

**LEE MENTAL HEALTH CENTER, INC.**

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

**YEARS ENDED JUNE 30, 2011 AND 2010**

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

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

We have audited the accompanying consolidated statements of financial position of Lee Mental Health Center, Inc. (the "Center") as of June 30, 2011 and 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of LMHC Properties, Inc., which reflect total assets and unrestricted support and revenue constituting 6% and .5%, respectively, as of June 30, 2011; and 10% and .5%, respectively, as of June 30, 2010, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LMHC Properties, Inc., is based solely on the report of the other auditors. The financial statements of LMHC Properties, Inc. were audited in accordance with *Government Auditing Standards*.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 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 18, 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  
Lee Mental Health Center, Inc.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of the Center taken as a whole. The supplementary information on pages 23 through 33 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The consolidating schedules on pages 34 through 37 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and the changes in net assets of the individual organizations, and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650 *Rules of the Auditor General*, and is not a required part of the basic consolidated financial statement. All supplementary information, except for the Schedule of Bed-Day Availability Payments and the Schedule of Related Party Transaction Adjustments on pages 30 through 33, has been subjected to the auditing procedures applied in the audits of the 2011 and 2010 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects, in relation to the 2011 and 2010 basic consolidated financial statements taken as a whole. The Schedules of Bed-Day Availability Payments and Related Party Transaction Adjustments have not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, accordingly, we express no opinion on them.

*LarsonAllen LLP*  
**LarsonAllen LLP**

Fort Myers, Florida  
October 18, 2011

**LEE MENTAL HEALTH CENTER, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2011 AND 2010**

| <b>ASSETS</b>                          | 2011          | 2010         |
|--|---------------|--------------|
| <b>CURRENT ASSETS</b>                  |               |              |
| Cash and Cash Equivalents              | \$ 567,811    | \$ 695,414   |
| Contracts Receivable, Net              | 1,034,609     | 1,118,371    |
| Accounts Receivable, Net               | 491,504       | 381,517      |
| Pledges Receivable, Net                | -             | 20,000       |
| Other Current Assets                   | 198,645       | 90,341       |
| Total Current Assets                   | 2,292,569     | 2,305,643    |
| <b>INVESTMENTS</b>                     |               |              |
| Investments                            | 114,735       | 101,466      |
| Investment in LLC                      | -             | (127)        |
| <b>PROPERTY AND EQUIPMENT, NET</b>     |               |              |
|  | 10,273,039    | 5,656,346    |
| <b>OTHER ASSETS</b>                    |               |              |
| Restricted Cash Deposits               | 60,774        | 28,052       |
| Debt Issuance Costs, Net               | 107,161       | -            |
| Other Assets                           | 4,185         | 2,135        |
| Total Assets                           | \$ 12,852,463 | \$ 8,093,515 |
| <b>LIABILITIES AND NET ASSETS</b>      |               |              |
| <b>CURRENT LIABILITIES</b>             |               |              |
| Accounts Payable                       | \$ 364,726    | \$ 414,258   |
| Deferred Revenue                       | 3,199         | 5,088        |
| Accrued Expenses                       | 617,592       | 1,119,856    |
| Current Portion of Long-Term Debt      | 177,000       | 59,395       |
| Total Current Liabilities              | 1,162,517     | 1,598,597    |
| <b>LONG-TERM LIABILITIES</b>           |               |              |
| Long-term Debt, Net of Current Portion | 6,048,900     | 1,597,072    |
| Compensated Absences                   | 18,660        | 20,030       |
| Total Long-Term Liabilities            | 6,067,560     | 1,617,102    |
| <b>OTHER LIABILITES</b>                |               |              |
| Derivative Financial Instrument        | 178,087       | -            |
| Total Liabilities                      | 7,408,164     | 3,215,699    |
| <b>NET ASSETS</b>                      |               |              |
| Unrestricted                           | 5,421,317     | 4,800,567    |
| Temporarily Restricted                 | 22,982        | 77,249       |
| Total Net Assets                       | 5,444,299     | 4,877,816    |
| Total Liabilities and Net Assets       | \$ 12,852,463 | \$ 8,093,515 |

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

|  | 2011         | 2010         |
|--|--------------|--------------|
| <b>UNRESTRICTED NET ASSETS</b>                           |              |              |
| <b>Support and Revenue:</b>                              |              |              |
| Support:   |              |              |
| State Grants   | \$ 8,193,472 | \$ 8,429,288 |
| Other Governmental                                       | 3,113,240    | 3,570,901    |
| Contributions and In-kind Revenue                        | 1,175,067    | 803,796      |
| Total Support  | 12,481,779   | 12,803,985   |
| Revenue:   |              |              |
| Net Client Fee Revenue                                   | 6,360,043    | 5,635,113    |
| Interest Income  | 1,912        | 6,935        |
| Loss in Equity of LLC                                    | -            | (17,067)     |
| Gain on Acquisition of Related Party                     | 982,332      | -            |
| Unrealized Loss on Derivative Financial Instrument       | (178,087)    | -            |
| Unrealized Gain on Investments                           | 13,982       | -            |
| Other Income   | 245,766      | 295,256      |
| Total Revenue  | 7,425,948    | 5,920,237    |
| Net Assets Released From Restrictions:                   |              |              |
| Satisfaction of Program Restrictions                     | 59,764       | -            |
| Total Unrestricted Support and Revenue                   | 19,967,491   | 18,724,222   |
| <br><b>Expenses:</b>                                     |              |              |
| Program Services:  |              |              |
| Adult Mental Health                                      | 14,326,116   | 13,233,525   |
| Children's Mental Health                                 | 2,674,087    | 2,674,847    |
| Children and Family Services                             | 369,359      | 592,639      |
| Adult Substance Abuse                                    | 873,947      | 776,734      |
| Children's Substance Abuse                               | 145,824      | 154,130      |
| Other Program Services                                   | 783,068      | 411,161      |
| Total Program Services                                   | 19,172,401   | 17,843,036   |
| Support Services:  |              |              |
| Real Estate Holding Company                              | 174,340      | 229,890      |
| Total Support Services                                   | 174,340      | 229,890      |
| Total Unrestricted Expenses                              | 19,346,741   | 18,072,926   |
| Net Increase in Unrestricted Net Assets                  | 620,750      | 651,296      |
| <br><b>TEMPORARILY RESTRICTED NET ASSETS:</b>            |              |              |
| Contributions  | 5,427        | 50,092       |
| Interest   | 70           | -            |
| Net Assets Released From Restrictions:                   |              |              |
| Satisfaction of Program Restrictions                     | (59,764)     | -            |
| Increase (Decrease) in Temporarily Restricted Net Assets | (54,267)     | 50,092       |
| Increase in Net Assets                                   | 566,483      | 701,388      |
| <br><b>NET ASSETS, beginning of year</b>                 | 4,877,816    | 4,176,428    |
| <br><b>NET ASSETS, end of year</b>                       | \$ 5,444,299 | \$ 4,877,816 |

