

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.

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

YEARS ENDED JUNE 30, 2011 AND 2010

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
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YEARS ENDED JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
David Lawrence Mental Health Center, Inc.
Naples, Florida

We have audited the accompanying statements of financial position of David Lawrence Mental Health Center, Inc. (the "Center"), as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 provide 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 the Center as of June 30, 2011 and 2010, 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 12, 2011, 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
David Lawrence Mental Health Center, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Center taken as a whole. The supplementary information on pages 21 through 31 is presented for purposes of additional analysis and is not a required part of the basic 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 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.

LarsonAllen LLP
LarsonAllen LLP

Fort Myers, Florida
October 12, 2011

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

| | 2011 | 2010 |
|--|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash (Including Restricted Cash of \$36,298 and \$53,169 at June 30, 2011 and 2010, respectively) | \$ 1,510,090 | \$ 1,287,814 |
| Grant Receivables | 697,987 | 661,655 |
| Accounts Receivable, Net | 599,327 | 586,445 |
| Contracts and Other Receivables | 444,932 | 80,615 |
| Prepaid Expenses | 260,492 | 268,974 |
| Total Current Assets | 3,512,828 | 2,885,503 |
| INTEREST IN THE NET ASSETS OF DAVID LAWRENCE FOUNDATION | 9,743,945 | 8,868,292 |
| INVESTMENTS | 626,248 | 1,037,185 |
| PROPERTY AND EQUIPMENT, Net | 3,620,515 | 2,702,927 |
| OTHER ASSETS | 49,000 | 44,000 |
| Total Assets | \$ 17,552,536 | \$ 15,537,907 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 89,362 | \$ 190,555 |
| Accrued Liabilities | 899,600 | 960,704 |
| Deferred Revenue | 19,790 | 19,190 |
| Total Current Liabilities | 1,008,752 | 1,170,449 |
| NET ASSETS | | |
| Unrestricted | 13,361,886 | 11,201,561 |
| Temporarily Restricted | 515,003 | 500,138 |
| Permanently Restricted | 2,666,895 | 2,665,759 |
| Total Net Assets | 16,543,784 | 14,367,458 |
| Total Liabilities and Net Assets | \$ 17,552,536 | \$ 15,537,907 |

See accompanying Notes to Financial Statements.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|----------------------|---------------------------|---------------------------|----------------------|
| REVENUE AND OTHER SUPPORT | | | | |
| Federal and State Grants | \$ 7,421,566 | \$ - | \$ - | \$ 7,421,566 |
| Federal and State Contracts | 45,868 | - | - | 45,868 |
| Other Grants | 198,642 | - | - | 198,642 |
| Local Government Allocations | 1,034,195 | - | - | 1,034,195 |
| Contributions | 2,621,436 | - | - | 2,621,436 |
| Net Client Fee Revenue | | | | |
| Including EAP Revenue | 8,643,311 | - | - | 8,643,311 |
| Child's Path Fees | 437,428 | - | - | 437,428 |
| Contracted Services | 296,038 | - | - | 296,038 |
| Other | 124,788 | - | - | 124,788 |
| Net Assets Released from Restrictions | 9,533 | (9,533) | - | - |
| Total Revenue and Other Support | <u>20,832,805</u> | <u>(9,533)</u> | <u>-</u> | <u>20,823,272</u> |
| EXPENSES | | | | |
| Program Services | 16,301,129 | - | - | 16,301,129 |
| Supporting Services | 3,221,471 | - | - | 3,221,471 |
| Total Expenses | <u>19,522,600</u> | <u>-</u> | <u>-</u> | <u>19,522,600</u> |
| Change in Net Assets of the David Lawrence Mental Health Center | 1,310,205 | (9,533) | - | 1,300,672 |
| Change in Interest in Net Assets of David Lawrence Foundation | 850,120 | 24,398 | 1,136 | 875,654 |
| NET ASSETS, Beginning of Year | <u>11,201,561</u> | <u>500,138</u> | <u>2,665,759</u> | <u>14,367,458</u> |
| NET ASSETS, End of Year | <u>\$ 13,361,886</u> | <u>\$ 515,003</u> | <u>\$ 2,666,895</u> | <u>\$ 16,543,784</u> |

See accompanying Notes to Financial Statements.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|----------------------|---------------------------|---------------------------|----------------------|
| REVENUE AND OTHER SUPPORT | | | | |
| Federal and State Grants | \$ 7,634,047 | \$ - | \$ - | \$ 7,634,047 |
| Federal and State Contracts | 38,583 | - | - | 38,583 |
| Other Grants | 83,093 | - | - | 83,093 |
| Local Government Allocations | 1,152,091 | - | - | 1,152,091 |
| Contributions | 904,166 | 10,000 | - | 914,166 |
| Net Client Fee Revenue | | | | |
| Including EAP Revenue | 9,434,656 | - | - | 9,434,656 |
| Child's Path Fees | 424,528 | - | - | 424,528 |
| Contracted Services | 254,315 | - | - | 254,315 |
| Other | 158,653 | - | - | 158,653 |
| Net Assets Released from Restrictions | 250,467 | (250,467) | - | - |
| Total Revenue and Other Support | <u>20,334,599</u> | <u>(240,467)</u> | <u>-</u> | <u>20,094,132</u> |
| EXPENSES | | | | |
| Program Services | 16,855,100 | - | - | 16,855,100 |
| Supporting Services | 3,323,936 | - | - | 3,323,936 |
| Total Expenses | <u>20,179,036</u> | <u>-</u> | <u>-</u> | <u>20,179,036</u> |
| Change in Net Assets of the David Lawrence Mental Health Center | 155,563 | (240,467) | - | (84,904) |
| Change in Interest in Net Assets of David Lawrence Foundation | 459,220 | (73,885) | 1,886 | 387,221 |
| NET ASSETS, Beginning of Year | <u>10,586,778</u> | <u>814,490</u> | <u>2,663,873</u> | <u>14,065,141</u> |
| NET ASSETS, End of Year | <u>\$ 11,201,561</u> | <u>\$ 500,138</u> | <u>\$ 2,665,759</u> | <u>\$ 14,367,458</u> |

