

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.

PUNTA GORDA, FLORIDA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2011

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Fred B. Dees, C.P.A.
Fred B. Dees, Jr., C.P.A.

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Charlotte Behavioral Health Care, Inc.
Punta Gorda, Florida**

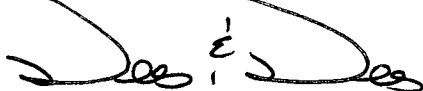
We have audited the accompanying statement of financial position of **Charlotte Behavioral Health Care, Inc.** (a non-profit organization) as of **June 30, 2011**, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Charlotte Behavioral Health Care, Inc.**, as of **June 30, 2011**, and the changes in its net assets and its cash flows for the year 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 a report dated December 9, 2011 on our consideration of **Charlotte Behavioral Health Care, Inc.'s** internal control over financial reporting and our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **Charlotte Behavioral Health Care, Inc.** taken as a whole. The accompanying schedule of expenditures of federal awards and state projects, as listed in the table of contents, 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 of the State of Florida and the Florida Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



DEES & DEES, C.P.A.'s, P.A.
Port Charlotte, Florida
December 9, 2011

COMPLIANCE AND INTERNAL CONTROL

Fred B. Dees, C.P.A.
Fred B. Dees, Jr., C.P.A.

**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
Charlotte Behavioral Health Care, Inc.
Punta Gorda, Florida**

We have audited the financial statements of **Charlotte Behavioral Health Care, Inc.** (a non-profit organization) as of and for the year ended **June 30, 2011**, and have issued our report thereon dated December 9, 2011. 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 of America and Chapter 10.650, Rules of the Auditor General.

Internal Control over Financial Reporting

In planning and performing our audit, we considered **Charlotte Behavioral Health Care, Inc.**'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Charlotte Behavioral Health Care, Inc.**'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Charlotte Behavioral Health Care, Inc.**'s internal control over financial reporting.

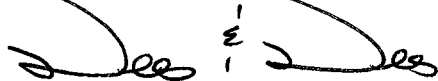
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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 would not be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Charlotte Behavioral Health Care, Inc.'s** financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 or under Chapter 10.650, Rules of the Auditor General.

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



DEES & DEES, C.P.A.'s, P.A.
Port Charlotte, Florida
December 9, 2011

Fred B. Dees, C.P.A.
Fred B. Dees, Jr., C.P.A.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE RULES OF THE AUDITOR GENERAL CHAPTER 10.650**

**Board of Directors
Charlotte Behavioral Health Care, Inc.
Punta Gorda, Florida**

Compliance

We have audited the compliance of **Charlotte Behavioral Health Care, Inc.** (a non-profit organization) 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 Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended **June 30, 2011**. **Charlotte Behavioral Health Care, Inc.**'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 **Charlotte Behavioral Health Care, Inc.**'s management. Our responsibility is to express an opinion on **Charlotte Behavioral Health Care, Inc.**'s compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 and state projects occurred. An audit includes examining, on a test basis, evidence about **Charlotte Behavioral Health Care, Inc.**'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Charlotte Behavioral Health Care, Inc.**'s compliance with those requirements.


In our opinion, **Charlotte Behavioral Health Care, Inc.** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended **June 30, 2011**.

Board of Directors
Charlotte Behavioral Health Care, Inc.
December 9, 2011
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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, non 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.

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

This report is intended for the information of the Board of Directors, management, others within the organization, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DEES & DEES, C.P.A.'s, P.A.
Port Charlotte, Florida
December 9, 2011

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS
FOR YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over Financial Reporting:

- Material weakness(es) identified? ___yes X no
- Significant deficiency(ies) identified that are not considered 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? ___yes X no
- Significant deficiency(ies) identified that are not considered 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? ___yes X no

Identification of major programs/projects:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse

<u>CSFA Numbers</u>	<u>Name of Federal State Project</u>
60.001	Children's Baker Act Services
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	<u>\$300,000</u>
Major State Project	<u>\$300,000</u>

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

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE PROJECTS (CONT.)
FOR YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with paragraphs 5.18 through 5.20 of Government Auditing Standards.

Section III - Findings and Questioned Costs – Major Federal Programs

Our audit disclosed no matters required to be reported to Federal programs under section 510(a) of OMB Circular A-133.

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.

Section IV - Findings and Questioned Costs – Major State Projects

Our audit disclosed no matters required to be reported 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 Auditor General.

