,776)</u>	<u>5,920,237</u>
Total Unrestricted Support and Revenue	<u>18,643,972</u>	<u>123,117</u>	<u>91,909</u>	<u>(134,776)</u>	<u>18,724,222</u>
<b>Expenses:</b>					
Program Services:					
Adult Mental Health	13,293,077	-	-	(59,552)	13,233,525
Children's Mental Health	2,678,134	-	-	(3,287)	2,674,847
Children and Family Services	594,984	-	-	(2,345)	592,639
Adult Substance Abuse	792,325	-	-	(15,591)	776,734
Children's Substance Abuse	154,130	-	-	-	154,130
Other Support Services	411,161	-	-	-	411,161
Total Program Services	<u>17,923,811</u>	<u>-</u>	<u>-</u>	<u>(80,775)</u>	<u>17,843,036</u>
Support Services:					
Administrative	42,001	-	-	(42,001)	-
Real Estate Holding Company	-	123,117	118,773	(12,000)	229,890
Total Support Services	<u>42,001</u>	<u>123,117</u>	<u>118,773</u>	<u>(54,001)</u>	<u>229,890</u>
Total Unrestricted Expenses	<u>17,965,812</u>	<u>123,117</u>	<u>118,773</u>	<u>(134,776)</u>	<u>18,072,926</u>
Net Increase (Decrease) in Unrestricted Net Assets	678,160	-	(26,864)	-	651,296
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>					
Contributions	50,092	-	-	-	50,092
Increase in Temporarily Restricted Net Assets	50,092	-	-	-	50,092
Increase (Decrease) in Net Assets	<u>728,252</u>	<u>-</u>	<u>(26,864)</u>	<u>-</u>	<u>701,388</u>
<b>NET ASSETS, Beginning of Year</b>	<u>4,071,628</u>	<u>536,961</u>	<u>(432,161)</u>	<u>-</u>	<u>4,176,428</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 4,799,880</u>	<u>\$ 536,961</u>	<u>\$ (459,025)</u>	<u>\$ -</u>	<u>\$ 4,877,816</u>

**LEE MENTAL HEALTH CENTER, INC.  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009**

	Lee Mental Health, Inc.	Helpgro, Inc.	LMHC Properties, Inc.	Eliminations	Totals
<b>UNRESTRICTED NET ASSETS</b>					
<b>Support and Revenue:</b>					
<b>Support:</b>					
State Grants	\$ 9,129,609	\$ -	\$ -	\$ -	\$ 9,129,609
Other Governmental	3,114,689	-	-	-	3,114,689
Contributions and In-kind Revenue	741,062	-	-	-	741,062
<b>Total Support</b>	<b>12,985,360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,985,360</b>
<b>Revenue:</b>					
Net Client Fee Revenue	4,960,533	-	-	-	4,960,533
Interest Income	9,413	541	53	-	10,007
Gain (Loss) in Equity of LLC	(59)	-	-	-	(59)
Other Income	73,737	137,617	78,216	(150,687)	138,883
<b>Total Revenue</b>	<b>5,043,624</b>	<b>138,158</b>	<b>78,269</b>	<b>(150,687)</b>	<b>5,109,364</b>
<b>Total Unrestricted Support and Revenue</b>	<b>18,028,984</b>	<b>138,158</b>	<b>78,269</b>	<b>(150,687)</b>	<b>18,094,724</b>
<b>Expenses:</b>					
<b>Program Services:</b>					
Adult Mental Health	12,971,033	-	-	(59,063)	12,911,970
Children's Mental Health	2,540,697	-	-	(5,419)	2,535,278
Children and Family Services	1,206,330	-	-	(5,252)	1,201,078
Adult Substance Abuse	808,137	-	-	(15,100)	793,037
Children's Substance Abuse	124,345	-	-	-	124,345
Other Program Services	334,103	-	-	-	334,103
<b>Total Program Services</b>	<b>17,984,645</b>	<b>-</b>	<b>-</b>	<b>(84,834)</b>	<b>17,899,811</b>
<b>Support Services:</b>					
Administrative	77,783	-	-	(52,783)	25,000
Real Estate Holding Company	-	138,158	111,094	(13,070)	236,182
<b>Total Support Services</b>	<b>77,783</b>	<b>138,158</b>	<b>111,094</b>	<b>(65,853)</b>	<b>261,182</b>
<b>Total Unrestricted Expenses</b>	<b>18,062,428</b>	<b>138,158</b>	<b>111,094</b>	<b>(150,687)</b>	<b>18,160,993</b>
<b>Net Decrease in Unrestricted Net Assets</b>	<b>(33,444)</b>	<b>-</b>	<b>(32,825)</b>	<b>-</b>	<b>(66,269)</b>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>					
Contributions	4,278	-	-	-	4,278
Increase in Temporarily Restricted Net Assets	4,278	-	-	-	4,278
Decrease in Net Assets	(29,166)	-	(32,825)	-	(61,991)
<b>NET ASSETS, Beginning of Year</b>	<b>4,100,794</b>	<b>536,961</b>	<b>(399,336)</b>	<b>-</b>	<b>4,238,419</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 4,071,628</b>	<b>\$ 536,961</b>	<b>\$ (432,161)</b>	<b>\$ -</b>	<b>\$ 4,176,428</b>