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

|                                 | Program Services    |                          |                              |                       |                            |                        | Support Services |                            |   |               |
|---------------------------------|---------------------|--------------------------|------------------------------|-----------------------|----------------------------|------------------------|------------------|----------------------------|---|---------------|
|                                 | Adult Mental Health | Children's Mental Health | Children and Family Services | Adult Substance Abuse | Children's Substance Abuse | Other Program Services | Total Program    | Administration and Support | Helpgro, Inc. and LMHC Properties, Inc. | Total         |
| <b>PERSONNEL EXPENSES</b>       |                     |                          |                              |                       |                            |                        |                  |                            |   |               |
| Salaries                        | \$ 6,852,565        | \$ 1,321,859             | \$ 181,932                   | \$ 437,595            | \$ 82,358                  | \$ 348,570             | \$ 9,224,879     | \$ 903,642                 | \$ 7,174                                | \$ 10,135,695 |
| Fringe Benefits                 | 1,342,598           | 274,455                  | 42,607                       | 98,617                | 16,022                     | 71,938                 | 1,846,237        | 233,970                    | -                                       | 2,080,207     |
| Total Personnel Expenses        | 8,195,163           | 1,596,314                | 224,539                      | 536,212               | 98,380                     | 420,508                | 11,071,116       | 1,137,612                  | 7,174                                   | 12,215,902    |
| <b>OPERATING EXPENSES</b>       |                     |                          |                              |                       |                            |                        |                  |                            |   |               |
| Building Occupancy              | 748,468             | 172,632                  | 16,132                       | 72,388                | 18,974                     | 191,543                | 1,220,137        | 26,826                     | 61,106                                  | 1,308,069     |
| Professional Services           | 1,704,646           | 353,204                  | 43,694                       | 35,314                | 504                        | 4,520                  | 2,141,882        | 88,753                     | 19,237                                  | 2,249,872     |
| Travel                          | 60,742              | 42,493                   | 24,551                       | 725                   | 924                        | 551                    | 129,986          | 9,744                      | -                                       | 139,730       |
| Equipment Costs                 | 93,292              | 16,374                   | 2,227                        | 13,309                | 750                        | 17,209                 | 143,161          | 9,150                      | -                                       | 152,311       |
| Food Services                   | 106,743             | 10,258                   | 210                          | 31,516                | -                          | 115,149                | 263,876          | 2,705                      | -                                       | 266,581       |
| Medicine and Pharmacy           | 1,138,490           | 35,163                   | 146                          | 7,877                 | 72                         | -                      | 1,181,748        | 1,472                      | -                                       | 1,183,220     |
| Subcontracted Services          | 41,495              | -                        | -                            | 51                    | -                          | 230                    | 41,776           | 100                        | 14,787                                  | 56,663        |
| Insurance                       | 266,253             | 55,878                   | 8,590                        | 17,213                | 3,175                      | 14,271                 | 365,380          | 892                        | 11,599                                  | 377,871       |
| Interest Paid                   | -                   | -                        | -                            | -                     | -                          | -                      | -                | 133,337                    | 16,184                                  | 149,521       |
| Operating Supplies and Expenses | 436,257             | 69,717                   | 9,949                        | 25,583                | 3,535                      | 18,835                 | 563,876          | 90,196                     | 44,253                                  | 698,325       |
| Bad Debt                        | 451,599             | 64,669                   | -                            | 32,156                | -                          | 252                    | 548,676          | -                          | -                                       | 548,676       |
| Total Operating Expenses        | 5,047,985           | 820,388                  | 105,499                      | 236,132               | 27,934                     | 362,560                | 6,600,498        | 363,175                    | 167,166                                 | 7,130,839     |
| Total Direct Expenses           | 13,243,148          | 2,416,702                | 330,038                      | 772,344               | 126,314                    | 783,068                | 17,671,614       | 1,500,787                  | 174,340                                 | 19,346,741    |
| <b>ALLOCATED EXPENSES</b>       |                     |                          |                              |                       |                            |                        |                  |                            |   |               |
| Other Support                   | -                   | -                        | -                            | -                     | -                          | -                      | -                | -                          | -                                       | -             |
| Administration                  | 1,082,968           | 257,385                  | 39,321                       | 101,603               | 19,510                     | -                      | 1,500,787        | (1,500,787)                | -                                       | -             |
| Total Allocated Expenses        | 1,082,968           | 257,385                  | 39,321                       | 101,603               | 19,510                     | -                      | 1,500,787        | (1,500,787)                | -                                       | -             |
| Total Expenses                  | \$ 14,326,116       | \$ 2,674,087             | \$ 369,359                   | \$ 873,947            | \$ 145,824                 | \$ 783,068             | \$ 19,172,401    | \$ -                       | \$ 174,340                              | \$ 19,346,741 |

See accompanying Notes to Consolidated Financial Statements.

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

|                                 | Program Services     |                          |                              |                       |                            |                        | Support Services     |                            |   |                      |
|---------------------------------|----------------------|--------------------------|------------------------------|-----------------------|----------------------------|------------------------|----------------------|----------------------------|---|----------------------|
|                                 | Adult Mental Health  | Children's Mental Health | Children and Family Services | Adult Substance Abuse | Children's Substance Abuse | Other Program Services | Total Program        | Administration and Support | Helpgro, Inc. and LMHC Properties, Inc. | Total                |
| <b>PERSONNEL EXPENSES</b>       |                      |                          |                              |                       |                            |                        |                      |                            |   |                      |
| Salaries                        | \$ 5,827,514         | \$ 1,097,884             | \$ 226,962                   | \$ 322,027            | \$ 74,277                  | \$ 219,829             | \$ 7,768,493         | \$ 1,761,939               | \$ -                                    | \$ 9,530,432         |
| Fringe Benefits                 | 1,181,642            | 242,991                  | 53,709                       | 73,727                | 19,497                     | 44,650                 | 1,616,216            | 430,519                    | -                                       | 2,046,735            |
| Total Personnel Expenses        | <u>7,009,156</u>     | <u>1,340,875</u>         | <u>280,671</u>               | <u>395,754</u>        | <u>93,774</u>              | <u>264,479</u>         | <u>9,384,709</u>     | <u>2,192,458</u>           | <u>-</u>                                | <u>11,577,167</u>    |
| <b>OPERATING EXPENSES</b>       |                      |                          |                              |                       |                            |                        |                      |                            |   |                      |
| Building Occupancy              | 846,495              | 209,296                  | 31,960                       | 83,166                | 18,260                     | 71,830                 | 1,261,007            | 76,108                     | 99,442                                  | 1,436,557            |
| Professional Services           | 1,652,201            | 353,145                  | 61,916                       | 18,946                | -                          | 6,289                  | 2,092,497            | 100,276                    | 22,260                                  | 2,215,033            |
| Travel                          | 56,280               | 36,080                   | 21,373                       | 457                   | 1,261                      | 77                     | 115,528              | 24,859                     | -                                       | 140,387              |
| Equipment Costs                 | 67,919               | 14,632                   | 2,437                        | 8,817                 | 445                        | 3,155                  | 97,405               | 17,381                     | -                                       | 114,786              |
| Food Services                   | 125,369              | 11,926                   | 545                          | 34,449                | -                          | 39,473                 | 211,762              | 2,281                      | -                                       | 214,043              |
| Medicine and Pharmacy           | 754,785              | 34,907                   | 132                          | 6,449                 | -                          | 5,243                  | 801,516              | 6,710                      | -                                       | 808,226              |
| Subcontracted Services          | 56,044               | -                        | 54,452                       | 164                   | -                          | 121                    | 110,781              | 102                        | -                                       | 110,883              |
| Insurance                       | 257,319              | 59,256                   | 14,505                       | 19,145                | 3,108                      | 8,988                  | 362,321              | 1,549                      | 15,084                                  | 378,954              |
| Interest Paid                   | -                    | -                        | -                            | -                     | -                          | -                      | -                    | 19,321                     | 32,018                                  | 51,339               |
| Operating Supplies and Expenses | 228,098              | 57,751                   | 8,430                        | 18,199                | 2,440                      | 11,240                 | 326,158              | 241,688                    | 61,086                                  | 628,932              |
| Bad Debt                        | 306,641              | 63,329                   | -                            | 26,383                | -                          | 266                    | 396,619              | -                          | -                                       | 396,619              |
| Total Operating Expenses        | <u>4,351,151</u>     | <u>840,322</u>           | <u>195,750</u>               | <u>216,175</u>        | <u>25,514</u>              | <u>146,682</u>         | <u>5,775,594</u>     | <u>490,275</u>             | <u>229,890</u>                          | <u>6,495,759</u>     |
| Total Direct Expenses           | <u>11,360,307</u>    | <u>2,181,197</u>         | <u>476,421</u>               | <u>611,929</u>        | <u>119,288</u>             | <u>411,161</u>         | <u>15,160,303</u>    | <u>2,682,733</u>           | <u>229,890</u>                          | <u>18,072,926</u>    |
| <b>ALLOCATED EXPENSES</b>       |                      |                          |                              |                       |                            |                        |                      |                            |   |                      |
| Other Support                   | 865,877              | 231,314                  | 46,096                       | 76,172                | 16,110                     | -                      | 1,235,569            | (1,235,569)                | -                                       | -                    |
| Administration                  | 1,007,341            | 262,336                  | 70,122                       | 88,633                | 18,732                     | -                      | 1,447,164            | (1,447,164)                | -                                       | -                    |
| Total Allocated Expenses        | <u>1,873,218</u>     | <u>493,650</u>           | <u>116,218</u>               | <u>164,805</u>        | <u>34,842</u>              | <u>-</u>               | <u>2,682,733</u>     | <u>(2,682,733)</u>         | <u>-</u>                                | <u>-</u>             |
| Total Expenses                  | <u>\$ 13,233,525</u> | <u>\$ 2,674,847</u>      | <u>\$ 592,639</u>            | <u>\$ 776,734</u>     | <u>\$ 154,130</u>          | <u>\$ 411,161</u>      | <u>\$ 17,843,036</u> | <u>\$ -</u>                | <u>\$ 229,890</u>                       | <u>\$ 18,072,926</u> |