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

Section V – Other Issues

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

FINANCIAL STATEMENTS

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Current Assets:

Cash	\$3,029,078	
Investments	515,000	
Accounts receivable, net	596,219	
Prepaid expenses	222,013	
Other assets	<u>3,894</u>	
Total Current Assets		\$4,336,204

Restricted Assets:

Restricted cash – Contingency	<u>1,000</u>	
Total Restricted Assets		1,000

Property and Equipment:

Land	471,977	
Furniture and fixtures	482,142	
Buildings	<u>5,669,617</u>	
	6,623,736	
Less accumulated depreciation	<u>(2,669,987)</u>	
Net Property and Equipment		3,953,749

Other Assets:

Board Designated Cash – Catastrophic Fund (Note 4)	500,000	
Capital Fund (Note 4)	<u>472,590</u>	
Total Other Assets		<u>972,590</u>

TOTAL ASSETS		<u>\$9,293,543</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 338,780	
Accrued expenses	654,209	
Accrued premium tax (Note 8)	161,371	
Deferred revenue	25,502	
Current portion - Long-term debt	<u>94,972</u>	
 Total Current Liabilities		 \$1,274,834

Long-Term Debt: (Note 5)

Note payable	<u>435,654</u>	
	435,654	
Less: Current portion	<u>94,972</u>	
 Total Long-Term Debt		 <u>340,682</u>
 Total Liabilities		 <u>1,615,516</u>

Net Assets:

Unrestricted

Undesignated	6,705,437	
Board Designated – Catastrophic (Note 4)	500,000	
Board Designated – Capital (Note 4)	<u>472,590</u>	
 Total Unrestricted Net Assets		 <u>7,678,027</u>

TOTAL LIABILITIES AND NET ASSETS \$9,293,543

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2011

Unrestricted Net Assets:

Support:

Donations	\$ 23,350	
Total Unrestricted Support		\$ 23,350

Revenue:

Fees for service	3,324,423	
Interest	2,688	
Miscellaneous	10,923	
In kind match	<u>101,365</u>	
Total Unrestricted Revenue		<u>3,439,399</u>
Total Unrestricted Support and Revenue		3,462,749

Net Assets Released from Restrictions:

Charlotte County Board of Commissioners	1,475,005	
State of Florida, SAMH	5,555,720	
Other contract services	<u>1,018,866</u>	
Total Net Assets Released From Restrictions		<u>8,049,591</u>
Total Unrestricted Support and Revenue and Reclassifications		11,512,340

Expenses:

Cost Centers:

C.S.U.	3,553,188	
Mobile Crisis	294,918	
Outpatient	3,657,437	
Case Management	340,583	
Sub Abuse Detox	1,074,042	
Sub Abuse Res. Level I	412,296	
Adult MH Res. Level IV	984,759	
Diversion Programs	147,503	
Non-SAMH Programs	<u>1,008,356</u>	
Total Expenses		<u>11,473,082</u>

Increase (Decrease) in Unrestricted Net Assets		39,258
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CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
STATEMENT OF ACTIVITIES (CONT.)
FOR YEAR ENDED JUNE 30, 2011

Temporarily Restricted Net Assets:

Charlotte County Board of Commissioners	\$1,475,005	
State of Florida, SAMH	5,555,720	
Other contract services	1,018,866	
Net assets released from restrictions	<u>(8,049,591)</u>	
Increase (Decrease) in Temporarily Restricted Net Assets		\$ -0-

Permanently Restricted Net Assets:

Increase (Decrease) in Permanently Restricted Net Assets	<u>-0-</u>	
		<u>-0-</u>

Increase (Decrease) in Net Assets		<u>39,258</u>
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Net assets at beginning of year		7,899,029
Prior period adjustment		<u>(260,260)</u>
Net assets at beginning of year, as adjusted		<u>7,638,769</u>

NET ASSETS AT END OF YEAR		<u>\$7,678,027</u>
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CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:

Change in net assets	\$ 39,258
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	361,417
(Increase) Decrease In:	
Receivables	461,450
Prepaid expenses	(44,646)
Other assets	635
Designated assets	(72,000)
Increase (Decrease) In:	
Accounts payable	337,051
Accrued expenses	160,291
Deferred revenue	(179,459)
Accrued premium tax	<u>41,371</u>
Net Cash Provided (Used) by Operating Activities	<u>1,105,368</u>

Cash Flows from Investing Activities:

Repayment of prior years overpayment	(260,260)
Payments for property and equipment	(61,579)
Purchase of investments	<u>(510,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>(831,839)</u>

Cash Flows from Financing Activities:

Repayment on note payable	<u>(118,870)</u>
Net Cash Provided (Used) by Financing Activities	<u>(118,870)</u>

Net Increase (Decrease) in Cash and Cash Equivalents 154,659

Cash and cash equivalents at beginning of year 2,874,419

CASH AND CASH EQUIVALENTS AT END OF YEAR \$3,029,078

Supplemental Disclosure:

Interest Paid **\$ 32,707**

Note: The Organization did not participate in any non-cash investing and financing activities during the fiscal year ending June 30, 2011. No payments relating to income taxes were made during the 2011 fiscal year.