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

Board of Directors  
Lee Mental Health Center, Inc.  
Fort Myers, Florida

We have audited the consolidated financial statements of Lee Mental Health Center, Inc. (the "Center") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 22, 2010. 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 Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting 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.

Board of Directors  
Lee Mental Health Center, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 Board of Directors, management and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Larson Allen LLP*  
**LarsonAllen LLP**

Fort Myers, Florida  
October 22, 2010

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

Board of Directors  
Lee Mental Health Center, Inc.  
Fort Myers, Florida

## **Compliance**

We have audited the compliance of Lee Mental Health Center, Inc. (the "Center") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the Department of Financial Services *State Projects Compliance Supplement*, that could have a direct and material effect on each of its major federal programs or state projects for the year ended June 30, 2010. The Center's major federal programs and state projects are identified in the summary of auditors' 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 federal programs and state projects is the responsibility of the Center's management. Our responsibility is to express an opinion on the 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or a 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. Our audit does not provide a legal determination on the Center's compliance with those requirements.

Board of Directors  
Lee Mental Health Center, Inc.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the fiscal year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-01 to 2010-03.

### **Internal Control Over Compliance**

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program or a state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-01, 2010-02 and 2010-03 to be material weaknesses.

The Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Center's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Larson Allen LLP*  
LarsonAllen LLP

Fort Myers, Florida  
October 22, 2010

**LEE MENTAL HEALTH CENTER, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2010**

<b>FEDERAL / STATE AGENCY</b> <i>Pass-through Entity</i> Federal Program / State Project	CFDA CSFA NUMBER	GRANT/ CONTRACT NUMBER	EXPENDITURES
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b> <i>Passed Through State of Florida, Department of Children and Families</i>			
Block Grants for Community Mental Health Services	93.958	HH05R	\$ 566,004
Block Grants for Prevention and Treatment of Substance Abuse	93.959	HH05R	771,772
Temporary Assistance for Needy Families	93.558	HH05R	<u>45</u>
Total programs - U.S. Department of Health and Human Services			<u>1,337,821</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b> <i>Passed through Lee County Board of Commissioners</i>			
Shelter Plus Care	14.238	FL0268C4D03080	84,076
Community Development Block Grant ARRA Entitlement Grants (CDBG-R)(Recovery Act Funded)	14.253	4904	<u>565,997</u>
Total programs - U.S. Department of Housing and Urban Development			<u>650,073</u>
<b>U.S. DEPARTMENT OF JUSTICE</b> <i>Passed through Lee County Board of Commissioners</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	5118	<u>8,618</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,996,512</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**LEE MENTAL HEALTH CENTER, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (CONTINUED)  
YEAR ENDED JUNE 30, 2010**

<b>FEDERAL / STATE AGENCY</b> <i>Pass-through Entity</i> Federal Program / State Project	CFDA CSFA NUMBER	GRANT/ CONTRACT NUMBER	EXPENDITURES
<b>STATE OF FLORIDA, DEPARTMENT OF CHILDREN AND FAMILIES</b>			
Children's Baker Act Services	60.001	HH05R	\$ 437,008
Baker Act	60.006	HH05R	2,337,662
Substance Abuse Detoxification Services for Children	60.028	HH05R	230,853
Substance Abuse Treatment and Aftercare Services for Children	60.030	HH05R	153,495
Substance Abuse Treatment and Aftercare Services for Adults	60.033	HH05R	17,349
Indigent Psychiatric Outpatient Program	60.039	HH05R	127,532
Adult Community Mental Health Community Support Services	60.053	HH05R	2,245,937
Adult Community Mental Health Emergency Stabilization	60.054	HH05R	324,456
Children's Mental Health Community Support Services	60.055	HH05R	118,498
Adult Mental Health - Special Projects - Emergency Stabilization	60.061	HH05R	362,000
Community Forensic Beds and Competency Restoration Training	60.114	HH05R	<u>212,000</u>
Total Programs - State of Florida, Department of Children and Families			6,566,790
State of Florida, Department of Juvenile Justice Passed Through			
Evidence Based Associates			
Conditional Release Services/Contracted Intensive Probation	80.018/.019	N/A	<u>299,934</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u>\$ 6,866,724</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<u>\$ 8,863,236</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**LEE MENTAL HEALTH CENTER, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**JUNE 30, 2010**