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2011 AND 2010**

|   | 2011          | 2010          |
|---|---------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |               |               |
| Cash Received from Contracts, Client Fees and Donations | \$ 19,098,397 | \$ 18,324,779 |
| Cash Payments for Program and Support Services          | (18,731,656)  | (17,191,099)  |
| Cash Received for Interest                              | 1,912         | 6,935         |
| Cash Payments for Interest                              | (149,521)     | (51,339)      |
| Net Cash Provided by Operating Activities               | 219,132       | 1,089,276     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |               |               |
| Purchases of Property and Equipment                     | (466,257)     | (889,197)     |
| Proceeds on Property and Equipment                      | 2,154         | -             |
| Purchases of Investments                                | -             | (10,000)      |
| Proceeds on Sale of Investments                         | -             | 34,385        |
| Cash Received in Purchase of LLC                        | 155,672       | -             |
| Cash Paid for Purchase of LLC                           | (908,252)     | -             |
| Net Change in Restricted Cash Deposits                  | (32,722)      | 1,268         |
| Net Cash Used in Investing Activities                   | (1,249,405)   | (863,544)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |               |               |
| Proceeds from Long-Term Debt                            | 4,657,416     | -             |
| Payments of Notes Payable                               | (3,636,055)   | (65,200)      |
| Payment for Debt Issuance Costs                         | (118,691)     | -             |
| Net Cash Used in Financing Activities                   | 902,670       | (65,200)      |
| <b>NET INCREASE (DECREASE) IN CASH</b>                  | (127,603)     | 160,532       |
| <b>CASH, Beginning of Year</b>                          | 695,414       | 534,882       |
| <b>CASH, End of Year</b>                                | \$ 567,811    | \$ 695,414    |
| <b>SUPPLEMENTAL DISCLOSURES</b>                         |               |               |
| Noncash investing and financing transactions:           |               |               |
| Purchase of LLC   |               |               |
| Fair Value of Land and Buildings Received               | \$ 4,475,000  | \$ -          |
| Debt Refinanced   | \$ (642,584)  | \$ -          |

See accompanying Notes to Consolidated Financial Statements.

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

|  | 2011              | 2010                |
|--|-------------------|---------------------|
| <b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES</b>       |                   |                     |
| Change in Net Assets   | <u>\$ 566,483</u> | <u>\$ 701,388</u>   |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities |                   |                     |
| Depreciation   | 596,227           | 457,888             |
| Amortization of Debt Issuance Costs  | 11,530            | -                   |
| Loss on Sale of Equipment  | 1,896             | -                   |
| Realized Gain on Acquisition of Related Party  | (982,332)         | -                   |
| Unrealized Loss on Derivative Financial Instrument   | 178,087           | -                   |
| Net Realized/Unrealized Gain on Investments  | (13,982)          | (43,480)            |
| (Increase) Decrease in:  |                   |                     |
| Accounts Receivable, Net   | (109,987)         | 108,161             |
| Contract and Other Receivables   | 103,762           | (517,665)           |
| Interest in LMHC Properties, LLC   |                   |                     |
| Net Assets   | -                 | 17,067              |
| Other Assets   | (110,354)         | 24,578              |
| Increase (Decrease) in:  |                   |                     |
| Accounts Payable   | (49,532)          | (10,591)            |
| Deferred Revenue   | (1,889)           | (6,683)             |
| Accrued Liabilities  | 29,223            | 358,613             |
| Total Adjustments  | <u>(347,351)</u>  | <u>387,888</u>      |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <u>\$ 219,132</u> | <u>\$ 1,089,276</u> |

See accompanying Notes to Consolidated Financial Statements.

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

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

**Nature of Organization**

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

The consolidated entities which comprise the Center are entities related by common board members. LMHC Properties, Inc. serves, and Helpgro, Inc. served until December 30, 2010, as support entities for Lee Mental Health Center, Inc. Helpgro, Inc. was the corporation that held the title to Lee Mental Health Center, Inc.'s property and buildings. Helpgro, Inc., was a 501(c)(2) organization that was required by the Internal Revenue Code to remit any net profits from its activities back to Lee Mental Health Center, Inc. LMHC Properties, Inc. is a section 202 project, regulated by the U.S. Department of Housing and Urban Development, consisting of two separate apartment facilities with a total of 20 units for the disadvantaged located in Fort Myers, Florida. LMHC Properties, Inc. is designated as a 501(c)(3) not-for-profit organization.

Given the symbiotic nature of Lee Mental Health Center, Inc. and Helpgro, Inc., management of the two companies decided to merge into one entity in order to consolidate their charitable efforts, reduce the total administrative costs of operating the organizations and generally to operate more efficiently. On December 30, 2010, the net assets of Helpgro, Inc. were merged into Lee Mental Health Center, Inc. As a result of this transaction, Helpgro, Inc. ceased operations and the surviving entity is Lee Mental Health Center, Inc.

**Significant Accounting Policies**

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

**Basis of Presentation**

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

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

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

**Significant Accounting Policies (Continued)**

**Principles of Consolidation**

The consolidated financial statements of the Center include the accounts of Lee Mental Health Center, Inc., Helpgro, Inc. and LMHC Properties, Inc., after elimination of all material inter-company accounts and transactions. Helpgro transactions are included through December 30, 2010, when that Organization ceased operations and was merged with Lee Mental Health Center, Inc.

**Basis of Accounting**

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

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

**Cash and Cash Equivalents**

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

**Accounts and Contracts Receivable**

Accounts and contracts receivable are stated at net realizable value. The allowance for doubtful accounts is the Center's best estimate of the amount of probable credit losses in the Center's existing accounts and contracts receivable; however, changes in circumstances relating to accounts and contracts receivable may result in a requirement for additional allowances in the future. The Center determines the allowance based on historical write-off experience and current economic factors. The Center continually reviews its allowance for doubtful accounts. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability.

