

**LAKESIDE BEHAVIORAL HEALTHCARE, INC.  
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**Years Ended June 30, 2011 and 2010**

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**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors of  
Lakeside Behavioral Healthcare, Inc. and Affiliates  
Orlando, Florida

We have audited the accompanying combined balance sheets of Lakeside Behavioral Healthcare, Inc. and Affiliates (the "Organization") as of June 30, 2011 and 2010, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined 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 audits to obtain reasonable assurance about whether the combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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 24, 2011 on our consideration of the Organization's internal control over financial reporting and 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 audits.

*Moore Stephens Lovelace, P.A.*

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
October 24, 2011

# LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES

## COMBINED BALANCE SHEETS

June 30, 2011 and 2010

### ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,208,144	\$ 4,722,400
Short-term investments	1,762,780	2,697,822
Current portion of assets whose use is limited	5,095	969,887
Accounts receivable, net	4,641,436	1,882,123
Pharmacy inventory	308,480	311,600
Other current assets	<u>377,274</u>	<u>645,115</u>
TOTAL CURRENT ASSETS	11,303,209	11,228,947
INVESTMENTS - DESIGNATED FOR CAPITAL REPLACEMENT	14,124,314	11,079,178
ASSETS WHOSE USE IS LIMITED	33,216	37,874
PROPERTY, BUILDINGS AND EQUIPMENT, NET	17,381,426	17,457,780
DEFERRED FINANCING COSTS, NET	172,552	183,337
OTHER ASSETS	<u>64,818</u>	<u>64,405</u>
TOTAL ASSETS	<u>\$ 43,079,535</u>	<u>\$ 40,051,521</u>

### LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current portion of long-term debt	\$ 650,000	\$ 650,000
Accounts payable and accrued expenses	1,204,185	1,237,419
Accrued salaries and benefits	1,119,320	577,813
Accrued compensated absences	796,675	750,000
Resident security deposits	3,306	3,321
Deferred revenue	<u>524,358</u>	<u>693,724</u>
TOTAL CURRENT LIABILITIES	4,297,844	3,912,277
INTEREST RATE SWAP LIABILITY	825,000	1,059,000
RESERVE FOR REGULATORY SETTLEMENTS	750,000	750,000
LONG-TERM DEBT, NET OF CURRENT PORTION AND UNAMORTIZED DISCOUNT	<u>14,287,294</u>	<u>14,937,876</u>
TOTAL LIABILITIES	20,160,138	20,659,153
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	21,387,426	17,848,278
Temporarily restricted	<u>1,531,971</u>	<u>1,544,090</u>
TOTAL NET ASSETS	<u>22,919,397</u>	<u>19,392,368</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,079,535</u>	<u>\$ 40,051,521</u>

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

**LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**

**Years Ended June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>UNRESTRICTED REVENUES AND SUPPORT</b>		
Net client service revenue	\$ 23,876,632	\$ 24,653,745
Grant and contract revenues	20,427,388	19,791,801
Rental and other income	1,006,560	949,057
Contributions and donations	73,561	139,255
Investment income	626,679	447,513
Net assets released from restriction	12,119	-
	<b>46,022,939</b>	<b>45,981,371</b>
<b>EXPENSES</b>		
Salaries	21,463,211	20,380,284
Employee benefits	5,388,307	4,440,177
Professional fees	3,945,406	3,905,126
Medical and pharmacy	4,324,924	3,904,452
Building occupancy	2,686,974	2,592,597
Food services	1,292,017	1,280,886
Depreciation and amortization	1,263,526	1,229,867
Operating supplies	900,976	848,258
Other	862,896	752,153
Interest	642,061	613,488
Insurance	497,932	494,483
	<b>43,268,230</b>	<b>40,441,771</b>
<b>TOTAL EXPENSES</b>		
	<b>43,268,230</b>	<b>40,441,771</b>
<b>INCOME FROM OPERATIONS</b>	<b>2,754,709</b>	<b>5,539,600</b>
<b>OTHER GAINS (LOSSES)</b>		
Change in fair value of interest rate swaps	234,000	(583,000)
Change in unrealized gain on investments	550,439	175,152
	<b>784,439</b>	<b>(407,848)</b>
<b>TOTAL OTHER LOSSES</b>		
	<b>784,439</b>	<b>(407,848)</b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>3,539,148</b>	<b>5,131,752</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	-	181,790
Net assets released from restrictions	(12,119)	-
	<b>(12,119)</b>	<b>-</b>
<b>INCREASE IN NET ASSETS</b>	<b>3,527,029</b>	<b>5,313,542</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>19,392,368</b>	<b>14,078,826</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 22,919,397</b>	<b>\$ 19,392,368</b>

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

# LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES

## COMBINED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 3,527,029	\$ 5,313,542
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,263,526	1,229,867
Change in fair value of interest rate swaps	(234,000)	583,000
Change in unrealized gains on investments	(550,439)	(175,152)
Changes in operating assets and liabilities:		
Accounts receivable	(2,759,312)	888,743
Resident security deposits, net	(15)	-
Pharmacy inventory	3,120	(99,007)
Other assets	267,428	(443,955)
Accounts payable and accrued expenses	(33,234)	290,342
Accrued salaries and benefits	541,507	117,510
Accrued compensated absences	46,675	(6,981)
Deferred revenue	(169,366)	25,610
	<u>1,902,919</u>	<u>7,723,519</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments, net	(1,559,655)	(4,240,331)
Change in assets whose use is limited, net	969,450	1,386,032
Acquisition of property, buildings and equipment	(1,171,914)	(2,796,875)
	<u>(1,762,119)</u>	<u>(5,651,174)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	22,400
Repayments on borrowings	(655,056)	(664,592)
	<u>(655,056)</u>	<u>(642,192)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(514,256)	1,430,153
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,722,400</u>	<u>3,292,247</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,208,144</u>	<u>\$ 4,722,400</u>

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

**LAKESIDE BEHAVIORAL HEALTHCARE, INC.  
AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Years Ended June 30, 2011 and 2010**

**NOTE 1 - NATURE OF ORGANIZATION AND BASIS OF PRESENTATION**

These combined financial statements include Lakeside Behavioral Healthcare, Inc. (“LBH”), Lakeside Behavioral Healthcare Foundation, Inc. (the “Foundation”), and Lakeside Place, Inc. (“Lakeside Place”). The three entities are governed by Boards of Directors which include common, overlapping members. Collectively, LBH, the Foundation, and Lakeside Place are referred to herein as the Organization.

The Organization is a nonprofit behavioral healthcare system providing clinical, rehabilitative, and residential services. Its mission is to provide to the people of Central Florida compassionate, comprehensive, and cost-effective behavioral health-care services that focus on individualized recovery. The Organization operated the following services in furtherance of its mission during the years ended June 30, 2011 and 2010:

- Assessment and screening services
- Medicare-certified specialty hospital unit
- Adult and children’s crisis stabilization units (CSU)
- Short-term residential units
- Multilevel residential treatment facilities
- Medication clinic and community pharmacy
- Adult and children’s outpatient therapeutic and case management services
- Lakeside Place, an independent living facility for persons with disabilities

In addition to the programs it provides, LBH also leases facilities to other organizations engaged in providing healthcare and social services.

Lakeside Place was incorporated to develop an 18-unit, independent living facility for persons with disabilities. Financing for the construction of the apartments was obtained from the U.S. Department of Housing and Urban Development (“HUD”). LBH is the sole member of Lakeside Place.

The Foundation is a charitable foundation established for the purpose of providing financial support to LBH.

All significant inter-organization accounts and transactions have been eliminated.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Estimates**

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

In the presentation of functional expenses (see Note 9), the Organization allocates its costs based on hours worked, square footage, specific identification, and other rational methods.

### **Cash and Cash Equivalents**

The Organization considers all unrestricted, highly liquid investments with a maturity of three months or less when purchased, except those classified as assets whose use is limited and investments, to be cash equivalents.

### **Accounts Receivable**

The Organization records accounts receivable at the estimated amounts receivable from clients, residents, third-party payors, and others at the time services or occupancy rights are provided. The Organization provides an allowance for doubtful accounts based upon the age of the receivable, historical collection experience, and client-specific credit evaluations. The Organization, by policy, provides care to all persons in need regardless of ability to pay. Generally, when a client has no third-party payor source, the fees for services provided ultimately prove to be uncollectible. However, it is difficult to establish on client intake whether the services provided will ultimately prove to be charity care. Accordingly, an allowance for doubtful accounts/charity care is established, with the corresponding charge recorded to net client service revenue. The allowance for doubtful accounts/charity care at June 30, 2011 and 2010 was approximately \$6,455,000 and \$4,891,000, respectively.