**(1) Purpose of the Schedule**

The Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") is a supplementary schedule to the Center's basic consolidated financial statements and is presented for the purpose of additional analysis. The Schedule is required by Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and by Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.

**(2) Summary of Significant Accounting Policies**

**Basis of Presentation**

Federal Financial Assistance – Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156), and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, that nonfederal entities receive or administer, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property interest subsidies, insurance, or direct appropriations.

State Financial Assistance – Pursuant to Florida Single Audit Act (Section 215.97, Florida Statutes) and Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, state financial assistance is defined as assistance from state resources, not including federal financial assistance and state matching, provided to non-state entities to carry out a state project. State financial assistance includes all types of state assistance as stated in the rules of the Florida Department of Financial Services, established in consultation with the Comptroller and appropriate state agencies that provide state financial assistance. It includes state financial assistance provided directly by state awarding agencies or indirectly by recipients of state awards. It does not include procurement contracts used to buy goods or services from vendors.

Catalog of Federal Domestic Assistance – OMB Circular A-133 requires the Schedule to show the total expenditures for each of the Center's federal financial assistance programs as identified in the Catalog of Federal and Domestic Assistance (CFDA). Federal financial assistance programs that have not been assigned a CFDA number are indicated with an "N/A."

Catalog of State Financial Assistance – Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code requires the Schedule to show the total state financial assistance expended for each individual state project as identified in the Catalog of State Financial Assistance (CSFA). State financial assistance projects that have not been assigned a CSFA number are indicated with an "N/A."

**LEE MENTAL HEALTH CENTER, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2010**

**(2) Summary of Significant Accounting Policies (Continued)**

**Type A and Type B Programs**

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures to be used in defining Type A and Type B federal financial assistance programs. Type A assistance programs for the Center are those federal programs with expenditures in excess of \$300,000 for the fiscal year ended June 30, 2010.

Each non-state entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in any fiscal year is required to have a state single audit for such fiscal year in accordance with the requirements of the Florida Single Audit Act (Section 215.97, Florida Statutes). Chapter 69I-5 establishes the level of expenditures to be used in defining Type A and Type B state financial assistance projects. Type A assistance projects for the Center are those programs with expenditures in excess of \$300,000, which is the greater of \$300,000, or 3% of total state awards expended for the fiscal year ended June 30, 2010.

**Basis of Accounting**

Both federal and state financial assistance expenditures included in the Schedule are reported using the accrual basis of accounting.

**LEE MENTAL HEALTH CENTER, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 – FEDERAL PROGRAMS AND STATE PROJECTS  
 YEAR ENDED JUNE 30, 2010**

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**Section I – Summary of Auditors' Results**

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**Financial Statements**

Type of auditors' report issued;	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	___X___ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	___X___ none reported
Noncompliance material to financial statements noted?	_____ yes	___X___ no

**Federal Awards and State Financial Assistance**

Internal control over major federal programs and state projects:		
• Material weakness(es) identified?	___X___ yes	_____ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	___X___ none reported
Type of auditor's report issued on compliance for major federal programs and state projects:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or Chapter 10.654 (1)(h)4, Rules of the Auditor General?	___X___ yes	_____ no

**LEE MENTAL HEALTH CENTER, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 – FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)  
 YEAR ENDED JUNE 30, 2010**

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**Section I – Summary of Auditors’ Results (Continued)**

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Identification of major programs/projects:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
14.253	Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)
<b>CSFA Number(s)</b>	<b>Name of State Project</b>
60.006	Baker Act
60.053	Adult Community Mental Health – Community Support Services

Dollar threshold used to distinguish between Type A or Type B programs/projects was:  
 Major Federal Program  
 Major State Project

\$ 300,000  
\$ 300,000

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133?

  X   yes             no

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**- FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2010**

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**Section II – Financial Statement Findings**

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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Our audit disclosed the following matters required to be reported related to Federal programs under section 510(a) of OMB Circular A-133.

**2010-01 – Suspension & Debarment**

Criteria

For contracts for goods or services equal to or exceeding \$25,000, the Center should perform a search of the Excluded Parties List System (EPLS) to verify the vendor is not currently excluded from receiving federal funds.