See accompanying Notes to Financial Statements.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

| | Program Services | | | Supporting Services | Total |
|---------------------------|---|---------------------|----------------------|--|----------------------|
| | Mental Health and Substance Abuse | Other Services | Total Program | Administration and Other Support | |
| PERSONNEL EXPENSES | | | | | |
| Salaries | \$ 7,654,159 | \$ 699,868 | \$ 8,354,027 | \$ 1,831,118 | \$ 10,185,145 |
| Fringe Benefits | 1,716,440 | 164,159 | 1,880,599 | 547,620 | 2,428,219 |
| Total Personnel Expenses | <u>9,370,599</u> | <u>864,027</u> | <u>10,234,626</u> | <u>2,378,738</u> | <u>12,613,364</u> |
| OPERATING EXPENSES | | | | | |
| Building | 695,739 | 93,760 | 789,499 | 266,491 | 1,055,990 |
| Professional | 7,919 | 1,559 | 9,478 | 105,439 | 114,917 |
| Travel | 109,982 | 7,364 | 117,346 | 53,138 | 170,484 |
| Equipment Costs | 21,052 | 4,150 | 25,202 | 12,710 | 37,912 |
| Food Service | 420,045 | 13,085 | 433,130 | 26,451 | 459,581 |
| Medicine/Pharmacy | 369,919 | 2,399 | 372,318 | 1,455 | 373,773 |
| Insurance | 205,375 | 13,343 | 218,718 | 73,443 | 292,161 |
| Office Expense and Other | 210,423 | 115,402 | 325,825 | 226,925 | 552,750 |
| Donated Items | 266,183 | 27,290 | 293,473 | 76,617 | 370,090 |
| Miscellaneous | 53,816 | - | 53,816 | 64 | 53,880 |
| Bad Debts | 3,423,193 | 4,505 | 3,427,698 | - | 3,427,698 |
| Total Operating Expenses | <u>5,783,646</u> | <u>282,857</u> | <u>6,066,503</u> | <u>842,733</u> | <u>6,909,236</u> |
| Total Direct Expenses | <u>15,154,245</u> | <u>1,146,884</u> | <u>16,301,129</u> | <u>3,221,471</u> | <u>19,522,600</u> |
| ALLOCATED EXPENSES | | | | | |
| Administration | 1,161,285 | 42,441 | 1,203,726 | (1,203,726) | - |
| Other Support | 1,946,604 | 71,141 | 2,017,745 | (2,017,745) | - |
| Total Allocated Expenses | <u>3,107,889</u> | <u>113,582</u> | <u>3,221,471</u> | <u>(3,221,471)</u> | <u>-</u> |
| Total Expenses | <u>\$ 18,262,134</u> | <u>\$ 1,260,466</u> | <u>\$ 19,522,600</u> | <u>\$ -</u> | <u>\$ 19,522,600</u> |

See accompanying Notes to Financial Statements.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

| | Program Services | | | Supporting Services | Total |
|---------------------------|-----------------------------------|---------------------|----------------------|----------------------------------|----------------------|
| | Mental Health and Substance Abuse | Other Services | Total Program | Administration and Other Support | |
| PERSONNEL EXPENSES | | | | | |
| Salaries | \$ 7,247,363 | \$ 806,503 | \$ 8,053,866 | \$ 1,905,559 | \$ 9,959,425 |
| Fringe Benefits | 1,531,234 | 231,263 | 1,762,497 | 496,175 | 2,258,672 |
| Total Personnel Expenses | <u>8,778,597</u> | <u>1,037,766</u> | <u>9,816,363</u> | <u>2,401,734</u> | <u>12,218,097</u> |
| OPERATING EXPENSES | | | | | |
| Building | 719,404 | 119,003 | 838,407 | 283,135 | 1,121,542 |
| Professional | 188,502 | 1,345 | 189,847 | 99,979 | 289,826 |
| Travel | 74,321 | 11,285 | 85,606 | 46,550 | 132,156 |
| Equipment Costs | 33,701 | 7,588 | 41,289 | 18,848 | 60,137 |
| Food Service | 453,539 | 48,336 | 501,875 | 31,474 | 533,349 |
| Medicine/Pharmacy | 402,649 | 8,727 | 411,376 | 162 | 411,538 |
| Insurance | 228,364 | 17,924 | 246,288 | 63,685 | 309,973 |
| Office Expense and Other | 189,984 | 174,059 | 364,043 | 271,021 | 635,064 |
| Donated Items | 237,129 | 25,328 | 262,457 | 107,348 | 369,805 |
| Miscellaneous | 37,734 | - | 37,734 | - | 37,734 |
| Bad Debts | 4,054,050 | 5,765 | 4,059,815 | - | 4,059,815 |
| Total Operating Expenses | <u>6,619,377</u> | <u>419,360</u> | <u>7,038,737</u> | <u>922,202</u> | <u>7,960,939</u> |
| Total Direct Expenses | <u>15,397,974</u> | <u>1,457,126</u> | <u>16,855,100</u> | <u>3,323,936</u> | <u>20,179,036</u> |
| ALLOCATED EXPENSES | | | | | |
| Administration | 1,278,099 | (12,940) | 1,265,159 | (1,265,159) | - |
| Other Support | 2,079,835 | (21,058) | 2,058,777 | (2,058,777) | - |
| Total Allocated Expenses | <u>3,357,934</u> | <u>(33,998)</u> | <u>3,323,936</u> | <u>(3,323,936)</u> | <u>-</u> |
| Total Expenses | <u>\$ 18,755,908</u> | <u>\$ 1,423,128</u> | <u>\$ 20,179,036</u> | <u>\$ -</u> | <u>\$ 20,179,036</u> |

See accompanying Notes to Financial Statements.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received From Contracts, Client Fees and Donations | \$ 20,394,306 | \$ 20,040,961 |
| Cash Payments for Program and Support Services | (19,348,801) | (19,293,378) |
| Cash Received for Interest | 29,723 | 21,686 |
| Cash Payments for Interest | (1,410) | (878) |
| | <u>1,073,818</u> | <u>768,391</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital Expenditures | (1,271,706) | (359,627) |
| Proceeds on the Sale of Capital Assets | 9,226 | 11,019 |
| Purchases of Investments | (626,481) | (3,661,468) |
| Proceeds on the Sale of Investments | 1,037,419 | 3,633,445 |
| | <u>(851,542)</u> | <u>(376,631)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on Notes Payable | - | (93,774) |
| Payments on Line of Credit | (300,000) | - |
| Advances on Line of Credit | 300,000 | - |
| | <u>-</u> | <u>(93,774)</u> |
| NET INCREASE IN CASH | 222,276 | 297,986 |
| CASH, Beginning of Year | <u>1,287,814</u> | <u>989,828</u> |
| CASH, End of Year | <u>\$ 1,510,090</u> | <u>\$ 1,287,814</u> |

See accompanying Notes to Financial Statements.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010

| | 2011 | 2010 |
|--|---------------------|-------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 2,176,326 | \$ 302,317 |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities | | |
| Depreciation | 326,203 | 390,141 |
| Loss on Sale of Capital Assets | 27,280 | 12,111 |
| Non-Cash Donation of Property | (8,591) | - |
| (Increase) Decrease in: | | |
| Grant Receivables | (36,332) | (534,257) |
| Accounts Receivable, Net | (12,882) | (99,396) |
| Contract and Other Receivables | (364,317) | 604,393 |
| Other Assets | (5,000) | - |
| Interest in David Lawrence Foundation | | |
| Net Assets | (875,654) | (387,224) |
| Prepaid Expenses | 8,482 | (5,259) |
| Increase (Decrease) in: | | |
| Accounts Payable | (101,193) | 83,774 |
| Accrued Liabilities | (61,104) | 416,123 |
| Deferred Revenue | 600 | (14,332) |
| Total Adjustments | (1,102,508) | 466,074 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 1,073,818 | \$ 768,391 |

See accompanying Notes to Financial Statements.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The David Lawrence Mental Health Center, Inc. (the "Center") is a not-for-profit corporation formed to assess and treat the mental health and substance abuse needs of Collier County, Florida. The Center's mission is to plan, develop and implement quality services which will promote the mental health of the citizens of Collier County. The Center's financial support comes primarily from federal and state grants, client fees and donations.