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED JUNE 30, 2011

	<u>COST CENTERS</u>					
	<u>CSU</u>	<u>MOBILE CRISIS</u>	<u>OUTPTNT PROGAMS</u>	<u>CASE MGMT</u>	<u>SUB ABUSE DETOX</u>	<u>SUB ABUSE RES LEVEL I</u>
Personnel Services:						
Salaries	\$1,895,544	\$ 190,167	\$2,170,793	\$ 182,600	\$ 555,905	\$ 222,122
Fringe benefits	<u>431,281</u>	<u>38,827</u>	<u>545,314</u>	<u>50,571</u>	<u>134,253</u>	<u>51,844</u>
Total Personnel	<u>2,326,825</u>	<u>228,994</u>	<u>2,716,107</u>	<u>233,171</u>	<u>690,158</u>	<u>273,966</u>
Expenses:						
Building occupancy	159,486	7,097	111,288	18,338	83,929	29,612
Professional services	32,990	1,844	27,556	2,590	8,580	2,347
Travel	4,293	8,063	11,544	8,598	1,246	279
Equipment costs	4,278	57	5,656	612	794	221
Food services	74,053	-0-	-0-	-0-	34,149	12,620
Medical and pharmacy	48,836	-0-	10,737	-0-	13,597	5,028
Subcontracted services	172,931	182	33,810	66	15,747	5,825
Insurance	65,846	1,195	64,833	14,077	26,145	9,488
Interest	10,584	623	10,083	935	-0-	-0-
Operating supplies/expenses	224,319	10,251	216,911	20,989	70,581	23,078
In kind match	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenses	<u>797,616</u>	<u>29,312</u>	<u>492,418</u>	<u>66,205</u>	<u>254,768</u>	<u>88,498</u>
Total Personnel and Expenses	3,124,441	258,306	3,208,525	299,376	944,926	362,464
Distributed Costs:						
Administration	<u>428,747</u>	<u>36,612</u>	<u>448,912</u>	<u>41,207</u>	<u>129,116</u>	<u>49,832</u>
TOTAL	<u>\$3,553,188</u>	<u>\$ 294,918</u>	<u>\$3,657,437</u>	<u>\$ 340,583</u>	<u>\$1,074,042</u>	<u>\$ 412,296</u>

<u>COST CENTERS</u>						
<u>ADULT MH</u>	<u>TOTAL STATE</u>		<u>TOTAL STATE</u>	<u>NON-SAMH</u>		
<u>RES</u>	<u>SAMH FUNDED</u>	<u>DIVERSION</u>	<u>DESIGNATED</u>	<u>HLTHY FAMILIES</u>		
<u>LEVEL IV</u>	<u>COST CTRS.</u>	<u>PROGRAMS</u>	<u>(SAMH)</u>	<u>PARENTING</u>		
			<u>COST CTRS.</u>	<u>HLTHY START</u>	<u>ADMIN</u>	<u>TOTAL</u>
\$ 286,555	\$ 5,503,686	\$ 84,652	\$ 5,588,338	\$ 492,530	\$ 907,130	\$ 6,987,998
<u>81,248</u>	<u>1,333,338</u>	<u>18,586</u>	<u>1,351,924</u>	<u>171,273</u>	<u>190,816</u>	<u>1,714,013</u>
<u>367,803</u>	<u>6,837,024</u>	<u>103,238</u>	<u>6,940,262</u>	<u>663,803</u>	<u>1,097,946</u>	<u>8,702,011</u>
96,090	505,840	169	506,009	22,501	60,782	589,292
3,788	79,695	-0-	79,695	5,102	9,845	94,642
15,144	49,167	525	49,692	28,986	9,628	88,306
-0-	11,618	525	12,143	244	1,491	13,878
-0-	120,822	-0-	120,822	-0-	13,928	134,750
-0-	78,198	-0-	78,198	-0-	9,015	87,213
323,055	551,616	125	551,741	4,467	60,268	616,476
27,760	209,344	-0-	209,344	17,818	28,539	255,701
911	23,136	-0-	23,136	1,033	2,884	27,053
38,984	605,113	24,935	630,048	52,781	79,566	762,395
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>101,365</u>	<u>-0-</u>	<u>101,365</u>
<u>505,732</u>	<u>2,234,549</u>	<u>26,279</u>	<u>2,260,828</u>	<u>234,297</u>	<u>275,946</u>	<u>2,771,071</u>
873,535	9,071,573	129,517	9,201,090	898,100	1,373,892	11,473,082
<u>111,224</u>	<u>1,245,650</u>	<u>17,986</u>	<u>1,263,636</u>	<u>110,256</u>	<u>(1,373,892)</u>	<u>-0-</u>
<u>\$ 984,759</u>	<u>\$10,317,223</u>	<u>\$ 147,503</u>	<u>\$10,464,726</u>	<u>\$ 1,008,356</u>	<u>\$ -0-</u>	<u>\$11,473,082</u>