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

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

**Significant Accounting Policies (Continued)**

**Accounts and Contracts Receivable (Continued)**

Based on management's assessment, the Center provides for estimated uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

**Investments**

Investments in common stocks with readily determinable fair values are stated at fair value based on quoted market rates. The investments the Southwest Florida Community Foundation are measured at the values reported to the Center by the Foundation, which approximates fair market value. The investments with Prestige Health Choice are measured at cost. Unrealized gains on investments amounted to \$13,269 and \$10,363 for the years ended June 30, 2011 and 2010, respectively, and is included in other income.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

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

On December 30, 2010, the Center purchased the remaining 67% interest in the net assets of the LLC and the LLC was dissolved. See Note 7 to the consolidated financial statements for more information.

**Property and Equipment**

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

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

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

**Significant Accounting Policies (Continued)**

**Debt Issuance Costs**

Issuance costs related to long-term debt are capitalized and amortized over the life of the debt using the effective interest method. The amount capitalized for the year ending June 30, 2011 was \$118,691 and is shown net of accumulated amortization of \$11,530 in the consolidated statement of financial position.

**Impairment of Long-Lived Assets**

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

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

**Compensated Absences**

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

**Income Taxes**

The Internal Revenue Service has determined that the Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center is a not-for-profit Florida corporation and, therefore, is not subject to state income taxes. Should the Center's tax exempt status be challenged in the future, its 2010, 2009, and 2008 tax years are open for examination by the IRS.

**Contributions**

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

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

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

**Significant Accounting Policies (Continued)**

**Contributions (Continued)**

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

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

**Deferred Revenue**

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

**Fair Value of Financial Instruments**

The carrying value of cash, receivables, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments. The carrying value of the long-term debt approximates fair value because the interest rate used with this instrument fluctuates with the market rate and is at terms currently available to the Center. The fair value of the interest rate swap agreement is estimated based on the current settlement value. Investments are reported at fair value.

**Concentrations**

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

**Estimates**

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

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

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

**Significant Accounting Policies (Continued)**

**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.

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.

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

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

**Significant Accounting Policies (Continued)**

**Reclassifications**

Certain amounts in the 2010 financial statements have been reclassified to conform with the 2011 presentation. These reclassifications do not affect net assets as previously reported.

**Subsequent Events**

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through October 18, 2011, the date the financial statements were available to be issued.

**NOTE 2 CONTRACTS RECEIVABLE**

Contracts receivable consisted of the following at June 30:

|   | 2011                | 2010                |
|---|---------------------|---------------------|
| Lee County  | \$ 226,309          | \$ 223,292          |
| State of Florida, Department of Children & Families | 661,814             | 762,991             |
| Other   | 155,006             | 149,649             |
|   | <u>1,043,129</u>    | <u>1,135,932</u>    |
| Less Allowance for Doubtful Accounts                | (8,520)             | (17,561)            |
|   | <u>\$ 1,034,609</u> | <u>\$ 1,118,371</u> |

**NOTE 3 ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30:

|                                      | 2011              | 2010              |
|--------------------------------------|-------------------|-------------------|
| Self-Pay and Insurance               | \$ 689,539        | \$ 685,864        |
| Medicaid                             | 92,826            | 33,905            |
| Medicare                             | 34,433            | 34,883            |
| Other                                | 9,415             | 55,742            |
|                                      | <u>826,213</u>    | <u>810,394</u>    |
| Less Allowance for Doubtful Accounts | (334,709)         | (428,877)         |
|                                      | <u>\$ 491,504</u> | <u>\$ 381,517</u> |

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

**NOTE 4 PLEDGES RECEIVABLE**

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

Included in pledges receivable at June 30, 2011 and 2010 are the following unconditional promises to give:

|  | <u>2011</u> | <u>2010</u>      |
|--|-------------|------------------|
| Unconditional Promises to Give Before Unamortized Discount and Allowance for Uncollectible Pledges | \$ -        | \$ 20,000        |
| Less: Unamortized Discount   | <u>-</u>    | <u>-</u>         |
|  | -           | 20,000           |
| Less: Allowance for Uncollectible Pledges  | <u>-</u>    | <u>-</u>         |
|  | <u>\$ -</u> | <u>\$ 20,000</u> |
| Amounts Due in:  |             |                  |
| Less Than One Year   | <u>\$ -</u> | <u>\$ 20,000</u> |

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

|                               | <u>2011</u>          | <u>2010</u>         |
|-------------------------------|----------------------|---------------------|
| Land                          | \$ 1,236,174         | \$ 636,174          |
| Buildings and Improvements    | 12,509,099           | 8,118,598           |
| Furniture and Equipment       | 2,652,484            | 2,480,662           |
| Vehicles                      | <u>178,372</u>       | <u>178,232</u>      |
|                               | 16,576,129           | 11,413,666          |
| Less Accumulated Depreciation | <u>(6,303,090)</u>   | <u>(5,757,320)</u>  |
|                               | <u>\$ 10,273,039</u> | <u>\$ 5,656,346</u> |

Depreciation expense for the years ended June 30, 2011 and 2010 was \$596,227 and \$457,888, respectively.

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

**NOTE 6 FAIR VALUE MEASUREMENTS**

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

|   | 2011             |                   |                  |                   |
|---|------------------|-------------------|------------------|-------------------|
|   | Level 1          | Level 2           | Level 3          | Total             |
| <b>Assets:</b>  |                  |                   |                  |                   |
| Common Stocks   | \$ 53,346        | \$ -              | \$ -             | \$ 53,346         |
| Pooled Investment with Southwest Florida Community Foundation | -                | -                 | 51,389           | 51,389            |
| <b>Total Assets at Fair Value</b>                             | <b>\$ 53,346</b> | <b>\$ -</b>       | <b>\$ 51,389</b> | <b>\$ 104,735</b> |
| <b>Liabilities:</b>   |                  |                   |                  |                   |
| Derivative Instrument - Interest Rate Swap                    | \$ -             | \$ 178,087        | \$ -             | \$ 178,087        |
| <b>Total Liabilities at Fair Value</b>                        | <b>\$ -</b>      | <b>\$ 178,087</b> | <b>\$ -</b>      | <b>\$ 178,087</b> |
|   | 2010             |                   |                  |                   |
|   | Level 1          | Level 2           | Level 3          | Total             |
| <b>Assets:</b>  |                  |                   |                  |                   |
| Common Stocks   | \$ 45,916        | \$ -              | \$ -             | \$ 45,916         |
| Pooled Investment with Southwest Florida Community Foundation | -                | -                 | 45,550           | 45,550            |
| <b>Total Assets at Fair Value</b>                             | <b>\$ 45,916</b> | <b>\$ -</b>       | <b>\$ 45,550</b> | <b>\$ 91,466</b>  |

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

|                             | 2011             | 2010             |
|-----------------------------|------------------|------------------|
| Balance, Beginning of Year  | \$ 45,550        | \$ 39,358        |
| Unrealized Gains            | 5,839            | 6,192            |
| <b>Balance, End of Year</b> | <b>\$ 51,389</b> | <b>\$ 45,550</b> |

In 2011, the investment in Prestige was transferred from Level 1 into Level 3. This change was applied to 2010 as well.

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

**NOTE 7 INVESTMENT IN LLC**

For the year ended June 30, 2010, the Center presented its 33% investment in D'Alessandro & Partners and Lee Mental Health, LLC as a component in the consolidated statement of financial position. The LLC was established by the Center and D'Alessandro Partners, LLC for the purpose of owning, operating, leasing and/or holding for investment certain real property in Lee County.

On December 30, 2010, the Center purchased the remaining 67% interest in the LLC for \$908,252. On the purchase date the LLC became wholly-owned by the Center and the LLC was dissolved into Lee Mental Health Center, Inc. in order to consolidate operations, reduce the total administrative costs of operating the organizations, and generally to operate more efficiently. The net gain recognized as a result of this transaction was \$982,332 for the year ended June 30, 2011, and is included as a separate component in the consolidated statement of activities.