The Center's major programs include Adult Mental Health, Adult Substance Abuse, Children's Mental Health, and Children's Substance Abuse. The services funded within these programs include: Acute Care Services, Adult Community Services, Medical Services, Adult Outpatient Services, Children's Community Services, Adult Substance Abuse Services, and Residential.

Other programs operated by the Center include: a Domestic Violence Program (SAFE), and a pre-school (Childspath). These programs are funded primarily by client fees.

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 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.

The cost of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Salaries and other expenses that are associated with a specific program are charged directly to that program. Salaries and other expenses, 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 full time equivalent labor hours.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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. Permanently restricted net assets are those net assets that must be maintained in perpetuity.

Concentrations

The Center receives a substantial portion 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.

Cash and Cash Equivalents

For purposes of reporting 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 (FDIC) up to certain limits. At times, cash in bank may exceed FDIC insurable limits.

Investments

Investments are recorded at fair market value, with the associated gains and losses recorded in the statement of activities.

Accounts Receivable

Accounts receivable are stated at the amounts management expects to collect from clients. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, Medicaid/Medicare, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable.

Interest in the Net Assets of The David Lawrence Foundation

The Center's interest in the David Lawrence Foundation for Mental Health, Inc. was 100% for the years ended June 30, 2011 and 2010, respectively.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is recorded at cost or, if donated, at fair market value on the date of donation. Donated assets are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

Maintenance, repairs and minor renewals are charged to activities in the year in which the expense is incurred. Additions, improvements and major renewals with a cost or donated fair value of \$1,000 or more are capitalized.

The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss is included in activities in the year of disposal.

Dispositions of items acquired from certain state contracts require state approval. The proceeds of such a disposition may revert to the original grantor.

Compensated Absences

Employees accumulate vacation and sick leave based on the employee's years of service. Employees may not carry over more than 40 hours of vacation and sick leave. Upon termination of employment, the employee is not paid for unused vacation or sick leave.

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, its 2010, 2009, and 2008 tax years are open for examination by the IRS.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Significant Accounting Policies (Continued)

Donated Goods and Services

Donated goods and specialized services are recorded at the estimated fair value at the date of receipt.

Deferred Revenue

Amounts received, but not yet earned, relating to employee assistance program contracts, are reported as deferred revenue.

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.

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

**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.

Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through October 12, 2011, the date the financial statements were available to be issued.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30:

| | | |
|---------------------|---------------------|---------------------|
| | 2011 | 2010 |
| Petty Cash | \$ 2,711 | \$ 2,561 |
| Depository Accounts | 1,507,379 | 1,285,253 |
| | <u>\$ 1,510,090</u> | <u>\$ 1,287,814</u> |

At June 30, 2011, \$528,625 of the amount held in depository accounts is with a financial institution of which one of its officers serves on the Board of the Center.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 3 INVESTMENTS

Investment returns are included with other program service revenue on the statement of activities. Investment returns consisted of the following for the years ended June 30:

| | <u>2011</u> | <u>2010</u> |
|------------------------|-------------|-------------|
| Interest and dividends | \$ 8,299 | \$ 21,712 |

Financial assets measured at fair value on a recurring basis at June 30, 2011 are as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-------------------------|----------------|----------------|----------------|
| Certificates of deposit | \$ 626,248 | \$ - | \$ - |

Financial assets measured at fair value on a recurring basis at June 30, 2010 are as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-------------------------|----------------|----------------|----------------|
| Certificates of deposit | \$ 1,037,185 | \$ - | \$ - |

NOTE 4 GRANT RECEIVABLES

| | <u>2011</u> | <u>2010</u> |
|--|-------------------|-------------------|
| U.S. Department of Health and Human Services ADM - Including TANF | \$ 633,831 | \$ 659,876 |
| Florida Department of Children and Families - Title 241 - Healthy Kids | 56,000 | - |
| Florida Department of Education | 5,781 | 1,779 |
| Collier County School Board | 2,375 | - |
| | <u>\$ 697,987</u> | <u>\$ 661,655</u> |

No allowance for bad debts has been provided for grant receivables. Grant receivables typically represent requests for reimbursement under federal pass-through awards or state contracts and full payment is expected.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

| | <u>2011</u> | <u>2010</u> |
|---|--------------------|--------------------|
| Accounts Receivable - Clients and Insurance | \$ 1,952,184 | \$ 2,001,445 |
| Accounts Receivable - Contracted Services | - | 19,707 |
| | <u>1,952,184</u> | <u>2,021,152</u> |
| Less: Allowance for Doubtful Accounts | <u>(1,352,857)</u> | <u>(1,434,707)</u> |
| | <u>\$ 599,327</u> | <u>\$ 586,445</u> |

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | <u>2011</u> | <u>2010</u> |
|--------------------------------|---------------------|---------------------|
| Land | \$ 96,115 | \$ 68,964 |
| Buildings and Improvements | 2,902,642 | 3,003,950 |
| Furniture and Equipment | 1,694,759 | 1,571,963 |
| Vehicles | 173,370 | 158,637 |
| Leasehold Improvements | 427,293 | 411,073 |
| Construction in Progress | <u>1,555,411</u> | <u>526,798</u> |
| | 6,849,590 | 5,741,385 |
| Less: Accumulated Depreciation | <u>(3,229,075)</u> | <u>(3,038,458)</u> |
| | <u>\$ 3,620,515</u> | <u>\$ 2,702,927</u> |

Depreciation expense for the years ended June 30, 2011 and 2010 was \$326,203 and \$390,141, respectively.

NOTE 7 INTEREST IN NET ASSETS OF THE DAVID LAWRENCE FOUNDATION

The Center has recorded its interest in the net assets of the David Lawrence Foundation for Mental Health, Inc. (the "Foundation") in an amount equal to 100% of the net assets of the Foundation as reported on its audited financial statements as of May 31, 2011 and 2010.

The Foundation was established for the purpose of promoting and supporting the activities of the Center and its primary purpose is to raise and hold funds for the Center. In accordance with generally accepted accounting principles, the Center has reported its interest in the Foundation as a non-current asset and in the appropriate classifications of net assets.