### **Pharmaceutical Inventory**

Purchased pharmacy drugs are recorded in inventory at the lower of cost, determined using the first-in, first-out method, or market value. LBH is the recipient of significant quantities of pharmacy drugs from donors who specify that they be dispensed only to specific clients. LBH has no discretion to dispense these drugs to other than the specified beneficiary clients. LBH does not record contribution income or related expenses for these transactions where it operates only as an agent between the donor and the specified beneficiary. LBH received pharmaceuticals valued at approximately \$1,328,000 and \$1,161,000 from these donors during the fiscal years ended June 30, 2011 and 2010, respectively.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Investments**

Investments are reported on the combined balance sheets at fair value. Fair value is determined using the quoted closing or latest bid prices. Realized gains and losses are calculated based on proceeds received less carrying value. The carrying value of securities sold is based on the specific-identification method. Changes in net unrealized gains and losses are reported in the combined statements of operations and changes in net assets and represent the change in the fair value of investments during the year.

### **Property, Buildings and Equipment**

Property, buildings and equipment with an acquisition value in excess of \$1,000 are recorded at cost or, if donated, at fair market value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method using estimated lives ranging from 3-40 years.

### **Assets Whose Use Is Limited**

Assets whose use is limited includes amounts set aside under provisions of borrowing and contractual arrangements. A detail of the amounts comprising assets whose use is limited is presented in Note 3 of these combined financial statements.

### **Deferred Financing Costs**

Deferred financing costs of approximately \$205,000 in the combined balance sheets are presented net of accumulated amortization of approximately \$33,000 and \$22,000 at June 30, 2011 and 2010, respectively. Amortization expense relating to deferred financing costs amounted to approximately \$11,000 for each of the years ended June 30, 2011 and 2010.

### **Client Service Revenue**

LBH has agreements with third-party payors that provide for payments to LBH at amounts different from established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Client service revenue is reported at the estimated net realizable amounts from residents, clients, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are included in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

By policy, LBH provides care to all clients regardless of payor source or ability of the client to pay for services. The difference between LBH's standard rates for units of service and amounts expected to be received for those services was approximately \$4,219,000 and \$5,456,000 for the years ended June 30, 2011 and 2010, respectively.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Contributions and Donations**

Contributions are recorded at their estimated fair values on the date of receipt.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets received with donor stipulations that limit the use of the donated assets are reported as a restricted contribution. When a restriction ends, or the purpose of the restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions in that period.

LBH was the beneficiary of two houses with a fair value of approximately \$182,000 during the year ended June 30, 2010. These houses were recorded as temporarily restricted contributions due to donor-imposed stipulations and must be used pursuant to the Organization's mission for a minimum of 15 years. LBH will recognize 1/15<sup>th</sup> or approximately \$12,000 per year as temporarily restricted net assets released from restriction subsequent to the year ended June 30, 2010 to account for the passage of time in accordance with the contribution agreements.

Individuals volunteer their time and effort in support of the Organization and its mission. When the Organization would ordinarily have had to pay for these services and there is an objectively determinable basis for measuring the cost that would have been paid, the Organization records the value of the volunteered services as support and expense in the period the services were provided. Otherwise, the volunteered services are not recorded. There were no volunteer services recorded during the fiscal years ended June 30, 2011 and 2010.

Fundraising costs amounted to approximately \$22,000 and \$24,000 for the fiscal years ended June 30, 2011 and 2010, respectively.

### **Grant and Contract Revenues**

Revenues under grants and contracts are recognized as expenditures are incurred or services are provided, as defined in the contract or grant agreement.

### **Deferred Revenue**

Funding received in advance of the services being rendered is classified as deferred revenue. These amounts were approximately \$524,000 and \$694,000 at June 30, 2011 and 2010, respectively.

### **Income Taxes**

LBH, Lakeside Place, and the Foundation have each been recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income earned in furtherance of their tax-exempt purposes is exempt from federal and state income taxes. Income from certain of LBH's rental activities may be deemed unrelated to its tax-exempt purpose and, therefore, may be taxable. As of June 30, 2011, with certain exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal taxing authorities for any tax years prior to the most recent three years.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Net Assets**

Unrestricted net assets of the Organization include funds designated by the Board of Directors for a future program. Furthermore, unrestricted net assets include amounts designated for capital replacement. The composition of unrestricted net assets at June 30, 2011 and 2010, is as follows:

<u>Designation Classification</u>	<u>2011</u>	<u>2010</u>
Unrestricted net assets – undesignated	\$ 7,778,992	\$ 7,124,230
Unrestricted net assets – designated for capital replacement	13,468,305	10,616,176
Unrestricted net assets – board designated	<u>140,129</u>	<u>107,872</u>
	<u>\$ 21,387,426</u>	<u>\$ 17,848,278</u>

Temporarily restricted net assets are subject to donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the organization. These net assets are released and reclassified to unrestricted net assets from which they are expended.

**Reclassifications**

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation. Such reclassifications had no effect on the change in net assets for the year ended June 30, 2010.

**Subsequent Events**

In preparing the combined financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 24, 2011, the date the combined financial statements were issued.

**NOTE 3 - ASSETS WHOSE USE IS LIMITED**

The composition of assets limited as to use at June 30, 2011 and 2010 is presented in the following table:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents		
Restricted for construction projects under Series 2008		
Bonds (see Note 6)	\$ -	\$ 926,541
Health insurance imprest reserve	1,787	40,025
Resident security deposits	3,308	3,321
HUD replacement reserves	<u>33,216</u>	<u>37,874</u>
Total assets whose use is limited	<u>\$ 38,311</u>	<u>\$ 1,007,761</u>

Market value approximates cost for these assets.

## NOTE 4 - INVESTMENTS

The composition of investments at June 30, 2011 and 2010 is as follows:

	2011	
	Market	Cost
Cash and cash equivalents	\$ 3,014,762	\$ 3,004,010
Equities	3,339,990	2,740,422
Fixed income	9,157,020	9,053,088
Real estate	130,794	113,700
Tangible assets	244,528	225,600
	<u>15,887,094</u>	<u>\$ 15,136,820</u>
Less current portion	<u>(1,762,780)</u>	
Total long-term portion	<u>\$ 14,124,314</u>	
	2010	
	Market	Cost
Cash and cash equivalents	\$ 3,593,359	\$ 3,585,709
Equities	2,475,337	2,434,648
Fixed income	7,708,304	7,556,872
	<u>13,777,000</u>	<u>\$ 13,577,229</u>
Less current portion	<u>(2,697,822)</u>	
Total long-term portion	<u>\$ 11,079,178</u>	

The fair value of financial instruments is based upon three levels of valuation techniques. The highest valuation technique is Level 1, which utilizes unadjusted quoted prices in active markets for identical assets or liabilities. The Level 2 valuation technique is used for quoted prices of similar assets or liabilities or when quoted prices are in markets that are not active. Level 3 is utilized when no observable data or little market activity is available.

As of June 30, 2011 and 2010, equity and fixed income securities are valued at the closing price reported on the most active market on which the individual securities are traded (Level 1).

The interest rate swaps are valued based on quoted data from the counterparty or swap consultant, derived with mathematical approximations of indirectly observable market data (Level 2). It is impracticable to determine the fair value of the Organization's variable rate debt because of the credit enhancement.

The following summarizes investment income for the years ended June 30, 2011 and 2010:

	2011	2010
Interest income	\$ 391,063	\$ 364,763
Net realized gains/losses	235,616	82,750
	<u>\$ 626,679</u>	<u>\$ 447,513</u>

## NOTE 5 - PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment are comprised of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 3,069,559	\$ 3,069,559
Buildings and improvements	22,749,084	21,691,375
Furniture and equipment	5,989,373	5,207,965
Vehicles	1,072,972	960,217
	<u>32,880,988</u>	<u>30,929,116</u>
Accumulated depreciation	<u>(15,659,391)</u>	<u>(14,411,121)</u>
	17,221,597	16,517,995
Construction in progress	159,829	939,785
	<u>\$ 17,381,426</u>	<u>\$ 17,457,780</u>
Net property and equipment		

Depreciation expense was approximately \$1,248,000 and \$1,215,000 for the years ended June 30, 2011 and 2010, respectively. Construction in progress consists primarily of costs associated with various unit renovations and other improvements (see Note 8). At June 30, 2011 and 2010, LBH had construction payables, including retainage, of approximately \$126,000 and \$342,000, respectively, included in accounts payable and accrued expenses in the combined balance sheets.