The following are the fair value amounts recognized for each major assets and liabilities class by Lee Mental Health Center, Inc. on the acquisition date:

|                            |                     |
|----------------------------|---------------------|
| Cash                       | \$ 155,672          |
| Land                       | 600,000             |
| Buildings and Improvements | 4,150,000           |
| Total Assets               | <u>\$ 4,905,672</u> |
| <br>                       |                     |
| Long-Term Obligations      | <u>\$ 3,548,072</u> |

**NOTE 8 ACCRUED EXPENSES**

Accrued expenses consist of the following at June 30:

|                           | 2011              | 2010                |
|---------------------------|-------------------|---------------------|
| Payroll and Payroll Taxes | <u>\$ 396,239</u> | <u>\$ 337,888</u>   |
| Deferred Rent             | -                 | 506,130             |
| Other Accrued Expenses    | 221,353           | 275,838             |
|                           | <u>\$ 617,592</u> | <u>\$ 1,119,856</u> |

For the year ended June 30, 2010, the Center recognized a deferred rent liability in the consolidated statement of financial position. Commencing in 2005, the Center began making payments on a 20-year lease for land and a building from D'Alessandro & Partners and Lee Mental Health, Inc. LLC. The total lease payments were recorded as rent expense on a straight-line basis over the lease period, resulting in a deferred rent liability of approximately \$506,000 as of June 30, 2010.

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

**NOTE 8 ACCRUED EXPENSES (CONTINUED)**

For the year ended June 30, 2011, this liability was eliminated in connection with the acquisition of the LLC. See Note 7 for more information.

**NOTE 9 LONG-TERM OBLIGATIONS**

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

|   | 2011         | 2010         |
|---|--------------|--------------|
| Mortgage payable to a financial institution, collateralized by first mortgage on land and building, payable in monthly installments of principal and interest, due December 2015. The Center entered into an interest rate swap agreement in connection with this debt issuance with a fixed rate of 2.45% and a variable rate equal to the one month LIBOR rate. See Note 10 for more information. | \$ 5,227,500 | \$ -         |
| The Capital Advance Mortgage note, sponsored by HUD, requires no monthly mortgage payment as long as the project is in regulatory compliance; the note does not have an amount for any current portion. Any payment of principal or accrued interest requires prior approval of HUD.  | 998,400      | 998,400      |
| Farmers Home Loan Bank Administration mortgage loan, serviced by Berkadia Commercial Mortgage, interest at 5%, annual principal and interest payments of \$97,218, collateralized by real estate, final payment due June 2019.  | -            | 658,067      |
|   | 6,225,900    | 1,656,467    |
| Less: current portion   | (177,000)    | (59,395)     |
|   | \$ 6,048,900 | \$ 1,597,072 |

Scheduled principal maturities of debt payable are approximately as follows:

|      |    |              |
|------|----|--------------|
| 2012 | \$ | 177,000      |
| 2013 |    | 184,200      |
| 2014 |    | 191,900      |
| 2015 |    | 199,800      |
| 2016 |    | 4,474,600    |
|      |    | \$ 5,227,500 |

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

**NOTE 9 LONG-TERM OBLIGATIONS (CONTINUED)**

The Center had available an \$800,000 revolving line of credit with Fifth Third Bank at June 30, 2011 and 2010. The line of credit has a current maturity date of November 30, 2011. Interest is charged at 3.00% in excess of the one month LIBOR rate (3.19% and 3.375% for the years ended June 30, 2011 and 2010, respectively). The line is collateralized by all business assets of Lee Mental Health Center, Inc., other than real estate and non-titled vehicles.

As of June 30, 2011 and 2010, there was no outstanding balance on this line of credit.

The mortgage and line of credit agreements contain covenants pertaining to net worth and debt coverage. The Center is required to maintain a debt coverage ratio equal to or exceeding 1.10 to 1.00 for the mortgage and 1.25 to 1.00 for the line of credit at all times during each fiscal year. In addition, the Center must maintain outstanding indebtedness to net worth of 2.00 to 1.00 or less at all times for both agreements. At June 30, 2011, the Center was in compliance with these covenants.

**NOTE 10 DERIVATIVE FINANCIAL INSTRUMENT**

The Center holds a derivative financial instrument for the purpose of managing the risk associated with interest rates on its variable rate borrowing. During the year ended June 30, 2011, the Center entered into a pay fixed interest rate swap agreement in connection with the mortgage debt discussed in Note 9. The original notional value of the agreement was \$5,300,000. The notional amount of the swap agreement was \$5,227,500 at June 30, 2011. The effective date of this agreement was December 30, 2010.

The Center uses fair value measurements to record the fair value adjustment of the derivative instrument. The fair value of this agreement is \$178,087 and is reported in long term liabilities in the consolidated statement of financial position. Changes in the fair value of derivatives are reported in the consolidated statement of activities. See Note 6 for more information on fair value measurements.

**NOTE 11 NET ASSETS**

Net asset components consist of the following at June 30:

|   | 2011         | 2010         |
|---|--------------|--------------|
| <b><u>Unrestricted Net Assets</u></b>           |              |              |
| Lee Mental Health Center, Inc.                  | \$ 5,909,380 | \$ 4,722,631 |
| Helpgro, Inc.                                   | -            | 536,961      |
| LMHC Properties, Inc.                           | (488,063)    | (459,025)    |
| Total Unrestricted Net Assets                   | 5,421,317    | 4,800,567    |
| <b><u>Temporarily Restricted Net Assets</u></b> |              |              |
| Special Purpose Funds                           | 22,982       | 77,249       |
| Total Restricted Net Assets                     | 22,982       | 77,249       |
| Total Net Assets                                | \$ 5,444,299 | \$ 4,877,816 |

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

**NOTE 12 PENSION PLAN**

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

Employer contributions, including administrative costs to the plan for the years ended June 30, 2011 and 2010, were \$140,400 and \$128,683, respectively.

**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 are as follows:

| <u>Year Ending June 30,</u> |                  |
|-----------------------------|------------------|
| 2012                        | \$ 43,984        |
| 2013                        | 22,189           |
| 2014                        | 12,369           |
|                             | <u>\$ 78,542</u> |

Rent expense was and \$373,504 and \$540,242 for the years ended June 30, 2011 and 2010, respectively.

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

**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. These contracts are renegotiated annually. The income from these contracts is earned by providing services to patients. The contracts required a local match of \$1,859,265 in 2011 and \$2,037,443 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.

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

**NOTE 15    SUPPORT FROM LEE COUNTY**

Financial support of \$2,908,853 and \$3,375,559 was received from Lee County for the years ended June 30, 2011 and 2010, respectively, as part of its annual award to the Center.