The Center received \$425,583 and \$523,000, during the years ended June 30, 2011 and 2010, respectively, as cash donations from the Foundation. For 2011 and 2010, these cash donations from the Foundation are included in the financial statements as contributions to the Center.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 8 OTHER ASSETS

Other assets at June 30, 2011 and June 30, 2010 consisted of a total of \$49,000 and \$44,000, respectively, in deposits. For the year ended June 30, 2011, \$34,000 was on deposit with an insurance vendor, and \$15,000 was on deposit with a Medicaid provider service network. For the year ended June 30, 2010, \$34,000 was on deposit with an insurance vendor, and \$10,000 was on deposit with a Medicaid provider service network. These deposits will be held by each respective vendor until the Center's relationship with each vendor terminates.

NOTE 9 ACCRUED LIABILITIES

Accrued liabilities consist of the following at June 30:

| | 2011 | 2010 |
|--------------------------------|-------------------|-------------------|
| Salaries and Wages | \$ 435,056 | \$ 512,094 |
| Payroll Taxes | 117,013 | 55,577 |
| Due to Florida Health Partners | 137,077 | 328,977 |
| Other Accrued Liabilities | 210,454 | 64,056 |
| | <u>\$ 899,600</u> | <u>\$ 960,704</u> |

The amount due to Florida Health Partners (FHP) at June 30, 2010 consisted of a refund of an over distribution of Medicaid funds in the amount of \$191,900 and an accrual for a premium tax charge of \$137,077 from the State of Florida, passed through FHP to the Center. In 2011 the over distribution of Medicaid funds was paid.

NOTE 10 LONG-TERM OBLIGATIONS

In 2008, the Center entered into a Revolving Master Borrowing Loan with a financial institution, collateralized by all assets, with a total loan amount of \$1,000,000. The loan allowed for borrowing an aggregate principal amount up to the loan amount at any one time. Interest is calculated at the 30-day LIBOR, plus 2.76 percent, and is payable monthly. The Line of Credit was subsequently renewed on January 11, 2010 with a maturity date of November 4, 2011. There was no outstanding balance on June 30, 2011 or June 30, 2010. The interest rate at June 30, 2011 was 2.95%.

The Center incurred interest expense of \$1,410 and \$878, for the years ended June 30, 2011 and 2010, respectively.

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 11 NET ASSETS

| | | |
|--|----------------------|----------------------|
| Unrestricted Net Assets consist of the following at June 30: | 2011 | 2010 |
| David Lawrence Mental Health Center, Inc. | \$ 6,799,839 | \$ 5,489,633 |
| Interest in David Lawrence Foundation | 6,562,047 | 5,711,928 |
| Net Assets | <u>13,361,886</u> | <u>11,201,561</u> |
| Temporarily Restricted Net Assets consist of the following at June 30: | | |
| Restricted for Family Intervention Services | - | 9,533 |
| Interest in David Lawrence Foundation | | |
| Restricted for Programs | 515,003 | 490,605 |
| Net Assets | <u>515,003</u> | <u>500,138</u> |
| Permanently Restricted Net Assets consist of the following at June 30: | | |
| Interest in David Lawrence Foundation Net Assets | <u>2,666,895</u> | <u>2,665,759</u> |
| | <u>\$ 16,543,784</u> | <u>\$ 14,367,458</u> |

NOTE 12 PENSION PLAN

The Center offers its employees a defined contribution pension plan. The plan covers all employees subject to a minimum employment requirement. The Plan permits the Center to match monthly the employee's contribution up to 5%, 6% or 7%, based on the qualified employee compensation and the employee's length of service of 5, 10 or more years, respectively.

Employer contributions, including administrative costs to the plan for the years ended June 30, 2011 and 2010, were \$261,008 and \$244,139, respectively.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 13 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 (which do not include the fair market value of donated space) are as follows:

| <u>Year Ending June 30,</u> | | |
|-----------------------------|----|--------|
| 2012 | \$ | 28,041 |
| 2013 | \$ | 9,292 |
| 2014 | \$ | 2,554 |

Rent expense was \$415,744 and \$430,727, for the years ended June 30, 2011 and 2010, respectively. Such rent includes the fair market value of space donated by the David Lawrence Foundation for Mental Health, Inc. to the Center totaling \$370,090 and \$369,629, for the years ended June 30, 2011 and 2010, respectively.

The Foundation has contracted with the Center for certain employee services. As a result of this contract, the Center provides the Foundation with personnel, related benefits, and administrative services. The Center is reimbursed by the Foundation for all costs incurred. The Foundation reimbursed the Center under these contracts \$296,038 and \$254,315, for the years ended June 30, 2011 and 2010, respectively. The revenue amounts are included as contracted services in the statements of activities and the expenses as salaries and fringe benefits in the statements of functional expenses.

The Center receives grants and other reimbursements from State and local agencies subject to special compliance audit requirements. Past audits have resulted in refunds to the granting agencies 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 has contracted with a construction contractor to renovate the existing Crisis Stabilization Unit. The project is expected to commence when all permits have been acquired, and be substantially completed within 18 to 20 months after that date. As of June 30, 2011, this project has not commenced.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 14 SUPPORT FROM THE STATE OF FLORIDA WHICH REQUIRES MATCH

During the years ended June 30, 2011 and 2010, 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. Contracts are renegotiated annually. The income from these contracts is earned by providing services to clients. The contracts required a local match of \$1,049,693 in 2011, and \$1,616,738 in 2010, 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, 2011 and 2010.

NOTE 15 COLLIER COUNTY FINANCIAL SUPPORT

Financial support of \$1,034,195 and \$1,152,091 was received from Collier County for the years ended June 30, 2011 and 2010, respectively, as part of its annual award to the Center.