## NOTE 6 - BORROWING ARRANGEMENTS

### Bonds

In July 2008, LBH issued Orange County Health Facilities Authority, Health Facility Variable Revenue and Refunding Bonds ("Series 2008 Bonds"), in the amount of \$16,220,000. Proceeds of the issuance were used for the defeasance of bonds, to pay off financial institution term loans, the funding of certain capital projects, and to pay certain costs of issuance.

The Series 2008 Bonds are due annually on July 1 through July 2027 and accrue interest at a variable rate determined weekly by the remarketing agent. The Indenture of Trust includes provisions for periodically adjusting the interest rate on the Series 2008 Bonds.

The Series 2008 Bonds are collateralized by an irrevocable letter of credit issued by a financial institution. The letter of credit expires on July 15, 2014 and is collateralized by net revenues and certain property. The letter of credit has certain financial and nonfinancial covenants, which include, among other things, that LBH maintain minimum debt service coverage and liquid assets to funded debt ratios. As of June 30, 2011, LBH is in compliance with its debt service coverage ratio and liquid assets to funded debt ratios.

**NOTE 6 - BORROWING ARRANGEMENTS (Continued)**

**Capital Advance**

The Organization entered into a capital advance agreement under the HUD Section 811 program to finance the construction of the Lakeside Place apartment building. The capital advance bears no interest and is not required to be repaid so long as the housing remains available to eligible, low-to-moderate income households for a period of 40 years. The capital advance is secured by a mortgage, which is collateralized by real property and equipment. The capital advance has been recorded at its original value of \$1,362,300. Because management intends to maintain Lakeside Place in accordance with the capital advance agreement, the capital advance is presented in the financial statements as a temporarily restricted net asset. The capital advance will be released from restriction upon completion of the 40-year period.

LBH's borrowing arrangements consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Series 2008 Bonds, variable rate (.55% and .43% at June 30, 2011, and 2010, respectively) with interest payable monthly, plus annual principal payments beginning in July 2009.	<b>\$ 14,990,000</b>	\$ 15,605,000
Vehicle and equipment loans	<b>18,873</b>	58,929
	<b>15,008,873</b>	15,663,929
Less current portion of long-term debt	<b>(650,000)</b>	(650,000)
Less unamortized bond discount	<b>(71,579)</b>	(76,053)
Total long-term debt	<b><u>\$ 14,287,294</u></b>	<b><u>\$ 14,937,876</u></b>

Aggregate maturities of long-term debt in each of the next five years and thereafter are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 650,000
2013	679,000
2014	700,000
2015	730,000
2016	765,000
Thereafter	<u>11,485,000</u>
Total	<b><u>\$ 15,009,000</u></b>

Cash paid for interest for the years ended June 30, 2011 and 2010, was approximately \$643,000 and \$715,000, respectively. Interest of approximately \$-0- and \$59,000 was capitalized in connection with construction projects during the years ended June 30, 2011 and 2010, respectively.

## **NOTE 7 - INTEREST RATE SWAP AGREEMENTS**

LBH entered into a swap agreement effective August 2008 (“August Swap”) to hedge against increases in short-term interest rates. The August Swap fixes the rate of interest that LBH pays on its Series 2008 Bonds at 3.49% and receives interest at 67% of LIBOR. The August Swap has certain cancellation options and will expire in July 2027. The notional amounts on the August Swap were \$7,468,000 and \$7,820,000 at June 30, 2011 and 2010, respectively. The fair value of the August Swap resulted in liabilities of approximately \$787,000 and \$939,000 at June 30, 2011 and 2010, respectively.

LBH also entered into a swap agreement, effective December 2008 (“December Swap”), to hedge against increases in short-term interest rates. The December Swap fixes the rate of interest that LBH pays on its Series 2008 Bonds at 2.18% and receives interest at 67% of LIBOR. The December Swap has certain cancellation options and will expire in July 2027. The notional amount on the December Swap was \$7,523,000 and \$7,785,000 at June 30, 2011 and 2010. The fair value of the December Swap resulted in liabilities of approximately \$38,000 and \$120,000 at June 30, 2011 and 2010, respectively.

LBH recorded liabilities of \$825,000 and \$1,059,000, representing the amount it would have to pay to terminate the swap agreements at June 30, 2011 and 2010, respectively. Any payments made or received under the swap agreements are reflected as a decrease or increase in interest expense. The change in fair value of the swap agreements is reflected in the combined statements of operations and changes in net assets as an increase (decrease) in net assets of approximately \$234,000 and (\$583,000) for the years ended June 30, 2011 and 2010, respectively. As of June 30, 2011, the Organization is exposed to the risk of counterparty nonperformance in the amount of the Swap Agreement’s fair value, however, counterparty nonperformance is not anticipated.

## **NOTE 8 - COMMITMENTS AND CONTINGENCIES**

### **Concentrations and Credit Risk**

LBH receives most of its revenues from the Medicaid and Medicare programs, the Substance Abuse and Mental Health (“SAMH”) program administered by the Florida Department of Children and Families, and from various contracts with Orange County. Governmental funding for healthcare programs is subject to statutory and regulatory changes, administrative rulings, interpretations of policy, intermediary determinations, and governmental funding restrictions, all of which may materially affect program reimbursement to service providers like LBH. Changes in the reimbursement policies of the programs, as a result of legislative and regulatory actions, could adversely affect LBH’s revenues.

The following tables provide a detail of LBH’s revenues for the years ended June 30, 2011 and 2010 by payor source.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)****Concentrations and Credit Risk (Continued)**

Net client service revenue for the years ended June 30, 2011 and 2010 was comprised of the following:

	<u>2011</u>	<u>2010</u>
Medicaid	\$ 1,929,167	\$ 1,987,944
Medicare	6,713,433	5,752,789
Managed care	14,320,731	16,148,797
Clients and other third-party payors	913,301	764,215
	<u>\$ 23,876,632</u>	<u>\$ 24,653,745</u>

Grant and contract revenues for the years ended June 30, 2011 and 2010 were comprised of the following:

	<u>2011</u>	<u>2010</u>
Florida Department of Children and Families	\$ 11,465,885	\$ 11,571,449
Orange County	5,716,162	5,905,344
Others	3,245,341	2,315,008
	<u>\$ 20,427,388</u>	<u>\$ 19,791,801</u>

Financial instruments which potentially subject LBH to concentrations of credit risk consist principally of cash and cash equivalents, investments deposited in financial institutions in excess of federally insured limits, assets whose use is limited, interest rate swaps and accounts receivable. No credit-related losses have been incurred, or are expected, related to deposits in financial institutions. Management believes that the concentrations of credit risk with respect to accounts receivable from the Medicaid and Medicare programs is mitigated by the taxing authority of the governmental entities funding the programs.

**Professional Liability Claims**

LBH has purchased a commercial general and professional liability policy based on occurrence. LBH is subject to various general liability and medical malpractice claims arising in the course of its operations. These claims are in various stages of litigation and the outcomes are not predictable with certainty. These matters are subject to many uncertainties and it is possible that ultimate losses could exceed insurance coverage amounts. Management has included a provision for possible claims in excess of insurance coverage limits in these combined financial statements. Possible losses, in the event of an unfavorable outcome in these matters, could result in a material adverse effect on LBH's financial position.

**Construction Commitments**

LBH entered into a construction contract in May 2011 for an improvement for approximately \$656,000, of which \$7,727 has been paid as of June 30, 2011.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)****Employee Benefit Plan**

LBH has a 403(b) defined-contribution pension plan (the "Plan"), which covers substantially all of its employees. The Plan includes vesting provisions on employer contributions, which require participants hired to be employed for two years to achieve 25% vesting, three years for 50% vesting, four years for 75% vesting, and five years for full vesting. Employer contributions are made at the discretion of management, subject to the approval of the Board of Directors, and net of non-vested forfeitures, and amounted to approximately \$541,000 and \$258,000 for the years ended June 30, 2011 and 2010, respectively.