**NOTE 16    CONFLICT OF INTEREST POLICY**

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

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

**SUPPLEMENTARY INFORMATION**

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

|  | Crisis Stabilization             |                                       |                     | Residential               |                             |                     | Crisis/Support<br>Emergency<br>Services | Adult &<br>Child<br>Medical<br>Services |
|--|----------------------------------|---------------------------------------|---------------------|---------------------------|-----------------------------|---------------------|---|---|
|  | Adult<br>Crisis<br>Stabilization | Children's<br>Crisis<br>Stabilization | Total               | Adult<br>Mental<br>Health | Adult<br>Substance<br>Abuse | Total               |   |   |
| <b>STATE SAMH FUNDING</b>              |                                  |                                       |                     |                           |                             |                     |   |   |
| SAMH                                   | \$ 2,283,160                     | \$ 804,178                            | \$ 3,087,338        | \$ 1,035,573              | \$ 425,793                  | \$ 1,461,366        | \$ 900,784                              | \$ 1,007,432                            |
| TANF                                   | -                                | -                                     | -                   | -                         | -                           | -                   | -                                       | -                                       |
| Total State SAMH Funding               | <u>2,283,160</u>                 | <u>804,178</u>                        | <u>3,087,338</u>    | <u>1,035,573</u>          | <u>425,793</u>              | <u>1,461,366</u>    | <u>900,784</u>                          | <u>1,007,432</u>                        |
| <b>OTHER GOVERNMENT FUNDING</b>        |                                  |                                       |                     |                           |                             |                     |   |   |
| Other State Agency Funding             | -                                | -                                     | -                   | -                         | -                           | -                   | -                                       | -                                       |
| Medicaid                               | 705,120                          | 549,570                               | 1,254,690           | 88,806                    | 1,295                       | 90,101              | 13,671                                  | 1,601,017                               |
| Local Government                       | 756,540                          | 166,118                               | 922,658             | 199,973                   | 416,770                     | 616,743             | 248,453                                 | 514,071                                 |
| Federal Grants and Contracts           | -                                | -                                     | -                   | -                         | -                           | -                   | -                                       | 2,833                                   |
| In-Kind from local Government          | -                                | -                                     | -                   | -                         | -                           | -                   | -                                       | -                                       |
| Total Other Government Funding         | <u>1,461,660</u>                 | <u>715,688</u>                        | <u>2,177,348</u>    | <u>288,779</u>            | <u>418,065</u>              | <u>706,844</u>      | <u>262,124</u>                          | <u>2,117,921</u>                        |
| <b>ALL OTHER FUNDING &amp; REVENUE</b> |                                  |                                       |                     |                           |                             |                     |   |   |
| First and Second Party Payments        | 282,048                          | 84,044                                | 366,092             | 19,682                    | 86,150                      | 105,832             | 2,063                                   | 246,906                                 |
| Third Party Payments (Except Medicare) | 283,752                          | 123,938                               | 407,690             | 155                       | 25,365                      | 25,520              | 1,308                                   | 88,290                                  |
| Medicare                               | 70,201                           | -                                     | 70,201              | 3,560                     | 26                          | 3,586               | 1,108                                   | 76,566                                  |
| Contributions and Donations            | -                                | -                                     | -                   | -                         | -                           | -                   | -                                       | -                                       |
| Other                                  | -                                | 6,960                                 | 6,960               | -                         | 373                         | 373                 | -                                       | 250                                     |
| In-kind Revenue                        | -                                | 50                                    | 50                  | -                         | -                           | -                   | -                                       | 803,043                                 |
| Total Nongovernmental Funding          | <u>636,001</u>                   | <u>214,992</u>                        | <u>850,993</u>      | <u>23,397</u>             | <u>111,914</u>              | <u>135,311</u>      | <u>4,479</u>                            | <u>1,215,055</u>                        |
| Total All Funding and Revenue          | <u>\$ 4,380,821</u>              | <u>\$ 1,734,858</u>                   | <u>\$ 6,115,679</u> | <u>\$ 1,347,749</u>       | <u>\$ 955,772</u>           | <u>\$ 2,303,521</u> | <u>\$ 1,167,387</u>                     | <u>\$ 4,340,408</u>                     |

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

|  | <u>Comprehensive Community Service Team</u> |                   |                   |                     | Miscellaneous<br>SAMH<br>Programs | Total for State<br>SAMH-Funded<br>Cost Centers | Non State<br>SAMH Funded<br>Cost Centers |
|--|---|-------------------|-------------------|---------------------|-----------------------------------|--|--|
|  | <u>Adult</u>                                | <u>Forensic</u>   | <u>Child</u>      | <u>Total</u>        |                                   |  |  |
| <b>STATE SAMH FUNDING</b>              |   |                   |                   |                     |                                   |  |  |
| SAMH                                   | \$ 542,040                                  | \$ 501,381        | \$ 129,700        | \$ 1,173,121        | \$ 123,769                        | \$ 7,753,810                                   | \$ -                                     |
| TANF                                   | -   | -                 | -                 | -                   | -                                 | -  | -  |
| Total State SAMH Funding               | <u>542,040</u>                              | <u>501,381</u>    | <u>129,700</u>    | <u>1,173,121</u>    | <u>123,769</u>                    | <u>7,753,810</u>                               | <u>-</u>                                 |
| <b>OTHER GOVERNMENT FUNDING</b>        |   |                   |                   |                     |                                   |  |  |
| Other State Agency Funding             | 101,424                                     | -                 | -                 | 101,424             | -                                 | 101,424  | -  |
| Medicaid                               | 280,564                                     | 45,798            | 285,082           | 611,444             | -                                 | 3,570,923                                      | 1,188,670                                |
| Local Government                       | 156,904                                     | 74,790            | 30,295            | 261,989             | -                                 | 2,563,914                                      | 12,614                                   |
| Federal Grants and Contracts           | -   | -                 | -                 | -                   | -                                 | 2,833  | 4,347                                    |
| In-Kind from local Government          | -   | -                 | -                 | -                   | -                                 | -  | -  |
| Total Other Government Funding         | <u>538,892</u>                              | <u>120,588</u>    | <u>315,377</u>    | <u>974,857</u>      | <u>-</u>                          | <u>6,239,094</u>                               | <u>1,205,631</u>                         |
| <b>ALL OTHER FUNDING &amp; REVENUE</b> |   |                   |                   |                     |                                   |  |  |
| First and Second Party Payments        | 6,966                                       | 10,420            | 5,271             | 22,657              | -                                 | 743,550  | 36,757                                   |
| Third Party Payments (Except Medicare) | -   | -                 | 2,199             | 2,199               | -                                 | 525,007  | 36,887                                   |
| Medicare                               | -   | -                 | -                 | -                   | -                                 | 151,461  | 20,463                                   |
| Contributions and Donations            | 20,974                                      | -                 | 16,313            | 37,287              | -                                 | 37,287   | 209,129                                  |
| Other                                  | -   | -                 | -                 | -                   | -                                 | 7,583  | 5,115                                    |
| In-kind Revenue                        | -   | -                 | -                 | -                   | 14,000                            | 817,093  | -  |
| Total Nongovernmental Funding          | <u>27,940</u>                               | <u>10,420</u>     | <u>23,783</u>     | <u>62,143</u>       | <u>14,000</u>                     | <u>2,281,981</u>                               | <u>308,351</u>                           |
| Total All Funding and Revenue          | <u>\$ 1,108,872</u>                         | <u>\$ 632,389</u> | <u>\$ 468,860</u> | <u>\$ 2,210,121</u> | <u>\$ 137,769</u>                 | <u>\$ 16,274,885</u>                           | <u>\$ 1,513,982</u>                      |