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SUPPLEMENTARY INFORMATION

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
SCHEDULE OF REVENUES BY COST CENTER
YEAR ENDED JUNE 30, 2011**

| | Comprehensive | | | | | | | | | | O/P Ind/Group |
|--|------------------------|----------------------------------|------------------------------|-------------------|--------------|-------------------|--------------|----------------|--|--|------------------|
| | FIS Case Management | Community Service Team (CCST) | Crisis Service Unit (CSU) | Crisis Support | Day Night | Drop in Center | Intervention | O/P Medical | | | |
| STATE ADM FUNDING | \$ 191,552 | \$ 859,936 | \$ 1,991,594 | \$ 1,210,284 | \$ 47,336 | \$ 29,310 | \$ 16,436 | \$ 572,843 | | | \$ 218,021 |
| OTHER GOVERNMENT FUNDING | | | | | | | | | | | |
| State of Florida | - | - | - | - | - | - | - | - | | | - |
| Medicaid | 2,067 | 703,973 | 407,330 | 177,701 | 13,146 | - | 78 | 761,589 | | | 638,310 |
| Local | - | - | 608,134 | - | - | - | - | 398,056 | | | - |
| Contracts | - | 16,009 | - | - | - | - | - | 8,875 | | | - |
| Total Other Government Funding | 2,067 | 719,982 | 1,015,464 | 177,701 | 13,146 | - | 78 | 1,168,520 | | | 638,310 |
| ALL OTHER FUNDING & REVENUE | | | | | | | | | | | |
| First and Third Party Fees, Medicare | 4,155 | 58,892 | 2,679,975 | 364,146 | 35,452 | - | 1,800 | 455,721 | | | 346,961 |
| Contributions and Donations | 40,790 | 202,978 | 18,000 | 152,533 | - | - | - | 1,646 | | | 76,504 |
| Other | (359) | 42,145 | (4,616) | (3,279) | (115) | (91) | (117) | 125,268 | | | 69,706 |
| In-kind | 13,416 | 46,788 | 55,103 | 36,369 | 4,708 | - | 1,970 | 18,554 | | | 25,173 |
| Total Nongovernmental Funding | 56,002 | 350,803 | 2,748,462 | 549,769 | 40,045 | (91) | 3,653 | 602,189 | | | 518,344 |
| Total All Funding and Revenue | \$ 251,621 | \$ 1,930,721 | \$ 5,755,520 | \$ 1,937,754 | \$ 100,527 | \$ 29,219 | \$ 20,167 | \$ 2,343,552 | | | \$ 1,374,675 |

(Continued)

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
 SCHEDULE OF REVENUES BY COST CENTER (CONTINUED)
 YEAR ENDED JUNE 30, 2011**

| | Prevention | Recovery Support | Residential Level 1 | Detox | Outreach | Title 21 | Total ADM | Non-ADM | Total |
|--|------------|------------------|---------------------|--------------|-----------|------------|---------------|--------------|---------------|
| STATE ADM FUNDING | \$ 220,619 | \$ 13,608 | \$ 679,475 | \$ 633,671 | \$ 46,872 | \$ - | \$ 6,731,557 | \$ - | \$ 6,731,557 |
| OTHER GOVERNMENT FUNDING | | | | | | | | | |
| State of Florida | - | - | - | - | - | 674,000 | 674,000 | - | 674,000 |
| Medicaid | 10 | - | 661 | 6,848 | - | - | 2,711,713 | 124,858 | 2,836,571 |
| Local | - | - | - | 28,005 | - | - | 1,034,195 | - | 1,034,195 |
| Contracts | - | - | - | - | - | - | 24,884 | - | 24,884 |
| Total Other Government Funding | 10 | - | 661 | 34,853 | - | 674,000 | 4,444,792 | 124,858 | 4,569,650 |
| ALL OTHER FUNDING & REVENUE | | | | | | | | | |
| First and Third Party Fees, Medicare | 6,971 | - | 410,815 | 1,209,624 | - | - | 5,575,511 | 668,660 | 6,244,171 |
| Contributions and Donations | 7,695 | - | 1,360 | 7,280 | 4,501 | 3,841 | 517,128 | 1,721,827 | 2,238,955 |
| Other | 3,549 | (21) | (1,591) | (1,660) | (333) | (698) | 227,788 | 1,304,324 | 1,532,112 |
| In-kind | 8,272 | 2,453 | 18,066 | 18,837 | 4,767 | 15,508 | 269,984 | 112,497 | 382,481 |
| Total Nongovernmental Funding | 26,487 | 2,432 | 428,650 | 1,234,081 | 8,935 | 18,651 | 6,590,411 | 3,807,308 | 10,397,719 |
| Total All Funding and Revenue | \$ 247,116 | \$ 16,040 | \$ 1,108,786 | \$ 1,902,605 | \$ 55,807 | \$ 692,651 | \$ 17,766,760 | \$ 3,932,166 | \$ 21,698,926 |

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENSES BY COST CENTER
YEAR ENDED JUNE 30, 2011**

| Mental Health and Substance Abuse Services | | | | | | | | | | | |
|--|---------------------|-------------------------------|---------------------------|------------------|---------------|----------------|---------------|------------------|------------------|-----|--|
| Comprehensive | | | | | | | | | | | |
| PERSONNEL EXPENSES | FIS Case Management | Community Service Team (CCST) | Crisis Service Unit (CSU) | Crisis Support | Day Night | Drop in Center | Intervention | O/P | | O/P | |
| | | | | | | | | Medical | Medical | | |
| Salaries | \$ 95,634 | \$ 930,388 | \$ 2,060,285 | \$ 964,227 | \$ 38,015 | \$ 9,436 | \$ 32,698 | \$ 1,466,739 | \$ 784,639 | | |
| Fringe Benefits | 19,122 | 221,153 | 432,225 | 219,286 | 8,790 | 3,253 | 4,524 | 315,550 | 183,491 | | |
| Total Personnel Expenses | <u>114,756</u> | <u>1,151,541</u> | <u>2,492,510</u> | <u>1,183,513</u> | <u>46,805</u> | <u>12,689</u> | <u>37,222</u> | <u>1,782,289</u> | <u>968,130</u> | | |
| OPERATING EXPENSES | | | | | | | | | | | |
| Building | 11,771 | 99,543 | 152,397 | 94,020 | 3,277 | 4,057 | 4,374 | 83,867 | 101,074 | | |
| Professional | - | 120 | 2,803 | - | - | - | - | 280 | - | | |
| Travel | 2,705 | 55,237 | 6,800 | 2,968 | - | 32 | - | 1,911 | 2,237 | | |
| Equipment Costs | 155 | 2,898 | 3,018 | 1,699 | 48 | 147 | 605 | 2,414 | 3,232 | | |
| Food Service | - | 486 | 157,286 | 4,304 | 9,368 | 1,500 | - | 5 | 640 | | |
| Medicine / Pharmacy | 1,937 | 554 | 71,508 | 446 | 567 | 30 | 6,421 | 42,797 | 45,156 | | |
| Insurance | 2,191 | 52,428 | 58,114 | 15,436 | 1,095 | 696 | 1,095 | 7,469 | 14,040 | | |
| Office Expense and Other | 7,992 | 32,981 | 41,160 | 16,176 | 493 | 1,604 | 1,118 | 18,042 | 35,585 | | |
| Donated Items | 13,416 | 46,789 | 55,102 | 36,369 | 4,708 | - | 1,971 | 18,553 | 25,173 | | |
| Incidentals | 14,615 | 32,497 | 8 | - | - | - | - | - | - | | |
| Bad Debts | - | 8,895 | 2,031,625 | 201,322 | 5,652 | - | 180 | 39,685 | 38,110 | | |
| Total Operating Expenses | <u>54,482</u> | <u>332,428</u> | <u>2,579,821</u> | <u>372,740</u> | <u>25,208</u> | <u>8,066</u> | <u>15,764</u> | <u>215,023</u> | <u>265,247</u> | | |
| Total Direct Expenses | 169,238 | 1,483,969 | 5,072,331 | 1,556,253 | 72,013 | 20,755 | 52,986 | 1,997,312 | 1,233,377 | | |
| ALLOCATED EXPENSES | | | | | | | | | | | |
| Administration | 8,337 | 166,883 | 269,650 | 188,331 | 6,442 | 5,154 | 7,579 | 115,196 | 127,625 | | |
| Other Support | 13,974 | 279,738 | 452,001 | 315,690 | 10,798 | 8,639 | 12,704 | 193,098 | 213,932 | | |
| Total Allocated Expenses | <u>22,311</u> | <u>446,621</u> | <u>721,651</u> | <u>504,021</u> | <u>17,240</u> | <u>13,793</u> | <u>20,283</u> | <u>308,294</u> | <u>341,557</u> | | |
| Total Expenses | <u>191,549</u> | <u>1,930,590</u> | <u>5,793,982</u> | <u>2,060,274</u> | <u>89,253</u> | <u>34,548</u> | <u>73,269</u> | <u>2,305,606</u> | <u>1,574,934</u> | | |
| SUPPLEMENTAL DISCLOSURES | | | | | | | | | | | |
| State Excluded Costs | \$ 452 | \$ 12,802 | \$ 2,037,532 | \$ 205,311 | \$ 5,792 | \$ 111 | \$ 323 | \$ 43,185 | \$ 41,915 | | |