**Regulatory Reviews and Settlements**

LBH maintains various licenses and accreditations issued by regulatory agencies and other bodies. The regulatory agencies and certain third-party payors make periodic reviews of LBH's compliance with laws and regulations resulting from its licensure and participation in various Substance Abuse and Mental Health, Medicaid, Medicare, Agency for Health Care Administration and other programs. Management has recorded a provision for estimated regulatory settlements related to these reviews. The laws and regulations governing these programs are complex and are subject to interpretation, and noncompliance can result in significant regulatory action, including fines, penalties, and exclusion from the programs.

**NOTE 9 - FUNCTIONAL EXPENSES**

Operating expenses for the years ended June 30, 2011 and 2010 are summarized on a functional basis, as follows:

	<u>2011</u>	<u>2010</u>
Program services		
Inpatient services	\$ 15,677,090	\$ 14,977,776
Outpatient services	7,488,476	6,961,148
Pharmacy	3,403,933	3,152,903
Crisis support emergency	3,508,779	3,349,652
Residential services	1,271,367	1,182,236
FACT	987,023	938,906
Other	853,995	374,259
Transportation	743,190	680,837
Total program services	<u>33,933,853</u>	<u>31,617,717</u>
Supporting services	6,128,689	5,933,030
Administrative services	2,980,986	2,703,767
Total LBH expenses	<u>43,043,528</u>	<u>40,254,514</u>
Foundation and Lakeside Place expenses	131,433	132,100
Eliminations	93,269	55,157
Total expenses	<u>\$ 43,268,230</u>	<u>\$ 40,441,771</u>

## **SUPPLEMENTAL INFORMATION**



**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON SUPPLEMENTAL INFORMATION**

To the Board of Directors of  
Lakeside Behavioral Healthcare, Inc. and Affiliates  
Orlando, Florida

We have audited the combined financial statements of Lakeside Behavioral Healthcare, Inc. and Affiliates as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated October 24, 2011, which contained an unqualified opinion on those combined financial statements. Our audits were performed for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental combining information appearing on pages 17 through 22, the program/cost center's actual revenues and expenses schedule appearing on pages 23 and 24, and the schedule of state earnings appearing on page 25, are presented for the purpose of additional analysis, as required by the Department of Children and Families, and are not a required part of the combined financial statements. The schedule of expenditures of federal awards and state financial assistance for the year ended June 30, 2010, appearing on pages 28 and 29 is presented for the purpose of additional analysis, as required by the 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 combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

A handwritten signature in black ink, appearing to read 'Moore Stephens Lovelace, P.A.', is written in a cursive style.

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
October 24, 2011

# LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES

## COMBINING BALANCE SHEETS

June 30, 2011

	Lakeside Behavioral Healthcare, Inc.	Lakeside Behavioral Healthcare Foundation, Inc.	Lakeside Place, Inc.	Eliminations	Combined
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 4,157,076	\$ 50,771	\$ 297	\$ -	\$ 4,208,144
Short-term investments	1,675,282	87,498	-	-	1,762,780
Current portion of assets whose use is limited	1,787	-	3,308	-	5,095
Accounts receivable, net	4,638,082	3,187	167	-	4,641,436
Pharmacy inventory	308,480	-	-	-	308,480
Other current assets	377,274	-	-	-	377,274
<b>TOTAL CURRENT ASSETS</b>	<b>11,157,981</b>	<b>141,456</b>	<b>3,772</b>	<b>-</b>	<b>11,303,209</b>
INVESTMENTS - DESIGNATED FOR CAPITAL REPLACEMENT	13,468,305	656,009	-	-	14,124,314
ASSETS WHOSE USE IS LIMITED	-	-	33,216	-	33,216
DUE FROM AFFILIATES	34,822	-	-	(34,822)	-
INTEREST IN NET ASSETS OF FOUNDATION	796,648	-	-	(796,648)	-
PROPERTY, BUILDINGS AND EQUIPMENT, NET	16,269,690	-	1,111,736	-	17,381,426
DEFERRED FINANCING COSTS, NET	172,552	-	-	-	172,552
OTHER ASSETS	63,818	-	1,000	-	64,818
<b>TOTAL ASSETS</b>	<b>\$41,963,816</b>	<b>\$ 797,465</b>	<b>\$1,149,724</b>	<b>\$ (831,470)</b>	<b>\$43,079,535</b>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>					
<b>CURRENT LIABILITIES</b>					
Current portion of long-term debt	\$ 650,000	\$ -	\$ -	\$ -	\$ 650,000
Accounts payable and accrued expenses	1,204,185	-	-	-	1,204,185
Accrued salaries and benefits	1,119,320	-	-	-	1,119,320
Accrued compensated absences	796,675	-	-	-	796,675
Resident security deposits	-	-	3,306	-	3,306
Deferred revenue	524,358	-	-	-	524,358
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,294,538</b>	<b>-</b>	<b>3,306</b>	<b>-</b>	<b>4,297,844</b>
INTEREST RATE SWAP LIABILITY	825,000	-	-	-	825,000
RESERVE FOR REGULATORY SETTLEMENTS	750,000	-	-	-	750,000
DUE TO AFFILIATES	-	817	34,005	(34,822)	-
LONG-TERM DEBT, NET OF CURRENT PORTION AND UNAMORTIZED DISCOUNT	14,287,294	-	-	-	14,287,294
<b>TOTAL LIABILITIES</b>	<b>20,156,832</b>	<b>817</b>	<b>37,311</b>	<b>(34,822)</b>	<b>20,160,138</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>NET ASSETS (DEFICIT)</b>					
Unrestricted	21,637,313	796,648	(249,887)	(796,648)	21,387,426
Temporarily restricted	169,671	-	1,362,300	-	1,531,971
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>21,806,984</b>	<b>796,648</b>	<b>1,112,413</b>	<b>(796,648)</b>	<b>22,919,397</b>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIT)</b>	<b>\$41,963,816</b>	<b>\$ 797,465</b>	<b>\$1,149,724</b>	<b>\$ (831,470)</b>	<b>\$43,079,535</b>

See Report of Independent Certified Public Accountants  
on Supplemental Information.

# LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES

## COMBINING BALANCE SHEETS *(Continued)*

June 30, 2010

	<u>Lakeside Behavioral Healthcare, Inc.</u>	<u>Lakeside Behavioral Healthcare Foundation, Inc.</u>	<u>Lakeside Place, Inc.</u>	<u>Eliminations</u>	<u>Combined</u>
<b>ASSETS</b>					
CURRENT ASSETS					
Cash and cash equivalents	\$ 4,590,286	\$ 131,288	\$ 826	\$ -	\$ 4,722,400
Short-term investments	2,611,488	86,334	-	-	2,697,822
Current portion of assets whose use is limited	966,566	-	3,321	-	969,887
Accounts receivable, net	1,878,121	4,000	2	-	1,882,123
Pharmacy inventory	311,600	-	-	-	311,600
Other current assets	645,115	-	-	-	645,115
TOTAL CURRENT ASSETS	<u>11,003,176</u>	<u>221,622</u>	<u>4,149</u>	<u>-</u>	<u>11,228,947</u>
INVESTMENTS - DESIGNATED FOR CAPITAL REPLACEMENT					
	10,616,176	463,002	-	-	11,079,178
ASSETS WHOSE USE IS LIMITED					
DUE FROM AFFILIATES	-	-	37,874	-	37,874
INTEREST IN NET ASSETS OF FOUNDATION	42,488	-	-	(42,488)	-
PROPERTY, BUILDINGS AND EQUIPMENT, NET	684,346	-	-	(684,346)	-
DEFERRED FINANCING COSTS, NET	16,313,383	-	1,144,397	-	17,457,780
OTHER ASSETS	183,337	-	-	-	183,337
	63,405	-	1,000	-	64,405
TOTAL ASSETS	<u>\$ 38,906,311</u>	<u>\$ 684,624</u>	<u>\$ 1,187,420</u>	<u>\$ (726,834)</u>	<u>\$ 40,051,521</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>					
CURRENT LIABILITIES					
Current portion of long-term debt	\$ 650,000	\$ -	\$ -	\$ -	\$ 650,000
Accounts payable and accrued expenses	1,237,419	-	-	-	1,237,419
Accrued salaries and benefits	577,813	-	-	-	577,813
Accrued compensated absences	750,000	-	-	-	750,000
Resident security deposits	-	-	3,321	-	3,321
Deferred revenue	693,724	-	-	-	693,724
TOTAL CURRENT LIABILITIES	<u>3,908,956</u>	<u>-</u>	<u>3,321</u>	<u>-</u>	<u>3,912,277</u>
INTEREST RATE SWAP LIABILITY					
	1,059,000	-	-	-	1,059,000
RESERVE FOR REGULATORY SETTLEMENTS					
	750,000	-	-	-	750,000
DUE TO AFFILIATES					
	-	278	42,210	(42,488)	-
LONG-TERM DEBT, NET OF CURRENT PORTION AND UNAMORTIZED DISCOUNT					
	<u>14,937,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,937,876</u>
TOTAL LIABILITIES	<u>20,655,832</u>	<u>278</u>	<u>45,531</u>	<u>(42,488)</u>	<u>20,659,153</u>
COMMITMENTS AND CONTINGENCIES					
NET ASSETS (DEFICIT)					
Unrestricted	18,068,689	684,346	(220,411)	(684,346)	17,848,278
Temporarily restricted	181,790	-	1,362,300	-	1,544,090
TOTAL NET ASSETS (DEFICIT)	<u>18,250,479</u>	<u>684,346</u>	<u>1,141,889</u>	<u>(684,346)</u>	<u>19,392,368</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 38,906,311</u>	<u>\$ 684,624</u>	<u>\$ 1,187,420</u>	<u>\$ (726,834)</u>	<u>\$ 40,051,521</u>

See Report of Independent Certified Public Accountants  
on Supplemental Information.

**LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES**  
**COMBINING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**

**Year Ended June 30, 2011**

	<u>Lakeside Behavioral Healthcare, Inc.</u>	<u>Lakeside Behavioral Healthcare Foundation, Inc.</u>	<u>Lakeside Place, Inc.</u>	<u>Eliminations</u>	<u>Combined</u>
<b>UNRESTRICTED REVENUES AND SUPPORT</b>					
Net client service revenue	\$ 23,876,632	\$ -	\$ -	\$ -	\$ 23,876,632
Grant and contract revenues	20,427,388	-	-	-	20,427,388
Rental and other income	959,490	-	66,103	(19,033)	1,006,560
Contributions and donations	35,441	50,239	-	-	85,680
Investment income	604,700	21,962	17	-	626,679
	<u>45,903,651</u>	<u>72,201</u>	<u>66,120</u>	<u>(19,033)</u>	<u>46,022,939</u>
<b>TOTAL UNRESTRICTED REVENUES AND SUPPORT</b>					
	45,903,651	72,201	66,120	(19,033)	46,022,939
<b>EXPENSES</b>					
Salaries	21,463,211	-	-	-	21,463,211
Employee benefits	5,388,307	-	-	-	5,388,307
Professional fees	3,934,865	1,210	20,364	(11,033)	3,945,406
Medical and pharmacy	4,324,924	-	-	-	4,324,924
Building occupancy	2,665,545	-	29,429	(8,000)	2,686,974
Food services	1,292,017	-	-	-	1,292,017
Depreciation and amortization	1,228,136	-	35,390	-	1,263,526
Operating supplies	900,888	-	88	-	900,976
Other	827,152	34,627	1,117	-	862,896
Interest	640,953	-	1,108	-	642,061
Insurance	489,832	-	8,100	-	497,932
Change in net assets of Foundation	(112,302)	-	-	112,302	-
	<u>43,043,528</u>	<u>35,837</u>	<u>95,596</u>	<u>93,269</u>	<u>43,268,230</u>
<b>TOTAL EXPENSES</b>					
	43,043,528	35,837	95,596	93,269	43,268,230
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	2,860,123	36,364	(29,476)	(112,302)	2,754,709
<b>OTHER GAINS (LOSSES)</b>					
Change in fair value of interest rate swaps	234,000	-	-	-	234,000
Change in unrealized gain on investments	474,501	75,938	-	-	550,439
	<u>708,501</u>	<u>75,938</u>	<u>-</u>	<u>-</u>	<u>784,439</u>
<b>TOTAL OTHER GAINS (LOSSES)</b>					
	708,501	75,938	-	-	784,439
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	3,568,624	112,302	(29,476)	(112,302)	3,539,148
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	(12,119)	-	-	-	(12,119)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	3,556,505	112,302	(29,476)	(112,302)	3,527,029
<b>NET ASSETS - BEGINNING OF YEAR</b>	18,250,479	684,346	1,141,889	(684,346)	19,392,368
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 21,806,984</u>	<u>\$ 796,648</u>	<u>\$ 1,112,413</u>	<u>\$ (796,648)</u>	<u>\$ 22,919,397</u>

See Report of Independent Certified Public Accountants  
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# LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES

## COMBINING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS *(Continued)*

Year Ended June 30, 2010

	Lakeside Behavioral Healthcare, Inc.	Lakeside Behavioral Healthcare, Foundation, Inc.	Lakeside Place, Inc.	Eliminations	Combined
<b>UNRESTRICTED REVENUES AND SUPPORT</b>					
Net client service revenue	\$ 24,653,745	\$ -	\$ -	\$ -	\$ 24,653,745
Grant and contract revenues	19,791,801	-	-	-	19,791,801
Rental and other income	901,453	-	66,773	(19,169)	949,057
Contributions and donations	54,809	84,446	-	-	139,255
Investment income	429,335	18,156	22	-	447,513
	<b>45,831,143</b>	<b>102,602</b>	<b>66,795</b>	<b>(19,169)</b>	<b>45,981,371</b>
<b>EXPENSES</b>					
Salaries	20,380,284	-	-	-	20,380,284
Employee benefits	4,440,177	-	-	-	4,440,177
Professional fees	3,892,985	2,451	20,859	(11,169)	3,905,126
Medical and pharmacy	3,904,452	-	-	-	3,904,452
Building occupancy	2,563,932	-	36,665	(8,000)	2,592,597
Food services	1,280,886	-	-	-	1,280,886
Depreciation and amortization	1,196,218	-	33,649	-	1,229,867
Operating supplies	848,017	-	241	-	848,258
Other	722,426	27,843	1,884	-	752,153
Interest	612,380	-	1,108	-	613,488
Insurance	487,083	-	7,400	-	494,483
Change in net assets of Foundation	(74,326)	-	-	74,326	-
	<b>40,254,514</b>	<b>30,294</b>	<b>101,806</b>	<b>55,157</b>	<b>40,441,771</b>
	<b>5,576,629</b>	<b>72,308</b>	<b>(35,011)</b>	<b>(74,326)</b>	<b>5,539,600</b>
<b>OTHER GAINS (LOSSES)</b>					
Change in fair value of interest rate swap	(583,000)	-	-	-	(583,000)
Change in unrealized gain on investments	173,134	2,018	-	-	175,152
	<b>(409,866)</b>	<b>2,018</b>	<b>-</b>	<b>-</b>	<b>(407,848)</b>
	<b>5,166,763</b>	<b>74,326</b>	<b>(35,011)</b>	<b>(74,326)</b>	<b>5,131,752</b>
<b>TEMPORARILY RESTRICTED CONTRIBUTIONS</b>					
	<b>181,790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181,790</b>
	<b>5,348,553</b>	<b>74,326</b>	<b>(35,011)</b>	<b>(74,326)</b>	<b>5,313,542</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>					
	<b>12,901,926</b>	<b>610,020</b>	<b>1,176,900</b>	<b>(610,020)</b>	<b>14,078,826</b>
<b>NET ASSETS - END OF YEAR</b>					
	<b>\$ 18,250,479</b>	<b>\$ 684,346</b>	<b>\$ 1,141,889</b>	<b>\$ (684,346)</b>	<b>\$ 19,392,368</b>

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**LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES**