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies

Organization and Nature of Activities

Charlotte Behavioral Health Care, Inc., (“the Organization”), is a not-for-profit corporation organized under the laws of the State of Florida. The Organization makes available a wide variety of mental health, alcohol and drug related services to all residents of Charlotte County. These services are to be provided on a non-discriminatory basis to the public.

Basis of Accounting

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

The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. Federal, State, local government and other public grants are recorded as support when performance occurs under the terms of the grant agreement.

The costs of providing the various programs and other activities have been detailed on the statement of functional expenses and summarized on a program basis in the Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which 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 the relevant program’s costs to the total.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in accordance with FASB ASC 958-205. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Organization that is not a private foundation under Section 509(a)(2).

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont.)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision based on its assessment of the current status of individual accounts and contracts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents. Certificates of deposit with original maturities over three months are classified as investments.

Restricted Cash

Restricted cash represents funds held specifically for various Drug Court activities.

Property and Equipment

The Organization capitalizes major additions of property and equipment with a value of \$500 or greater and which have an estimated useful live of greater than one year. Property and equipment are recognized at cost when purchased. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets ranging from five (5) to twenty-five (25) years.

Fair Value Measurements

The Organization follows the requirements of the Financial Accounting Standards Board in accordance with FASB ASC 820 for the year ended June 20, 2011. FASB ASC 820 establishes a hierarchy framework for measuring fair value of financial instruments. The hierarchy is described below and listed in order of priority:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont.)

In-Kind Services

The fair value of in-kind services included as revenue in the financial statements and the corresponding program expenses for the year ended June 30, 2011, are as follows:

	<u>Healthy Families</u>
Program Consultant and Contractual Services	<u>\$ 101,365</u>

Note 2 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2011</u>
Land	\$ 471,977
Furniture and fixtures	482,142
Buildings	<u>5,669,617</u>
	6,623,736
Less Accumulated Depreciation	<u>(2,669,987)</u>
	<u>\$3,953,749</u>

Depreciation expense for the year ended June 30, 2011 was \$361,417.

Note 3 - Fair Value of Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2011:

	<u>Investment Assets at Fair Value as of June 30, 2011</u>			
<u>Assets:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of Deposit	\$ -0-	\$500,000	\$ -0-	\$500,000
Premier Health Investment	<u>-0-</u>	<u>-0-</u>	<u>15,000</u>	<u>15,000</u>
	<u>\$ -0-</u>	<u>\$500,000</u>	<u>\$ 15,000</u>	<u>\$515,000</u>

Note 4 - Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and accounts receivable. The Organization places its cash and cash equivalents with a national financial institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. All funds over \$100,000 are automatically sweep daily into a Federated Prime Obligations Fund. The securities in which the Fund invests will be rated in the highest short-term rating category and invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. At times, cash balances may exceed the FDIC limit. At June 30, 2011, the Organization had \$3,752,668 of deposits in excess of insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

The Organization grants credit without collateral to its patients. A significant portion consists of local residents who may be insured under third-party payor agreements. However, receivables have been recorded at the amount management expects to collect. The reserve for uncollectible amounts was \$101,637 as of June 30, 2011. The reserve is based on historical collections and management's estimate of the amount to be collected based on currently known facts.