(Continued)

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENSES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2011**

Mental Health and Substance Abuse Services

| | Prevention | Recovery Support | Residential Level 1 | Detox | Outreach | Title 21 | Total ADM | Non-ADM | Total Program Services |
|---------------------------------|------------|------------------|---------------------|------------|-----------|------------|--------------|------------|------------------------|
| PERSONNEL EXPENSES | | | | | | | | | |
| Salaries | \$ 131,323 | \$ 9,515 | \$ 418,277 | \$ 440,071 | \$ 40,902 | \$ 232,010 | \$ 7,654,159 | \$ 699,868 | \$ 8,354,027 |
| Fringe Benefits | 26,202 | 2,290 | 106,433 | 100,798 | 18,923 | 54,401 | 1,716,440 | 164,159 | 1,880,599 |
| Total Personnel Expenses | 157,525 | 11,805 | 524,710 | 540,869 | 59,825 | 286,411 | 9,370,599 | 864,027 | 10,234,626 |
| OPERATING EXPENSES | | | | | | | | | |
| Building | 15,362 | 1,559 | 45,596 | 48,545 | 9,511 | 20,786 | 695,739 | 93,760 | 789,499 |
| Professional | 1,821 | - | 1,007 | 662 | 336 | 890 | 7,919 | 1,559 | 9,478 |
| Travel | 2,492 | 1,290 | 9,085 | 2,318 | 791 | 22,116 | 109,982 | 7,364 | 117,346 |
| Equipment Costs | 920 | 25 | 3,686 | 1,777 | 138 | 290 | 21,052 | 4,150 | 25,202 |
| Food Service | 869 | - | 150,237 | 95,346 | - | 4 | 420,045 | 13,085 | 433,130 |
| Medicine / Pharmacy | 286 | - | 4,681 | 13,408 | - | 182,128 | 369,919 | 2,399 | 372,318 |
| Insurance | 4,341 | - | 15,792 | 22,158 | 1,394 | 9,126 | 205,375 | 13,343 | 218,718 |
| Office Expense and Other | 7,166 | 708 | 20,615 | 16,887 | 1,182 | 9,014 | 210,423 | 115,402 | 325,825 |
| Donated Items | 8,272 | 2,452 | 18,066 | 18,837 | 4,767 | 11,708 | 266,183 | 27,290 | 293,473 |
| Incidentals | - | - | - | - | - | 6,696 | 53,816 | - | 53,816 |
| Bad Debts | 349 | - | 131,057 | 966,318 | - | - | 3,423,193 | 4,505 | 3,427,698 |
| Total Operating Expenses | 41,878 | 6,034 | 399,822 | 1,186,256 | 18,119 | 262,758 | 5,783,646 | 282,857 | 6,066,503 |
| Total Direct Expenses | 199,403 | 17,839 | 924,532 | 1,727,125 | 77,944 | 549,169 | 15,154,245 | 1,146,884 | 16,301,129 |
| ALLOCATED EXPENSES | | | | | | | | | |
| Administration | 34,104 | - | 80,334 | 97,386 | 6,518 | 47,746 | 1,161,285 | 42,441 | 1,203,726 |
| Other Support | 57,167 | - | 134,660 | 163,244 | 10,925 | 80,034 | 1,946,604 | 71,141 | 2,017,745 |
| Total Allocated Expenses | 91,271 | - | 214,994 | 260,630 | 17,443 | 127,780 | 3,107,889 | 113,582 | 3,221,471 |
| Total Expenses | 290,674 | 17,839 | 1,139,526 | 1,987,755 | 95,387 | 676,949 | 18,262,134 | 1,260,466 | 19,522,600 |
| SUPPLEMENTAL DISCLOSURES | | | | | | | | | |
| State Excluded Costs | \$ 949 | \$ 66 | \$ 136,294 | \$ 968,337 | \$ 405 | \$ 849 | \$ 3,454,323 | \$ 13,976 | \$ 3,468,299 |

(Continued)

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENSES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2011**

3 of 3

| | Supporting Services | | |
|---------------------------------|---------------------|---------------|---------------------------|
| | Admin. | Other Support | Total Supporting Services |
| | Total | Total | Total |
| PERSONNEL EXPENSES | | | |
| Salaries | \$ 588,676 | \$ 1,242,442 | \$ 1,831,118 |
| Fringe Benefits | 229,802 | 317,818 | 547,620 |
| Total Personnel Expense | 818,478 | 1,560,260 | 2,378,738 |
| OPERATING EXPENSES | | | |
| Building | 39,861 | 226,630 | 266,491 |
| Professional | 62,479 | 42,960 | 105,439 |
| Travel | 37,228 | 15,910 | 53,138 |
| Equipment Costs | 7,603 | 5,107 | 12,710 |
| Food Service | 22,393 | 4,058 | 26,451 |
| Medicine / Pharmacy | 1,126 | 329 | 1,455 |
| Insurance | 45,764 | 27,679 | 73,443 |
| Office Expense and Other | 118,982 | 107,943 | 226,925 |
| Donated Items | 49,812 | 26,805 | 76,617 |
| Incidentals | - | 64 | 64 |
| Bad Debts | - | - | - |
| Total Operating Expense | 385,248 | 457,485 | 842,733 |
| Total Direct Expenses | 1,203,726 | 2,017,745 | 3,221,471 |
| ALLOCATED EXPENSES | | | |
| Administration | (1,203,726) | - | (1,203,726) |
| Other Support | - | (2,017,745) | (2,017,745) |
| Total Allocated Expense: | (1,203,726) | (2,017,745) | (3,221,471) |
| Total Expenses | - | - | 19,522,600 |
| SUPPLEMENTAL DISCLOSURES | | | |
| State Excluded Costs | \$ 20,081 | \$ 4,654 | \$ 24,735 |
| | - | - | 3,493,034 |