Condition

While personnel of Lee County (the prime recipient) reviewed the EPLS system for one of the two vendors, the Center did not check for suspension or debarment of either vendor.

Cause

Management of the Center believed that the County was performing the suspension and debarment procedures related to this grant.

Effect

Subsequent review of the EPLS system did not indicate either vendor had been suspended or debarred. Had a vendor been suspended or debarred the Center would have the potential for charges to be subject to disallowance by the Federal Agency.

Recommendation

We recommend that the grant administrator be assigned the task of performing a search of the Excluded Parties List System (EPLS) for grant related vendors in which the contracts for goods or services will equal or exceeding \$25,000. This search should include the Company itself and the owners of the Company.

Views of Responsible Officials

This finding reflects the need to ensure vendors with contracts for goods and services totaling \$25,000 or more should be reviewed for suspension and debarment in the Excluded Party List (EPLS) database. As a result of various conversations, the sub-recipient, Lee Mental Health Center, Inc., was under the impression that the recipient, Lee County, would be responsible for this task. However because it was stated specifically in the Center's contract, staff should have independently verified the database. In the future, as part of the decision making process, purchasing will verify before the bid is awarded that the vendor is not in the data base. This includes appropriately documenting a copy in the purchasing department.

**LEE MENTAL HEALTH CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
– FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)  
YEAR ENDED JUNE 30, 2010**

**2010-02 – Contract Files**

Criteria

Contract files should document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of the contract price.

Condition

The Center does not have contract files related to this grant. The only documentation available for this grant are the actual contracts/proposal and emails between the Center and the County related to one of the two contracts.

Cause

Management of the Center did not think that they were responsible for maintaining the contract files related to this grant; they believed the County was performing the contract file procedures related to this grant.

Effect

If the federal awarding agency requests the contract files to support the awarding of the contract without competitive bidding, the Center could find it hard to provide the necessary support to justify its decision.

Recommendation

We recommend that a file be maintained on all contracts. These files should include the contract/agreement, all bid documents and responses, documentation of the selection process and results, and any other correspondence related to the contracts/agreements.

Views of Responsible Officials

The Center's documentation for awarding the contract to the two main vendors was inadequate. Decisions on the vendors were discussed in meetings between the County and the Center; however they were not documented. Lee Mental Health Center, Inc., as the sub-recipient, believed the County, as the recipient, was ensuring proper documentation. In the future all contract bids and decisions will be appropriately documented and maintained in the purchasing department.

**2010-03 – Vendor Contracts**

Criteria

OMB Circular A-110 and OMB Circular A-110 Appendix A requires certain provisions be included in all contracts in which grant funding is used.

Condition

The Center did not include the required provisions in the contracts with either vendor tested.

Cause

The Center did not create their own contracts with either vendor used. The Center believed that the Vendor provided contracts were sufficient along with the meetings held between the Center, the County and the Vendor in which the provisions were discussed was sufficient.

**LEE MENTAL HEALTH CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
– FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)  
YEAR ENDED JUNE 30, 2010**

Effect

The vendor could violate required provisions and the Center would have no documentation that the provisions were properly communicated to the Vendor. If violations were found the Center would have the potential for charges to be subject to disallowance by the Federal Agency.

Recommendation

We recommend that the grant administrator be assigned the task of reviewing all agreements related to grant funding to verify that all required provisions are included. If the provisions are not included the agreement should be modified to include all the required provisions.

Views of Responsible Officials

The wording of the contracts for these two vendors excluded several required provisions of OMB Circular A-110 and its Appendix A. Because these contracts were reviewed with Lee County, the recipient, the language was thought to be adequate. In the future OMB Circular A-110 and corresponding Appendix A will be included. Additionally, more care will be taken to ensure all required wording exists in all contracts.

There were no matters reported in the prior year Schedule of Findings and Questioned Costs required to be reported related to Federal programs under section 510(a) of OMB Circular A-133.

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**Section IV – Findings and Questioned Costs – Major State Projects**

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Our audit disclosed no matters required to be reported related to State projects required to be disclosed under Chapter 10.656, Rules of Auditor General.

There were no matters reported in the prior year Schedule of Findings and Questioned Costs required to be reported in accordance with Chapter 10.656, Rules of the Auditor General.

A management letter required by Sections 215.97(9)(f), Florida Statutes, and defined in Rule 10.654(1)(e), has not been included as there are no items related to State financial assistance required to be reported.

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**Section V – Other Issues**

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No corrective action plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.