Read Independent Auditors' Report

PUNTA GORDA, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2011

Note 5 - Compensated Absences

The Organization allows employees to accumulate up to 240 hours of annual leave. Upon termination, the Organization will compensate the employee for the unexercised annual leave. No compensation will be made for the unused sick leave. The amount of accrued compensated absences at June 30, 2011 is \$85,751.

Note 6 - Pension Plan

The Organization provides a 403(B) Retirement Program for all eligible employees. This plan is with the Variable Annuity Life Insurance Company (V.A.L.I.C.). The plan is designed for non-profit 501(c)(3) organizations. The retirement plan is a non-contributory plan for employees and the Organization contributes 9% of all eligible salaries. After three years of employment at the Organization, the eligible employees are fully vested. Employees have the option to make additional voluntary contributions into the plan. For the year ended June 30, 2011, pension expense amounted to \$472,191.

Note 7 - Board Designations

As of June 30, 2011, the Board of Directors has designated certain unrestricted net assets for specific use. It has designated \$500,000 of unrestricted funds to establish a Catastrophic Fund. It has also designated \$472,590 of unrestricted funds to be used to pay for capital improvements, as they occur.

Note 8 - Long-Term Debt

Note Payable

On August 27, 2009, **Charlotte Behavioral Health Care, Inc.** entered into a mortgage modification agreement with SunTrust Bank regarding their original letter of credit dated February 27, 2001. The terms of the modification agreement call for 120 monthly payments of \$12,390.46 including principal and interest at a fixed rate of 5.82%. The note is secured by a lien against real property as evidenced by a mortgage dated February 27, 2001. The outstanding principal and any accrued but unpaid interest shall be due and payable in full on the maturity date of August 27, 2019.

Scheduled principal payments on the note payable are as follows:

Years Ending June 30,	
2012	\$ 94,972
2013	100,796
2014	106,750
2015	113,131
2016	<u>20,005</u>
Total	<u>\$ 435,654</u>

Note 9 – Office Space Lease

The Organization leases office space from Charlotte County, Florida under an annual operating lease. Rent expense amounted to \$12,510 under this operating lease for the year ended June 30, 2011.

PUNTA GORDA, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2011

Note 10 - Income Taxes

Provisions of FASB Accounting Standards Codification (ASC) 740 requires all organizations, including not-for-profit organizations, to recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Judgment is required in assessing the future tax consequences of events that have not been recognized in the Organization's financial statements or tax returns.

Variations in the actual outcome of these future tax consequences could materially impact the Organization's financial position, results of operations, or cash flows. Management believes that appropriate support exists for the positions taken on the Organization's tax return, with the U.S. Internal Revenue Service and the Florida Department of Revenue.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

Note 11 – Prior Period Adjustment

The Organization receives contract payments and reimbursements from the State and other agencies for services provided. The prior period adjustment is the result of contractual adjustments in amounts previously paid to the Organization for services provided during the years 2008, 2009 and 2010.

The repayments were made during the year ended June 20, 2011.

Note 12 – Accrued Premium Tax

Recent inquiries from the Florida Department of Revenue and the Agency for Health Care Administration indicate that Florida Health Partners and North Florida Behavioral Health Partners, both partnerships that this Organization has a relationship with, owe a "premium tax" of 1.75% of the capitation payments made to providers. The portion of the tax for the period of 2007 through June, 2011 that was allocated to the Organization is \$161,371. A liability has been accrued for this repayment within the financial statements. The payment of this liability was completed and satisfied on November 16, 2011.

Note 13 - Subsequent Events

The Organization evaluated events and transactions after June 30, 2011 through December 9, 2011, the date the financial statements were available to be issued, for subsequent events. Florida Health Partners – Area 8, a partnership that this Organization has a relationship with, notified the Organization, that a payback would be required for services provided from January 1, 2011 through June 30, 2011. No liability has been accrued for the repayment within the financial statements.

SUPPLEMENTAL INFORMATION

DEES & DEES
CERTIFIED PUBLIC ACCOUNTANTS
PROFESSIONAL ASSOCIATION

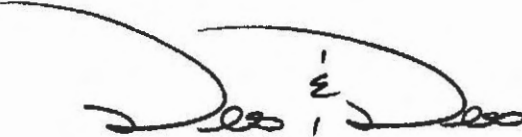
Fred B. Dees, C.P.A.
Fred B. Dees, Jr., C.P.A.