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
SCHEDULE OF STATE EARNINGS
YEAR ENDED JUNE 30, 2011**

| | | |
|----|--|---------------------|
| 1. | Total Expenditures | \$ 19,522,600 |
| 2. | Less Other State and Federal Funds | (4,569,650) |
| 3. | Less Non-Match ADM Funds | (4,210,391) |
| 4. | Less Unallowable Costs | (3,493,034) |
| 5. | Less Unallowable Patient Fees | <u>-</u> |
| 6. | Total Allowable Expenditures | <u>\$ 7,249,525</u> |
| 7. | Total Amount of State Earnings (Line 6 times 75%) | \$ 5,437,144 |
| 8. | Amount of State Funds Required Match | <u>3,149,078</u> |
| 9. | Amount Due to Department (Subtract Line 8 from Line 7. If negative, the amount of the difference is due the department up to the amount of Line 8.) | <u>\$ 2,288,066</u> |

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
SCHEDULES OF FINANCIAL POSITION – D.U.I. PROGRAM
JUNE 30, 2011 AND 2010**

| | <u>2011</u> | <u>2010</u> |
|-------------------|------------------|------------------|
| ASSETS | | |
| Cash | \$ 36,298 | \$ 53,169 |
| Total Assets | <u>\$ 36,298</u> | <u>\$ 53,169</u> |
| | | |
| NET ASSETS | | |
| Unrestricted | \$ 36,298 | \$ 53,169 |
| Total Net Assets | <u>\$ 36,298</u> | <u>\$ 53,169</u> |

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
SCHEDULES OF REVENUE AND EXPENSES – D.U.I. PROGRAM
YEARS ENDED JUNE 30, 2011 AND 2010**

| | <u>2011</u> | <u>2010</u> |
|---|----------------------|----------------------|
| REVENUE | | |
| Client Fees | \$ 993 | \$ 306,428 |
| Miscellaneous | 44 | 1,104 |
| Total Revenue | <u>1,037</u> | <u>307,532</u> |
| EXPENSES | | |
| Salaries | 7,234 | 157,304 |
| Employee Benefits | 2,812 | 50,666 |
| Program Supplies | 478 | 41,782 |
| Professional Fees | 1,500 | 8,517 |
| Building and Occupancy | 3,622 | 30,866 |
| Equipment Rental | 159 | 1,630 |
| Insurance | - | 5,515 |
| Travel | 300 | 4,331 |
| Staff Development | - | 2,221 |
| Total Direct Expenses | <u>16,105</u> | <u>302,832</u> |
| Allocation of Administration and Other Support Expenses | <u>1,803</u> | <u>70,582</u> |
| Total Expenses | <u>17,908</u> | <u>373,414</u> |
| DECREASE IN NET ASSETS | (16,871) | (65,882) |
| NET ASSETS, Beginning of Year | <u>53,169</u> | <u>119,051</u> |
| NET ASSETS, End of Year | <u>\$ 36,298</u> | <u>\$ 53,169</u> |

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
SCHEDULE OF REVENUE AND EXPENSES – BUDGET TO ACTUAL – D.U.I. PROGRAM
YEAR ENDED JUNE 30, 2011

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|-------------------|--------------------|------------------|
| REVENUE | | | |
| Client Fees | \$ - | \$ 993 | \$ (993) |
| Miscellaneous | - | 44 | (44) |
| Total Revenue | <u>-</u> | <u>1,037</u> | <u>(1,037)</u> |
| EXPENSES | | | |
| Salaries | - | 7,234 | (7,234) |
| Employee Benefits | - | 2,812 | (2,812) |
| Program Supplies | 1,060 | 478 | 582 |
| Professional Fees | 300 | 1,500 | (1,200) |
| Building and Occupancy | - | 3,622 | (3,622) |
| Equipment Rental | 80 | 159 | (79) |
| Travel | - | 300 | (300) |
| Total Direct Expenses | <u>1,440</u> | <u>16,105</u> | <u>(14,665)</u> |
| Allocation of Administration and Other Support Expenses | <u>254</u> | <u>1,803</u> | <u>(1,549)</u> |
| Total Expenses | <u>1,694</u> | <u>17,908</u> | <u>(16,214)</u> |
| EXCESS OF REVENUES OVER EXPENSES | <u>\$ (1,694)</u> | <u>\$ (16,871)</u> | <u>\$ 15,177</u> |

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO SCHEDULES OF REVENUES AND EXPENSES – D.U.I. PROGRAM
JUNE 30, 2011 AND 2010

NOTE 1 STATE FEE ASSESSMENT

As required by Section 322.293, Florida Statutes, and Administrative Rule 15A-10.0012, the Center's D.U.I. Program collects a State assessment fee of \$12.00 on every client enrolling in its D.U.I. Program and remits the fees to the State of Florida. The State assessment fee was increased to \$15.00 as of September 1, 2009. State assessment fees collected and distributed to the State of Florida are summarized as follows (per administrative Rule 15A-10.012(6)) at June 30:

| | 2011 | 2010 |
|-----------------------------|--------|----------|
| Fees due from prior year | \$ 675 | \$ 960 |
| Fees collected current year | - | 13,206 |
| Fees remitted current year | (675) | (13,491) |
| Fees due State | \$ 0 | \$ 675 |

The Center's D.U.I. Program established and maintained procedures which adequately accounted for all fees received for the D.U.I. Program and for all receipts created and issued by the D.U.I. Program. In July 2010, the Center's D.U.I. program ceased operations.

NOTE 2 ACCUMULATION OF REVENUES OVER EXPENSES

The D.U.I. Program's minimum standards require the Center's D.U.I. Program to be solely funded from client fees and in-kind contributions. The Center's program had accumulated net assets of \$53,169 since the inception of the program through June 30, 2010. During the year ended June 30, 2011, the DUI Program recognized a decrease in net assets of \$16,871. Accordingly, at June 30, 2011, the Center's D.U.I. Program had accumulated net assets of \$36,298.

The Center maintains its books and records by program and department as to revenues, expenses and the accumulation of revenue over expenses, and on a single fund, center wide basis for balance sheet purposes as permitted by accounting principles generally accepted in the United States of America. The D.U.I. Program's net assets balance of \$36,298 and \$53,169, at June 30, 2011 and 2010, respectively, equal D.U.I. Program available cash balance. Cost standards used by the Center appear reasonable and equitable.

NOTE 3 ALLOCATION OF OVERHEAD EXPENSES

The cost of providing the D.U.I. Program has been detailed in the Schedules of Revenue and Expenses - D.U.I. Program. Salaries and other expenses which are associated with the specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs administered by the Center based upon the relative benefit provided. In addition, administrative expenses are allocated to the various programs based on each program's number of full-time salaried positions. The method used for allocating indirect costs provides a fair and equitable allocation to all programs administered by the Center.