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

|  | Total for All<br>State Designated<br>SAMH Cost Centers | Non SAMH<br>Cost Centers | Direct<br>Support<br>Cost Centers | Administrative<br>Cost Centers | Indirect<br>Support<br>Cost Centers | LMHC<br>Properties, Inc. | Total<br>Funding     |
|--|--|--------------------------|-----------------------------------|--------------------------------|-------------------------------------|--------------------------|----------------------|
| <b>STATE SAMH FUNDING</b>              |  |                          |                                   |                                |                                     |                          |                      |
| SAMH                                   | \$ 7,753,810   | \$ -                     | \$ -                              | \$ -                           | \$ -                                | \$ -                     | \$ 7,753,810         |
| TANF                                   | -  | -                        | -                                 | -                              | -                                   | -                        | -                    |
| Total State SAMH Funding               | <u>7,753,810</u>                                       | <u>-</u>                 | <u>-</u>                          | <u>-</u>                       | <u>-</u>                            | <u>-</u>                 | <u>7,753,810</u>     |
| <b>OTHER GOVERNMENT FUNDING</b>        |  |                          |                                   |                                |                                     |                          |                      |
| Other State Agency Funding             | 101,424  | 441,056                  | -                                 | -                              | -                                   | -                        | 542,480              |
| Medicaid                               | 4,759,593  | 11,707                   | 3,633                             | 51,415                         | -                                   | -                        | 4,826,348            |
| Local Government                       | 2,576,528  | 140,145                  | 340,039                           | 4,900                          | -                                   | -                        | 3,061,612            |
| Federal Grants and Contracts           | 7,180  | -                        | -                                 | -                              | -                                   | 40,048                   | 47,228               |
| In-Kind from local Government          | -  | -                        | -                                 | -                              | -                                   | -                        | -                    |
| Total Other Government Funding         | <u>7,444,725</u>                                       | <u>592,908</u>           | <u>343,672</u>                    | <u>56,315</u>                  | <u>-</u>                            | <u>40,048</u>            | <u>8,477,668</u>     |
| <b>ALL OTHER FUNDING &amp; REVENUE</b> |  |                          |                                   |                                |                                     |                          |                      |
| First and Second Party Payments        | 780,307  | 18,382                   | 548                               | -                              | -                                   | -                        | 799,237              |
| Third Party Payments (Except Medicare) | 561,894  | -                        | 348                               | -                              | -                                   | -                        | 562,242              |
| Medicare                               | 171,924  | -                        | 294                               | -                              | -                                   | -                        | 172,218              |
| Contributions and Donations            | 246,416  | -                        | 19,976                            | -                              | -                                   | -                        | 266,392              |
| Other                                  | 12,698   | 866                      | 40,500                            | 950,887                        | -                                   | 56,393                   | 1,061,344            |
| In-kind Revenue                        | 817,093  | 300                      | -                                 | 2,920                          | -                                   | -                        | 820,313              |
| Total Nongovernmental Funding          | <u>2,590,332</u>                                       | <u>19,548</u>            | <u>61,666</u>                     | <u>953,807</u>                 | <u>-</u>                            | <u>56,393</u>            | <u>3,681,746</u>     |
| Total All Funding and Revenue          | <u>\$ 17,788,867</u>                                   | <u>\$ 612,456</u>        | <u>\$ 405,338</u>                 | <u>\$ 1,010,122</u>            | <u>\$ -</u>                         | <u>\$ 96,441</u>         | <u>\$ 19,913,224</u> |

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

|                                    | Crisis Stabilization          |                                       |                     | Residential               |                             |                     | Crisis Support<br>Emergency<br>Services | Adult &<br>Child<br>Medical<br>Services |
|------------------------------------|-------------------------------|---------------------------------------|---------------------|---------------------------|-----------------------------|---------------------|---|---|
|                                    | Adult Crisis<br>Stabilization | Children's<br>Crisis<br>Stabilization | Total               | Adult<br>Mental<br>Health | Adult<br>Substance<br>Abuse | Total               |   |   |
| <b>PERSONNEL EXPENSES</b>          |                               |                                       |                     |                           |                             |                     |   |   |
| Salaries                           | \$ 2,309,194                  | \$ 765,229                            | \$ 3,074,423        | \$ 704,063                | \$ 437,595                  | \$ 1,141,658        | \$ 801,529                              | \$ 1,653,783                            |
| Fringe Benefits                    | 446,316                       | 140,589                               | 586,905             | 171,194                   | 98,617                      | 269,811             | 146,484                                 | 256,138                                 |
| Total Personnel Expenses           | <u>2,755,510</u>              | <u>905,818</u>                        | <u>3,661,328</u>    | <u>875,257</u>            | <u>536,212</u>              | <u>1,411,469</u>    | <u>948,013</u>                          | <u>1,909,921</u>                        |
| <b>OPERATING EXPENSES</b>          |                               |                                       |                     |                           |                             |                     |   |   |
| Building Occupancy                 | 314,485                       | 129,394                               | 443,879             | 101,798                   | 72,388                      | 174,187             | 56,130                                  | 95,752                                  |
| Professional Services              | 634,844                       | 348,646                               | 983,490             | 46,725                    | 35,314                      | 82,039              | 5,945                                   | 1,002,582                               |
| Travel                             | 4,931                         | 2,128                                 | 7,059               | 1,189                     | 725                         | 1,914               | 1,289                                   | 4,640                                   |
| Equipment Costs                    | 32,290                        | 10,449                                | 42,739              | 16,708                    | 13,309                      | 30,017              | 7,528                                   | 10,856                                  |
| Food Services                      | 66,758                        | 10,107                                | 76,865              | 35,107                    | 31,516                      | 66,623              | 4,792                                   | -                                       |
| Medicine and Pharmacy              | 230,285                       | 34,723                                | 265,008             | 11,252                    | 7,877                       | 19,129              | 22,405                                  | 871,614                                 |
| Subcontracted Services             | 2,941                         | -                                     | 2,941               | 49                        | 51                          | 100                 | 865                                     | -                                       |
| Insurance                          | 95,668                        | 31,738                                | 127,406             | 27,559                    | 17,213                      | 44,772              | 26,418                                  | 54,760                                  |
| Interest Paid                      | -                             | -                                     | -                   | -                         | -                           | -                   | -                                       | -                                       |
| Operating Supplies and Expenses    | 129,995                       | 33,095                                | 163,090             | 36,414                    | 25,583                      | 61,997              | 26,065                                  | 154,788                                 |
| Bad Debt                           | 221,075                       | 49,792                                | 270,867             | 8,036                     | 32,156                      | 40,192              | 948                                     | 159,976                                 |
| Total Operating Expenses           | <u>1,733,272</u>              | <u>650,072</u>                        | <u>2,383,344</u>    | <u>284,837</u>            | <u>236,132</u>              | <u>520,970</u>      | <u>152,385</u>                          | <u>2,354,968</u>                        |
| Total Direct Expenses              | <u>4,488,782</u>              | <u>1,555,890</u>                      | <u>6,044,672</u>    | <u>1,160,094</u>          | <u>772,344</u>              | <u>1,932,439</u>    | <u>1,100,398</u>                        | <u>4,264,889</u>                        |
| <b>DISTRIBUTED INDIRECT COSTS</b>  |                               |                                       |                     |                           |                             |                     |   |   |
| Other Support                      | -                             | -                                     | -                   | -                         | -                           | -                   | -                                       | -                                       |
| Administration                     | 423,822                       | 138,523                               | 562,345             | 134,921                   | 101,603                     | 236,524             | -                                       | 160,584                                 |
| Total Distributed Indirect Costs   | <u>423,822</u>                | <u>138,523</u>                        | <u>562,345</u>      | <u>134,921</u>            | <u>101,603</u>              | <u>236,524</u>      | <u>-</u>                                | <u>160,584</u>                          |
| Total Actual Operating Expenses    | <u>4,912,604</u>              | <u>1,694,413</u>                      | <u>6,607,017</u>    | <u>1,295,015</u>          | <u>873,947</u>              | <u>2,168,963</u>    | <u>1,100,398</u>                        | <u>4,425,473</u>                        |
| State Excluded Costs               | <u>221,075</u>                | <u>49,792</u>                         | <u>270,867</u>      | <u>8,036</u>              | <u>32,156</u>               | <u>40,192</u>       | <u>948</u>                              | <u>159,976</u>                          |
| Total Allowable Operating Expenses | <u>\$ 4,691,529</u>           | <u>\$ 1,644,621</u>                   | <u>\$ 6,336,150</u> | <u>\$ 1,286,979</u>       | <u>\$ 841,791</u>           | <u>\$ 2,128,771</u> | <u>\$ 1,099,450</u>                     | <u>\$ 4,265,497</u>                     |