3440 Conway Boulevard
Suite 2-C
Post Office Box 494457
Port Charlotte, Florida 33949-4457
Phone: (941) 629-7595
Fax: (941) 629-7596

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

**Board of Directors
Charlotte Behavioral Health Care, Inc.
Punta Gorda, Florida**

Our report on our audit of the basic financial statements of Charlotte Behavioral Health Care Inc. as of and for the year ended June 30, 2011 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules outlined in the table of contents and found on pages 21-24 of these financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DEES & DEES, C.P.A.'s, P.A.
Port Charlotte, Florida
December 9, 2011

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF STATE EARNINGS
FOR YEAR ENDED JUNE 30, 2011

1. Total Expenditures	\$11,473,082
2. Less other State and Federal Funds:	(905,738)
3. Less Non-Match SAMH Funds	(2,855,655)
4. Less Unallowable Costs per 65E-14, F.A.C.	<u>(44,266)</u>
5. Total Allowable Expenditures (Sum of lines, 1,2,3, and 4)	<u>7,667,423</u>
6. Maximum Available Earnings (Line 5 times 75%)	<u>5,750,567</u>
7. Amount of State Funds Requiring Match	<u>2,845,401</u>
8. Amount Due to Department (Subtract line 7 from line 6)	<u>\$ 2,905,166*</u>

- **Note:**

If positive none due

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
FOR YEAR ENDED JUNE 30, 2011

Available Day Cost Center	Available Day Cost Center	State Rate	Available Bed Days	Non-State Funded Bed Days	Bed Days Eligible for State Funding	State Contract Revenue	Dollar Value of Eligible Bed Days	Column "G" Less Column "H"
A	B	C	D	E	F	G	H	I
N/A	Detox	235.69	4,015	442	3,573	842,093	842,101	-0-
CSU	N/A	391.24	6,935	2,341	4,594	1,778,942	1,797,357	-0-

Read Independent Auditors' Report regarding Supplementary
Information and accompanying notes to financial statements.

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUE
FOR YEAR ENDED JUNE 30, 2011

COST CENTERS

	<u>CSU</u>	<u>MOBILE CRISIS</u>	<u>OUTPTNT PROGAMS</u>	<u>CASE MGMT</u>	<u>SUB ABUSE DETOX</u>	<u>SUB ABUSE RES LEVEL I</u>
State SAMH Funding	\$1,778,942	\$ 217,160	\$1,461,934	\$ 53,401	\$ 842,093	\$ 203,898
Other State Agency Funding	-0-	-0-	-0-	-0-	-0-	-0-
Medicaid	556,139	16,336	1,887,526	228,710	50,501	25,447
Local Government	390,000	92,359	713,564	99,680	-0-	179,402
Federal Grants/Contracts	-0-	-0-	-0-	-0-	-0-	-0-
In kind – Local government	-0-	-0-	-0-	-0-	-0-	-0-
Total Other Gov't Funding	<u>946,139</u>	<u>108,695</u>	<u>2,601,090</u>	<u>328,390</u>	<u>50,501</u>	<u>204,849</u>
1 st and 2 nd Party Payments	17,978	-0-	49,386	-0-	47,272	3,019
3 rd Party Payments	133,713	-0-	97,693	-0-	34,160	4,927
Medicare	-0-	-0-	40,145	-0-	-0-	-0-
Contributions/Donations	-0-	-0-	16,006	-0-	13,200	4,800
Other	20,000	-0-	71,949	3,682	-0-	-0-
In kind	-0-	-0-	-0-	-0-	-0-	-0-
Total All Other Revenues	<u>171,691</u>	<u>-0-</u>	<u>275,179</u>	<u>3,682</u>	<u>94,632</u>	<u>12,746</u>
TOTAL FUNDING	<u>2,896,772</u>	<u>325,855</u>	<u>4,338,203</u>	<u>385,473</u>	<u>987,226</u>	<u>421,493</u>
Salaries	\$1,895,544	\$ 190,167	\$2,170,793	\$ 182,600	\$ 555,905	\$ 222,122
Fringe benefits	431,281	38,827	545,314	50,571	134,253	51,844
Total Personnel	<u>2,326,825</u>	<u>228,994</u>	<u>2,716,107</u>	<u>233,171</u>	<u>690,158</u>	<u>273,966</u>
Expenses:						
Building occupancy	159,486	7,097	111,288	18,338	83,929	29,612
Professional services	32,990	1,844	27,556	2,590	8,580	2,347
Travel	4,293	8,063	11,544	8,598	1,246	279
Equipment costs	4,278	57	5,656	612	794	221
Food services	74,053	-0-	-0-	-0-	34,149	12,620
Medical and pharmacy	48,836	-0-	10,737	-0-	13,597	5,028
Subcontracted services	172,931	182	33,810	66	15,747	5,825
Insurance	65,846	1,195	64,833	14,077	26,145	9,488
Interest	10,584	623	10,083	935	-0-	-0-
Operating supplies/expenses	224,319	10,251	216,911	20,989	70,581	23,078
In kind match	-0-	-0-	-0-	-0-	-0-	-0-
Total Expenses	<u>797,616</u>	<u>29,312</u>	<u>492,418</u>	<u>66,205</u>	<u>254,768</u>	<u>88,498</u>
Total Personnel and Expenses	<u>3,124,441</u>	<u>258,306</u>	<u>3,208,525</u>	<u>299,376</u>	<u>944,926</u>	<u>362,464</u>
Distributed Costs:						
Administration	<u>428,747</u>	<u>36,612</u>	<u>448,912</u>	<u>41,207</u>	<u>129,116</u>	<u>49,832</u>
TOTAL EXPENSES	<u>3,553,188</u>	<u>294,918</u>	<u>3,657,437</u>	<u>340,583</u>	<u>1,074,042</u>	<u>412,296</u>