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
 SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
 YEAR ENDED JUNE 30, 2011**

| Program A | Cost Center B | State Contracted Rate C | Total Units of Service Provided D | Total Units of Service Paid for by 3rd 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 | \$ 391.24 | 1460 | 263 | 1197.01 | \$ 280,290 | \$ 468,318 | \$ - |
| Adult MH | Crisis Stabilization Unit | \$ 391.24 | 5840 | 1076 | 4763.84 | 1,689,128 | 1,863,805 | - |
| Adult SA | Substance Abuse Detox | \$ 201.44 | 4380 | 1030 | 3350.32 | 633,671 | 674,888 | - |
| Total Amount Owed to Department | | | | | | \$ 2,603,089 | \$ 3,007,011 | \$ - |

**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
David Lawrence Mental Health Center, Inc.
Naples, Florida

We have audited the financial statements of David Lawrence Mental Health Center, Inc. (the "Center") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 12, 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. The financial statements of the David Lawrence Foundation for Mental Health, Inc. were not audited in accordance with *Government Auditing Standards*.

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 opinion on the 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 would not necessarily 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
David Lawrence 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 12, 2011

**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
David Lawrence Mental Health Center, Inc.
Naples, Florida

Compliance

We have audited David Lawrence Mental Health Center, Inc.'s (the "Center") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the Florida Department of Financial Services *State Projects Compliance Supplement*, that could have a direct and material effect on each of the Center's major federal programs and state projects for the year ended June 30, 2011. 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 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 of the Center's compliance with those requirements.

Board of Directors
David Lawrence Mental Health Center, Inc.

In our opinion, the Center 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.

Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal program or state project to determine the 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.

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

This report is intended solely for the information and use of management, the board of directors, 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 12, 2011

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

| FEDERAL / STATE AGENCY <i>Pass-through entity</i> Federal Program / State Project | CFDA NUMBER | CONTRACT NUMBER | EXPENDITURES |
|--|----------------|---------------------|----------------------------|
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | |
| <i>Passed through Central Florida Behavioral Health Network</i> | | | |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | CF2011-1002 | \$ 113,365 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | CF2011-1002 | 122,965 |
| Block Grants for Community Mental Health Services | 93.958 | CF2011-1002 | 611,467 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | CF2011-1002 | 1,811,531 |
| Children's Health Insurance Program (CHIP) | 93.767 | CF2011-1002 | 674,000 |
| <u>U.S. DEPARTMENT OF JUSTICE - BUREAU OF JUSTICE ASSISTANCE</u> | | | |
| <i>Passed through Collier County</i> | | | |
| Drug Court Discretionary Grant Program | 16.585 | 2010-DC-BX- 0016 | 43,532 |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | |
| <i>Passed through Collier County</i> | | | |
| Community Development Block Grant | 14.218 | B-09UC-12- 0016 | 20,000 |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| <i>Passed through State of Florida, Florida Department of Health</i> | | | |
| Child and Adult Care Food Program | 10.558 | H-2876 | <u>1,460</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 3,398,320</u> |

(Continued)

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

| | <u>CSFA NUMBER</u> | <u>GRANT/ CONTRACT NUMBER</u> | <u>EXPENDITURES</u> |
|---|------------------------|---------------------------------------|----------------------------|
| <u>STATE OF FLORIDA,</u> | | | |
| <u>DEPARTMENT OF CHILDREN AND FAMILIES</u> | | | |
| <i>Passed through Central Florida Behavioral Health Network</i> | | | |
| Children's Baker Act Services | 60.001 | CF2011-1002 | \$ 154,524 |
| Baker Act | 60.006 | CF2011-1002 | 1,017,755 |
| Substance Abuse Treatment & Aftercare Services for Children | 60.030 | CF2011-1002 | 513,409 |
| Substance Abuse Detoxification Services for Adults | 60.031 | CF2011-1002 | 125,909 |
| Substance Abuse Treatment and Aftercare Services for Adults | 60.033 | CF2011-1002 | 85,068 |
| Indigent Psychiatric Outpatient Services | 60.039 | CF2011-1002 | 75,035 |
| Adult Community Mental Health - Community Support Services | 60.053 | CF2011-1002 | 697,414 |
| Adult Community Mental Health - Emergency Stabilization | 60.054 | CF2011-1002 | 634,951 |
| Children's Mental Health - Community Support Services | 60.055 | CF2011-1002 | 156,326 |
| Children's Mental Health - Emergency Stabilization | 60.057 | CF2011-1002 | 60,214 |
| Children's Mental Health - Special Projects - Emergency Stabilization | 60.059 | CF2011-1002 | 279,100 |
| Community Forensic Beds and Competency Restoration Training | 60.114 | CF2011-1002 | <u>134,304</u> |
| TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE | | | <u>\$ 3,934,009</u> |

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011**

(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 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, and *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 nonstate 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."

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011**

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Catalog of State Financial Assistance – Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, requires the Schedule to present 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.”

Type A and Type B Programs

Federal 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. Type B assistance programs for the Center are those federal programs with expenditures less than \$300,000.

State Programs

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 are defined on a sliding scale. For the Center, Type A programs are defined as those programs with expenditures in excess of \$300,000 or 3% of total state awards, whichever is larger, expended for the fiscal year. Type B assistance projects are defined as all projects that are not Type A projects.

Basis of Accounting

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

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL PROGRAMS AND STATE PROJECTS
 YEAR ENDED JUNE 30, 2011**

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued; Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) 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? _____ yes X no
- Significant deficiency(s) 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? _____ yes X no

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)
 YEAR ENDED JUNE 30, 2011**

Section I – Summary of Auditors' Results (Continued)

Identification of major programs/projects:

| CFDA Number(s) | Name of Federal Program or Cluster |
|-----------------------|--|
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse |
| CSFA Number(s) | Name of State Project |
| 60.006 | Baker Act Services |
| 60.053 | Adult Community Mental Health – Community Support Services |
| 60.054 | Adult Community Mental Health – Emergency Stabilization |

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

**DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 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 in accordance with Section 510(a) of OMB Circular A-133.

Section IV – Findings and Questioned Costs – Major State Projects

Our audit did not disclose any matters required to be reported in accordance with 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.

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.



CPAs, Consultants & Advisors
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MANAGEMENT LETTER

Board of Directors
David Lawrence Mental Health Center, Inc.
Naples, Florida

We have audited the financial statements of the David Lawrence Mental Health Center, Inc. (the "Center"), as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 12, 2011.

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*. We have issued our Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, 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, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated October 12, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, no matters came to our attention relating to the foregoing that are required to be disclosed.

Board of Directors
David Lawrence Mental Health Center, Inc.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Center and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP
LarsonAllen LLP

Fort Myers, Florida
October 12, 2011