**COMBINING STATEMENTS OF CASH FLOWS**

**Year Ended June 30, 2011**

	Lakeside Behavioral Healthcare, Inc.	Lakeside Behavioral Healthcare Foundation, Inc.	Lakeside Place, Inc.	Eliminations	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Increase (decrease) in net assets	\$ 3,556,505	\$ 112,302	\$ (29,476)	\$ (112,302)	\$ 3,527,029
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:					
Depreciation and amortization	1,228,136	-	35,390	-	1,263,526
Change in fair value of interest rate swaps	(234,000)	-	-	-	(234,000)
Change in unrealized gains on investments	(474,501)	(75,938)	-	-	(550,439)
Changes in operating assets and liabilities:					
Accounts receivable	(2,759,960)	813	(165)	-	(2,759,312)
Resident security deposits, net	-	-	(15)	-	(15)
Pharmacy inventory	3,120	-	-	-	3,120
Amounts due from (to) affiliates	7,666	539	(8,205)	-	-
Other assets	267,428	-	-	-	267,428
Accounts payable and accrued expenses	(33,234)	-	-	-	(33,234)
Accrued salaries and benefits	541,507	-	-	-	541,507
Accrued compensated absences	46,675	-	-	-	46,675
Deferred revenues	(169,366)	-	-	-	(169,366)
	<u>1,979,976</u>	<u>37,716</u>	<u>(2,471)</u>	<u>(112,302)</u>	<u>1,902,919</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Change in investments, net	(1,553,724)	(118,233)	-	112,302	(1,559,655)
Change in assets whose use is limited, net	964,779	-	4,671	-	969,450
Acquisition of property, buildings and equipment	<u>(1,169,185)</u>	<u>-</u>	<u>(2,729)</u>	<u>-</u>	<u>(1,171,914)</u>
	<u>(1,758,130)</u>	<u>(118,233)</u>	<u>1,942</u>	<u>112,302</u>	<u>(1,762,119)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>					
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayments on borrowings	<u>(655,056)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(655,056)</u>
	<u>(655,056)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(655,056)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>					
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(433,210)</u>	<u>(80,517)</u>	<u>(529)</u>	<u>-</u>	<u>(514,256)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,590,286</u>	<u>131,288</u>	<u>826</u>	<u>-</u>	<u>4,722,400</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,157,076</u>	<u>\$ 50,771</u>	<u>\$ 297</u>	<u>\$ -</u>	<u>\$ 4,208,144</u>

See Report of Independent Certified Public Accountants  
on Supplemental Information.

# LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES

## COMBINING STATEMENTS OF CASH FLOWS (Continued)

Year Ended June 30, 2010

	Lakeside Behavioral Healthcare, Inc.	Lakeside Behavioral Healthcare, Foundation, Inc.	Lakeside Place, Inc.	Eliminations	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Increase (decrease) in net assets	\$ 5,348,553	\$ 74,326	\$ (35,011)	\$ (74,326)	\$ 5,313,542
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:					
Depreciation and amortization	1,196,218	-	33,649	-	1,229,867
Loss on disposal of equipment	-	-	-	-	-
Change in fair value of interest rate swaps	583,000	-	-	-	583,000
Change in unrealized gains on investments	(173,134)	(2,018)	-	-	(175,152)
Changes in operating assets and liabilities:					
Accounts receivable	892,577	(4,000)	166	-	888,743
Resident security deposits, net	-	-	-	-	-
Pharmacy inventory	(99,007)	-	-	-	(99,007)
Amounts due from (to) affiliates	(10,080)	(246)	10,326	-	-
Other assets	(485,980)	41,500	525	-	(443,955)
Accounts payable and accrued expenses	369,663	(79,321)	-	-	290,342
Accrued salaries and benefits	117,510	-	-	-	117,510
Accrued compensated absences	(6,981)	-	-	-	(6,981)
Deferred revenues	25,610	-	-	-	25,610
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>7,757,949</b>	<b>30,241</b>	<b>9,655</b>	<b>(74,326)</b>	<b>7,723,519</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Change in investments, net	(4,113,657)	(201,000)	-	74,326	(4,240,331)
Change in assets whose use is limited, net	1,390,549	-	(4,517)	-	1,386,032
Acquisition of property, buildings and equipment	(2,790,204)	-	(6,671)	-	(2,796,875)
Proceeds from sale of equipment	-	-	-	-	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(5,513,312)</b>	<b>(201,000)</b>	<b>(11,188)</b>	<b>74,326</b>	<b>(5,651,174)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from borrowings	22,400	-	-	-	22,400
Repayments on borrowings	(664,592)	-	-	-	(664,592)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(642,192)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(642,192)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,602,445</b>	<b>(170,759)</b>	<b>(1,533)</b>	<b>-</b>	<b>1,430,153</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>2,987,841</b>	<b>302,047</b>	<b>2,359</b>	<b>-</b>	<b>3,292,247</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 4,590,286</b>	<b>\$ 131,288</b>	<b>\$ 826</b>	<b>\$ -</b>	<b>\$ 4,722,400</b>

See Report of Independent Certified Public Accountants  
on Supplemental Information.

**SUBSTANCE ABUSE & MENTAL HEALTH SERVICES**  
ACTUAL COST CENTER REVENUE AND EXPENSES

AGENCY: Lakeside Behavioral Healthcare, Inc.

CONTRACT # GH21 PERIOD FROM: 07/01/10 TO: 06/30/11

**PART I: ACTUAL FUNDING SOURCES & REVENUES**

FUNDING SOURCES & REVENUES	STATE DESIGNATED SAMH COST CENTERS											Total for All State-Designated SAMH Cost Centers (D+E)	Admin-istration	Total Funding (F+G)			
	STATE SAMH-FUNDED COST CENTERS																
A	B <sub>1A</sub>	B <sub>1B</sub>	B <sub>1C</sub>	B <sub>1D</sub>	B <sub>1E</sub>	B <sub>1F</sub>	B <sub>1G</sub>	B <sub>1H</sub>	B <sub>1I</sub>	B <sub>1J</sub>	B <sub>1K</sub>	D	E	F	G	H	
<b>IA. TOTAL STATE SAMH FUNDING</b>																	
(1) From the District funding this contract	\$ 1,216,552	\$ 2,178,896	\$ 884,274	\$ 945,600	\$ 76,301	\$ 1,232,753	\$ 1,076,392	\$ 401,000	\$ 599,575	\$ 11,061,111	\$ -	\$ -	\$ -	\$ 11,061,111	\$ -	\$ -	\$ 11,061,111
Other District Contract Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(2) IDP - Line of Credit	-	-	-	-	-	-	404,774	-	-	404,774	-	-	-	404,774	-	-	404,774
<b>IB. OTHER GOVT. FUNDING</b>																	
(1) Other State Agency Funding	-	16,871	-	-	-	-	-	-	-	16,871	-	16,871	29,203	45,874	-	-	45,874
(2) Medicaid	13,499	100	-	-	906	102,300	146,193	-	-	262,998	-	262,998	1,666,020	1,929,018	149	-	1,929,167
(3) Local Government	1,978,785	1,163,040	68,446	-	-	6,388	1,988,273	14,160	-	5,219,092	-	5,219,092	285,992	5,505,084	381,263	-	5,886,347
(4) Federal Grants and Contracts	-	-	-	-	-	5,394	-	-	-	5,394	-	5,394	174,583	179,977	494,220	-	674,197
(5) In-kind from local govt. only	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOT. OTHER GOVT. FUNDING =</b>	<b>1,992,284</b>	<b>1,163,040</b>	<b>68,217</b>	<b>906</b>	<b>107,694</b>	<b>152,551</b>	<b>1,988,273</b>	<b>14,160</b>	<b>-</b>	<b>5,504,155</b>	<b>-</b>	<b>5,504,155</b>	<b>2,155,798</b>	<b>7,659,953</b>	<b>875,632</b>	<b>-</b>	<b>8,535,585</b>
<b>IC. ALL OTHER REVENUES</b>																	
(1) 1st & 2nd Party Payments	-	-	-	(1,919)	-	29,403	-	44,802	136,076	208,162	-	208,162	171,717	379,879	5,525	-	385,404
(2) 3rd Party Payments (except Medicare)	40,291	839,861	1,305,808	736	-	830,453	701,342	10	3,882,882	6,579,733	10,562,425	4,684,071	1,866,707	1,974,478	4,738,957	-	15,246,496
(3) Medicare	-	300	-	426	-	127,253	(42,210)	-	85,769	8,609	-	8,609	6,000	14,609	8,713	-	6,713,433
(4) Contributions and Donations	-	-	-	-	-	9	60,500	-	2,364,287	750	-	2,365,037	1,148,489	23,322	-	-	3,533,526
(5) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) In-Kind	-	-	-	(757)	-	272,691	987,118	719,532	44,602	136,086	6,669,519	8,646,907	15,316,428	10,585,755	-	-	25,902,181
<b>TOT. ALL OTHER REVENUES =</b>	<b>40,291</b>	<b>3,164,048</b>	<b>1,305,808</b>	<b>(757)</b>	<b>272,691</b>	<b>987,118</b>	<b>719,532</b>	<b>44,602</b>	<b>136,086</b>	<b>6,669,519</b>	<b>8,646,907</b>	<b>15,316,428</b>	<b>10,585,755</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,903,651</b>
<b>TOTAL PROJECTED FUNDING =</b>	<b>\$ 3,249,127</b>	<b>\$ 6,505,784</b>	<b>\$ 2,075,299</b>	<b>\$ 944,843</b>	<b>\$ 77,207</b>	<b>\$ 1,613,138</b>	<b>\$ 2,620,865</b>	<b>\$ 459,762</b>	<b>\$ 735,661</b>	<b>\$ 23,639,559</b>	<b>\$ 10,802,705</b>	<b>\$ 34,442,264</b>	<b>\$ 11,461,387</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,903,651</b>