Read Independent Auditors' Report regarding Supplementary
Information and accompanying notes to financial statements.

COST CENTERS

ADULT MH RES LEVEL IV	TOTAL STATE		TOTAL STATE DESIGNATED (SAMH)	NON-SAMH HLTHY FAMILIES PARENTING		TOTAL
	SAMH FUNDED COST CTRS.	DIVERSION PROGRAMS	COST CTRS.	HLTHY START	ADMIN	
\$ 998,292	\$ 5,555,720	\$ -0-	\$ 5,555,720	\$ -0-	\$ -0-	\$ 5,555,720
-0-	-0-	94,226	94,226	748,954	-0-	843,180
116,291	2,880,950	-0-	2,880,950	-0-	-0-	2,880,950
-0-	1,475,005	-0-	1,475,005	-0-	-0-	1,475,005
-0-	-0-	62,558	62,558	-0-	-0-	62,558
-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>116,291</u>	<u>4,355,955</u>	<u>156,784</u>	<u>4,512,739</u>	<u>748,954</u>	<u>-0-</u>	<u>5,261,693</u>
-0-	117,655	5,538	123,193	-0-	-0-	123,193
-0-	270,493	-0-	270,493	-0-	-0-	270,493
-0-	40,145	-0-	40,145	-0-	-0-	40,145
-0-	34,006	-0-	34,006	19,998	-0-	54,004
-0-	95,631	10,096	105,727	-0-	-0-	105,727
-0-	-0-	-0-	-0-	101,365	-0-	101,365
-0-	557,930	15,634	573,564	121,363	-0-	694,927
<u>1,114,583</u>	<u>10,469,605</u>	<u>172,418</u>	<u>10,642,023</u>	<u>870,317</u>	<u>-0-</u>	<u>11,512,340</u>
\$ 286,555	\$ 5,503,686	\$ 84,652	\$ 5,588,338	\$ 492,530	\$ 907,130	\$ 6,987,998
81,248	1,333,338	18,586	1,351,924	171,273	190,816	1,714,013
367,803	6,837,024	103,238	6,940,262	663,803	1,097,946	8,702,011
96,090	505,840	169	506,009	22,501	60,782	589,292
3,788	79,695	-0-	79,695	5,102	9,845	94,642
15,144	49,167	525	49,692	28,986	9,628	88,306
-0-	11,618	525	12,143	244	1,491	13,878
-0-	120,822	-0-	120,822	-0-	13,928	134,750
-0-	78,198	-0-	78,198	-0-	9,015	87,213
323,055	551,616	125	551,741	4,467	60,268	616,476
27,760	209,344	-0-	209,344	17,818	28,539	255,701
911	23,136	-0-	23,136	1,033	2,884	27,053
38,984	605,113	24,935	630,048	52,781	79,566	762,395
-0-	-0-	-0-	-0-	101,365	-0-	101,365
<u>505,732</u>	<u>2,234,549</u>	<u>26,279</u>	<u>2,260,828</u>	<u>234,297</u>	<u>275,946</u>	<u>2,771,071</u>
873,535	9,071,573	129,517	9,201,090	898,100	1,373,892	11,473,082
111,224	1,245,650	17,986	1,263,636	110,256	(1,373,892)	-0-
<u>\$ 984,759</u>	<u>\$10,317,223</u>	<u>\$ 147,503</u>	<u>\$10,464,726</u>	<u>\$ 1,008,356</u>	<u>\$ -0-</u>	<u>\$11,473,082</u>

Read Independent Auditors' Report regarding Supplementary
Information and accompanying notes to financial statements.

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE PROJECTS
FOR YEAR ENDED JUNE 30, 2011

<u>Grantor/Program Title</u>	<u>CFDA CFSA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>
Federal Awards			
<u>Department of Health and Human Services</u>			
Passed through Florida Department of Children and Families			
*Community Mental Health Services	93.958	QD1A9	\$ 34,320
*Prevention and Treatment of Substance Abuse	93.959	QD1A9	274,164
State Children's Insurance Program	93.767	QD1A9	117,000
Healthy Families – TANF	93.558	HF-10-11-26	77,193
Healthy Families – Community Based Family Resources	93.590	HF-10-11-26	12,072
Healthy Start – CMMS	93.778	09.06	34,186
Healthy Start – Sobra Waivers	93.994	09.06	<u>35,441</u>
 TOTAL FEDERAL AWARDS			 <u>\$ 584,376</u>
 State Funds Awarded for Matching			
<u>Department of Children and Families</u>			
Healthy Families – TANF	93.558	HF-10-11-26	\$ 252,139
Healthy Families – Community Based Family Resources	93.590	HF-10-11-26	39,419
Health Start – CMMS	93.778	09.06	99,480
Health Start – Sobra Waivers	93.994	09.06	<u>51,275</u>
 TOTAL STATE FUNDS AWARDED FOR MATCHING			 <u>\$ 442,313</u>
 State Financial Assistance			
<u>Department of Children and Families</u>			
Core Services Contract	60.033	QD1A9	\$ 286,756
Core Services Contract	60.031	QD1A9	706,453
Core Services Contract	60.055	QD1A9	123,437
*Core Services Contract	60.053	QD1A9	1,884,757
*Core Services Contract	60.006	QD1A9	1,133,856
Core Services Contract	60.039	QD1A9	47,433
Core Services Contract	60.054	QD1A9	573,705
Core Services Contract	60.030	QD1A9	20,563
Core Services Contract	60.063	QD1A9	87,590
*Core Services Contract	60.001	QD1A9	<u>265,687</u>
 TOTAL STATE FINANCIAL ASSISTANCE			 <u>\$ 5,130,237</u>

*Denotes Major Program/Project

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE PROJECTS
FOR YEAR ENDED JUNE 30, 2011

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Projects include the Federal and State Expenditure activity of **Charlotte Behavioral Health Care, Inc.** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, Audits of States and Local Governments, and Non-profit Organizations and Florida Single Audit Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

December 9, 2011

**The Board of Directors of
Charlotte Behavioral Health Care, Inc.
Punta Gorda, Florida**

We have audited the financial statements of **Charlotte Behavioral Health Care, Inc.** for the year ended **June 30, 2011**, and have issued our report thereon dated December 9, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated December 1, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **Charlotte Behavioral Health Care, Inc.** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending June 30, 2011. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no particularly sensitive disclosures affecting these financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Board of Directors
Charlotte Behavioral Health Care, Inc.
Page 2
December 9, 2011

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2011.

Management Consultations with Other Independent Accountants

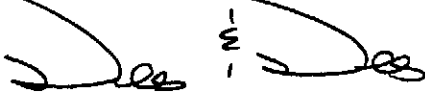
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the management and Board of Directors of **Charlotte Behavioral Health Care, Inc.** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



DEES & DEES, C.P.A.'s, P.A.
December 9, 2011

DEES & DEES
CERTIFIED PUBLIC ACCOUNTANTS
PROFESSIONAL ASSOCIATION

Fred B. Dees, C.P.A.
Fred B. Dees, Jr., C.P.A.

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December 9, 2011

Board of Directors
Charlotte Behavioral Health Care, Inc.
Punta Gorda, Florida

In planning and performing our audit of the financial statements of **Charlotte Behavioral Health Care, Inc.** as of and for the year ended **June 30, 2011**, in accordance with auditing standards generally accepted in the United States of America, we considered **Charlotte Behavioral Health Care, Inc.'s** internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

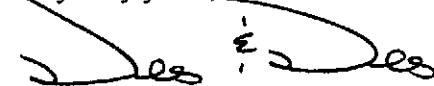
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

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

This communication is intended solely for the information and use of the management, Board of Directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



DEES & DEES, C.P.A.'s, P.A.
December 9, 2011