**SUBSTANCE ABUSE & MENTAL HEALTH SERVICES**  
**ACTUAL COST CENTER REVENUE AND EXPENSES (Continued)**

AGENCY: Lakeside Behavioral Healthcare, Inc.  
 CONTRACT # GHJ21

PERIOD FROM: 7/1/2009 TO: 6/30/2010

**PART II: ACTUAL EXPENSES**

EXPENSE CATEGORIES	STATE-DESIGNATED SAMH COST CENTERS												Total Expenses (F+G+H+I+J) *except IIC & IID							
	STATE SAMH-FUNDED COST CENTERS																			
	A	B <sub>1a</sub>	B <sub>2a</sub>	B <sub>3a</sub>	FACT Incidental Funds	CCST	B <sub>4a</sub>	B <sub>5a</sub>	Medical Sys.	Short Term Residential	Room & Board Level II	Room & Board Level III		Total for State SAMH-Funded Cost Centers (C+...+C <sub>4</sub> )	E	F	G	H	I	J
<b>IIA. PERSONNEL EXPENSES</b>																				
(1) Salaries	\$ 1,967,675	\$ 2,438,128	\$ 872,115	\$ 668,615	\$ 660,388	\$ 1,146,266	\$ 2,331,946	\$ 201,191	\$ 178,842	\$ 10,665,366	\$ 2,029,130	\$ 12,694,496	\$ 2,939,872	\$ 4,081,437	\$ 1,741,406	\$ 21,463,211				
(2) Fringe Benefits	534,810	596,608	206,061	138,602	241,008	194,012	550,282	61,968	64,133	2,587,784	514,090	3,101,874	717,216	1,182,597	386,620	5,388,307				
<b>TOTAL PERSONNEL EXPENSES =</b>	<b>2,502,785</b>	<b>3,034,936</b>	<b>1,078,176</b>	<b>807,217</b>	<b>1,101,396</b>	<b>1,340,278</b>	<b>2,882,228</b>	<b>263,159</b>	<b>242,975</b>	<b>13,253,150</b>	<b>2,543,220</b>	<b>15,796,370</b>	<b>3,657,088</b>	<b>5,264,034</b>	<b>2,134,026</b>	<b>26,951,518</b>				
<b>IIIB. OTHER EXPENSES</b>																				
(1) Building Occupancy	245,068	429,512	198,500	54,585	109,112	92,892	402,614	126,303	298,311	1,556,877	374,168	2,331,045	979,167	546,811	36,659	3,893,682				
(2) Professional Services	448,937	81,574	23,354	-	26,106	31,126	118,390	-	-	729,487	1,981,448	2,710,935	912,543	24,514	286,673	3,934,865				
(3) Travel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
(4) Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
(5) Food Services	83,304	346,951	67,584	1,973	1,981	135	395,191	37,644	1,677	836,940	6,200	942,840	378,648	(40,077)	10,608	1,282,017				
(6) Medical and Pharmacy	49,179	336,757	58,008	-	2,475	467,544	396,771	1,194	4,836	1,327,875	2,507,321	3,835,196	465,659	3,848	221	4,324,924				
(7) Subcontracted Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
(8) Insurance	55,494	67,457	21,676	16,353	21,169	32,511	66,993	6,957	6,301	294,811	81,501	376,312	113,520	-	489,832					
(9) Interest Paid	48,406	97,372	46,614	5,079	22,096	17,778	91,749	12,902	48,762	390,756	74,159	464,917	176,036	-	640,953					
(10) Operating Supplies & Expenses	63,610	35,090	12,298	20,619	7,538	18,079	30,473	14,669	3,861	206,237	45,194	251,431	159,781	252,014	237,862	900,888				
(11) Other	11,996	27,247	5,996	-	70,106	1,131	21,744	6,011	12,935	222,320	52,609	275,129	87,237	77,545	274,939	714,850				
(12) Donated Items	1,005,994	1,421,960	434,000	96,589	81,217	255,631	661,196	1,523,925	205,780	376,663	6,065,005	11,167,805	3,292,591	864,655	846,960	16,192,011				
<b>TOTAL OTHER EXPENSES =</b>	<b>3,508,779</b>	<b>4,456,896</b>	<b>1,512,208</b>	<b>905,806</b>	<b>1,357,027</b>	<b>2,001,474</b>	<b>4,406,153</b>	<b>468,939</b>	<b>619,658</b>	<b>19,316,155</b>	<b>7,666,020</b>	<b>26,984,175</b>	<b>6,949,679</b>	<b>6,128,689</b>	<b>2,960,986</b>	<b>43,043,529</b>				
<b>TOT. PERSONNEL &amp; OTH. EXP. =</b>																				
<b>IIC. DISTRIBUTED INDIRECT COSTS</b>																				
(a) Other Support Costs (Optional)	583,724	954,040	362,125	142,563	234,308	323,951	906,985	94,316	205,007	3,787,017	883,016	4,670,033	1,458,656	(6,128,689)	-	-				
(b) Administration	290,272	377,545	151,534	85,538	117,153	185,245	363,601	35,865	32,959	1,639,712	523,093	2,162,805	818,181	-	(2,960,966)	-				
<b>TOT. DISTR'D INDIRECT COSTS =</b>	<b>873,996</b>	<b>1,331,585</b>	<b>513,659</b>	<b>228,101</b>	<b>351,461</b>	<b>509,196</b>	<b>1,270,586</b>	<b>130,181</b>	<b>237,966</b>	<b>5,426,729</b>	<b>1,406,109</b>	<b>6,832,838</b>	<b>2,276,837</b>	<b>(6,128,689)</b>	<b>(2,960,966)</b>	<b>-</b>				
<b>TOTAL PROJECTED OPER. EXPENSES =</b>	<b>4,382,775</b>	<b>5,768,481</b>	<b>2,025,865</b>	<b>1,133,907</b>	<b>1,708,466</b>	<b>2,510,670</b>	<b>5,676,739</b>	<b>589,120</b>	<b>857,624</b>	<b>24,744,884</b>	<b>9,072,129</b>	<b>33,817,013</b>	<b>9,226,516</b>	<b>-</b>	<b>-</b>	<b>43,043,529</b>				
<b>IE. TOTAL SAMH LINES OF CREDIT EQUIVALENT =</b>																				
<b>TOT. ALLOWABLE PROJ'D OPERATING EXP.,</b>																				
Excluding SAMH Credit Equivalent =	\$ 4,382,775	\$ 5,768,481	\$ 2,025,865	\$ 1,133,907	\$ 81,217	\$ 1,708,466	\$ 2,510,670	\$ 5,676,739	\$ 589,120	\$ 857,624	\$ 24,744,884	\$ 9,072,129	\$ 33,817,013	\$ 9,226,516	\$ -	\$ 43,043,529				

See Report of Independent Certified Public Accountants  
 on Supplemental Information.

# LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES

## SCHEDULE OF STATE EARNINGS

Year Ended June 30, 2011

1	Total Expenditures	\$ 43,043,528
2	Less Other State and Federal Funds	(2,804,381)
3	Less Non-Match SAMH Funds	(4,767,485)
4	Less Unallowable Costs (65E-14, F.A.C.)	(9,501,000)
5	Less Unallowable Patient Fees	<u>-</u>
6	Net Allowable Expenditures (Sum of lines 1, 2, 3, 4, and 5)	<u>\$ 25,970,662</u>
7	Maximum Available Earnings (Line 6 times 75%)	\$ 19,477,997
8	Amount of State Funds Requiring Match	<u>(6,307,725)</u>
9	Excess Match	<u>\$ 13,170,272</u>

See Report of Independent Certified Public Accountants  
on Supplemental Information.

LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES

SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS

Fiscal Year Ended June 30, 2011

Program	Cost Center	State Contracted Rate	Total Units of Service Provided	Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies	Maximum # of Units Eligible for Payment by Department	Amounts Paid for Services by the Department	Maximum \$ Value of Units in Column F	Amount Owed to Department (G-H or \$0, whichever is greater)
A	B	C	D	E	(D-E) F	G	(F x C) H	I
Children's MH	Crisis Stabilization Unit	\$ 309.64	7,296	2,744	4,552	\$ 685,118	\$ 1,409,481	\$ -
Adult MH	Crisis Stabilization Unit	\$ 293.74	20,808	13,694	7,114	\$ 2,066,348	\$ 2,089,666	\$ -
Adult MH	Short-Term Residential Treatment	\$ 253.33	21,540	9,188	12,352	\$ 2,806,897	\$ 3,129,132	\$ -
Total Amount Owed to Department=								\$ -

Note: All cost centers are paid based upon "Bed-Day Availability."

See Report of Independent Certified Public Accountants on Supplemental Information.

LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES

SCHEDULE OF RELATED-PARTY TRANSACTION ADJUSTMENTS

Fiscal Year Ended June 30, 2010

	Related Party	Allocation of Related-Party Transactions Adjustment		
		1	2	3
Revenues From Grantee				TOTAL
Rent	\$ -	\$ -	\$ -	\$ -
Services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total Revenues From Grantee	-	-	-	-
Expenses Associated with Grantee Transactions				
Personnel Services	-	-	-	-
Depreciation	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total Associated Expenses	-	-	-	-
Related-Party Transaction Adjustment	\$ -	\$ -	\$ -	\$ -

Note: Related-party transactions appear to be at or below current market cost.

See Report of Independent Certified Public Accountants on Supplemental Information.

**LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**

**Year Ended June 30, 2011**

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract / Pass-Through Award Number</u>	<u>Federal Expenditures Recognized</u>
<b>FEDERAL AWARDS</b>			
<b>U.S. Department of Agriculture Food and Nutrition Services</b>			
Pass-through:			
Florida Department of Education, Division of Food and Nutrition Cluster Program			
School Breakfast Program	10.553	01-0278	\$ 6,520
National School Lunch Program	10.555	01-0278	10,151
Total U.S. Department of Agriculture Food & Nutrition Services			<u>16,671</u>
<b>U.S. Department of Housing and Urban Development</b>			
Supportive Housing for Persons with Disabilities	14.181	N/A	1,362,300
Section 8 Housing Assistance Payments Program - Special Allocations	14.195	FL29-Q991-004	31,873
Pass-through:			
City of Orlando - CDBG	14.218	B-10-MC-12-0015	14,160
Total U.S. Department of Housing and Urban Development			<u>1,408,333</u>
<b>U.S. Department of Justice</b>			
Pass-through:			
Orange County, Florida DJMH Collaboration	16.745	2010 MO BX 0025	47,595
<b>U.S. Department of Education Rehabilitation Services Administration</b>			
Pass-through:			
Florida Department of Labor and Employment Security ARRA - Division of Vocational Rehabilitation	84.390	VJ468	5,394
<b>U.S. Department of Health and Human Services</b>			
Substance Abuse and Mental Health Services Administration (SAMHSA)			
Pass-through:			
Orange County, Florida Wraparound	93.104	5U79SM059038-02	22,327
Florida Department of Children and Families Projects for Assistance in Transition from Homelessness	93.150	GHJ21	452,227
Lakeside Primary and Behavioral Healthcare Integration	93.243	5H79SM059716-02	195,265
Pass-through:			
Homeless Services Network of Central Florida, Inc.			
Project Hope	93.243	1593213827A1	106,700
SHP Grant	93.243	FL0083B4H070800	152,256
SHP Grant Permanent Housing	93.243	FL0330B4H070900	40,097
Grand Avenue Economic Community Development Corp.			
Project Pathlight	93.243	1HM795M059094-01	76,771
Florida Department of Children and Families Block Grant for Community Mental Health Services	93.958	GHJ21	103,112
Block Grant for Community Mental Health Services	93.958	GHJ22	399,457
Orange County Healthy Start	93.994	COSDR	93,415
Total U.S. Department of Health and Human Services			<u>1,641,627</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 3,119,620</u></u>

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**LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (Continued)**

**Year Ended June 30, 2011**

<u>State Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>State CSFA Number</u>	<u>Contract / Pass-Through Award Number</u>	<u>State Expenditures Recognized</u>	<u>Subrecipient Payments</u>
<b>STATE PROJECTS</b>				
<b>Florida Department of Children and Families</b>				
Children's Baker Act Services	60.001	GHJ21	\$ 950,313	\$ -
Baker Act	60.006	GHJ21	3,112,259	-
Indigent Psychiatric Outpatient Services	60.039	GHJ21	32,212	-
Adult Community Mental Health Community Support Services	60.053	GHJ21	5,210,371	25,000
Adult Community Mental Health Community Support Services	60.053	GHJ22	616,501	-
Children's Mental Health Emergency Stabilization	60.057	GHJ21	21,924	-
Community Forensic Beds	60.114	GHJ21	<u>160,495</u>	<u>-</u>
Total Florida Department of Children and Families			10,104,075	25,000
Pass-through:				
The Center for Drug Free Living - Anchor Program CRC Phase II	60.115	LHZ17	<u>104,563</u>	<u>-</u>
TOTAL STATE FINANCIAL ASSISTANCE			<u>\$ 10,208,638</u>	
TOTAL SUBRECIPIENT PAYMENTS				<u>\$ 25,000</u>

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of Lakeside Behavioral Healthcare, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**NOTE 2 - SUBRECIPIENTS**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes payments to subrecipients from federal or state programs during the year.

See Report of Independent Certified Public Accountants  
on Supplemental Information.



**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of  
Lakeside Behavioral Healthcare, Inc. and Affiliates  
Orlando, Florida

We have audited the combined financial statements of Lakeside Behavioral Healthcare, Inc. and Affiliates (the "Organization") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 24, 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's combined 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 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.

To the Board of Directors of  
Lakeside Behavioral Healthcare, Inc. and Affiliates

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined 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 combined 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 Organization's Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
October 24, 2011



**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM  
AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
DEPARTMENT OF FINANCIAL SERVICES STATE PROJECTS  
COMPLIANCE SUPPLEMENT**

To the Board of Directors of  
Lakeside Behavioral Healthcare, Inc. and Affiliates  
Orlando, Florida

**Compliance**

We have audited Lakeside Behavioral Healthcare, Inc. and Affiliates' (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and the requirements described in the Department of Financial Services State Projects Compliance Supplement for the year ended June 30, 2011. The Organization's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Organization'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 Organization's compliance with those requirements.

In our opinion, the Organization 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.

To the Board of Directors of  
Lakeside Behavioral Healthcare, Inc. and Affiliates

Internal Control over Compliance

Management of the Organization 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 Organization's internal control over compliance with 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, 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 Organization'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 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 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, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
October 24, 2011

**LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**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	<u>    X    </u> No
Significant deficiency(ies) identified?	_____	Yes	<u>    X    </u> None Reported
Noncompliance material to financial statements noted	_____	Yes	<u>    X    </u> No

*Federal Awards and State Projects*

Internal control over major federal awards programs and state projects:			
Material weakness(es) identified?	_____	Yes	<u>    X    </u> No
Significant deficiency(ies) identified?	_____	Yes	<u>    X    </u> None Reported
Type of auditor's report issued on compliance for major federal awards programs and state projects:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a), or Chapter 10.650, Rules of the Auditor General	_____	Yes	<u>    X    </u> No

**LAKESIDE BEHAVIORAL HEALTHCARE, INC. AND AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**Year Ended June 30, 2011**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)**

*Federal Awards and State Projects (Continued)*

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Identification of major federal programs and major state projects:

Name of Federal Program or Cluster	CFDA Number(s)
Supportive Housing for Persons with Disabilities	14.181
Lakeside Primary and Behavioral Healthcare Integration, Project Hope, SHP Grant	93.243
 <u>State Projects</u>	
Children's Baker Act Services	60.001
Adult Community Mental Health Community Support Services	60.053
Dollar threshold used to distinguish between Type A and Type B programs for federal awards:	\$ 300,000
Dollar threshold used to distinguish between Type A and Type B programs for state projects:	\$ 300,000
Auditee qualified as low-risk auditee pursuant to OMB Circular A-133	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Prior Year Comments:** No findings were reported.

**Current Year Comments:** No findings were reported.

**SECTION III - FEDERAL AWARDS AND STATE PROJECTS  
FINDINGS AND QUESTIONED COSTS**

**Prior Year Comments:** No findings were reported.

**Current Year Comments:** No findings were reported.