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

|                                    | <u>Comprehensive Community Service Team</u> |                   |                   |                     | Miscellaneous<br>SAMH<br>Programs | Total for<br>State SAMH-Funded<br>Cost Centers | Non State<br>SAMH Funded<br>Cost Centers |
|------------------------------------|---|-------------------|-------------------|---------------------|-----------------------------------|--|--|
|                                    | <u>Adult</u>                                | <u>Forensic</u>   | <u>Child</u>      | <u>Total</u>        |                                   |  |  |
| <b>PERSONNEL EXPENSES</b>          |   |                   |                   |                     |                                   |  |  |
| Salaries                           | \$ 597,966                                  | \$ 318,800        | \$ 285,769        | \$ 1,202,535        | \$ 82,358                         | \$ 7,956,286                                   | \$ 677,323                               |
| Fringe Benefits                    | 139,322                                     | 79,103            | 64,612            | 283,037             | 16,022                            | 1,558,397                                      | 157,552                                  |
| Total Personnel Expenses           | <u>737,288</u>                              | <u>397,903</u>    | <u>350,381</u>    | <u>1,485,572</u>    | <u>98,380</u>                     | <u>9,514,683</u>                               | <u>834,875</u>                           |
| <b>OPERATING EXPENSES</b>          |   |                   |                   |                     |                                   |  |  |
| Building Occupancy                 | 66,766                                      | 35,402            | 22,379            | 124,547             | 18,975                            | 913,470  | 60,228                                   |
| Professional Services              | 4,934                                       | 2,450             | 1,718             | 9,102               | 504                               | 2,083,662                                      | 36,229                                   |
| Travel                             | 31,144                                      | 12,977            | 9,396             | 53,517              | 924                               | 69,343   | 34,475                                   |
| Equipment Costs                    | 11,081                                      | 6,273             | 2,984             | 20,338              | 750                               | 112,228  | 8,211                                    |
| Food Services                      | 21  | -                 | 86                | 107                 | -                                 | 148,387  | 130                                      |
| Medicine and Pharmacy              | 640   | 375               | 226               | 1,241               | 72                                | 1,179,469                                      | 2,111                                    |
| Subcontracted Services             | 26,935                                      | 10,405            | -                 | 37,340              | -                                 | 41,246   | -  |
| Insurance                          | 28,793                                      | 14,463            | 14,625            | 57,881              | 3,175                             | 314,412  | 25,843                                   |
| Interest Paid                      | -   | -                 | -                 | -                   | -                                 | -  | -  |
| Operating Supplies and Expenses    | 46,526                                      | 19,328            | 14,101            | 79,955              | 3,535                             | 489,430  | 43,186                                   |
| Bad Debt                           | 14,377                                      | 6,979             | 5,860             | 27,216              | -                                 | 499,199  | 47,946                                   |
| Total Operating Expenses           | <u>231,217</u>                              | <u>108,652</u>    | <u>71,375</u>     | <u>411,244</u>      | <u>27,935</u>                     | <u>5,850,846</u>                               | <u>258,359</u>                           |
| Total Direct Expenses              | <u>968,505</u>                              | <u>506,555</u>    | <u>421,756</u>    | <u>1,896,816</u>    | <u>126,315</u>                    | <u>15,365,529</u>                              | <u>1,093,234</u>                         |
| <b>ALLOCATED EXPENSES</b>          |   |                   |                   |                     |                                   |  |  |
| Other Support                      | -   | -                 | -                 | -                   | -                                 | -  | -  |
| Administration                     | 172,891                                     | 83,594            | 61,082            | 317,567             | 19,510                            | 1,296,530                                      | 158,783                                  |
| Total Allocated Expenses           | <u>172,891</u>                              | <u>83,594</u>     | <u>61,082</u>     | <u>317,567</u>      | <u>19,510</u>                     | <u>1,296,530</u>                               | <u>158,783</u>                           |
| Total expenses                     | <u>1,141,396</u>                            | <u>590,149</u>    | <u>482,838</u>    | <u>2,214,383</u>    | <u>145,825</u>                    | <u>16,662,059</u>                              | <u>1,252,017</u>                         |
| State Excluded Costs               | <u>14,377</u>                               | <u>6,979</u>      | <u>5,860</u>      | <u>27,216</u>       | <u>-</u>                          | <u>499,199</u>                                 | <u>47,946</u>                            |
| Total Allowable Operating Expenses | <u>\$ 1,127,019</u>                         | <u>\$ 583,170</u> | <u>\$ 476,978</u> | <u>\$ 2,187,167</u> | <u>\$ 145,825</u>                 | <u>\$ 16,162,860</u>                           | <u>\$ 1,204,071</u>                      |

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

|                                    | Total for All State<br>State SAMH<br>Cost Centers | Non SAMH<br>Cost Centers | Direct<br>Support<br>Cost Centers | Administrative<br>Cost Centers | Related<br>Entities | Total<br>Funding     |
|------------------------------------|---|--------------------------|-----------------------------------|--------------------------------|---------------------|----------------------|
| <b>PERSONNEL EXPENSES</b>          |   |                          |                                   |                                |                     |                      |
| Salaries                           | \$ 8,633,609                                      | \$ 242,700               | \$ 348,570                        | \$ 903,642                     | \$ 7,174            | \$ 10,135,695        |
| Fringe Benefits                    | 1,715,949   | 58,350                   | 71,938                            | 233,970                        | -                   | 2,080,207            |
| Total Personnel Expenses           | <u>10,349,558</u>                                 | <u>301,050</u>           | <u>420,508</u>                    | <u>1,137,612</u>               | <u>7,174</u>        | <u>12,215,902</u>    |
| <b>OPERATING EXPENSES</b>          |   |                          |                                   |                                |                     |                      |
| Building Occupancy                 | 973,698   | 54,896                   | 191,543                           | 26,826                         | 61,106              | 1,308,069            |
| Professional Services              | 2,119,891   | 17,471                   | 4,520                             | 88,753                         | 19,237              | 2,249,872            |
| Travel                             | 103,818   | 25,617                   | 551                               | 9,744                          | -                   | 139,730              |
| Equipment Costs                    | 120,439   | 5,513                    | 17,209                            | 9,150                          | -                   | 152,311              |
| Food Services                      | 148,517   | 210                      | 115,149                           | 2,705                          | -                   | 266,581              |
| Medicine and Pharmacy              | 1,181,580   | 168                      | -                                 | 1,472                          | -                   | 1,183,220            |
| Subcontracted Services             | 41,246  | 300                      | 230                               | 100                            | 14,787              | 56,663               |
| Insurance                          | 340,255   | 10,854                   | 14,271                            | 892                            | 11,599              | 377,871              |
| Interest Paid                      | -   | -                        | -                                 | 133,337                        | 16,184              | 149,521              |
| Operating Supplies and Expenses    | 532,616   | 12,425                   | 18,835                            | 90,196                         | 44,253              | 698,325              |
| Bad Debt                           | 547,145   | 1,279                    | 252                               | -                              | -                   | 548,676              |
| Total Operating Expenses           | <u>6,109,205</u>                                  | <u>128,733</u>           | <u>362,560</u>                    | <u>363,175</u>                 | <u>167,166</u>      | <u>7,130,839</u>     |
| Total Direct Expenses              | <u>16,458,763</u>                                 | <u>429,783</u>           | <u>783,068</u>                    | <u>1,500,787</u>               | <u>174,340</u>      | <u>19,346,741</u>    |
| <b>ALLOCATED EXPENSES</b>          |   |                          |                                   |                                |                     |                      |
| Other Support                      | -   | -                        | -                                 | -                              | -                   | -                    |
| Administration                     | 1,455,313   | 45,474                   | -                                 | (1,500,787)                    | -                   | -                    |
| Total Allocated Expenses           | <u>1,455,313</u>                                  | <u>45,474</u>            | <u>-</u>                          | <u>(1,500,787)</u>             | <u>-</u>            | <u>-</u>             |
| Total expenses                     | <u>17,914,076</u>                                 | <u>475,257</u>           | <u>783,068</u>                    | <u>-</u>                       | <u>174,340</u>      | <u>19,346,741</u>    |
| State Excluded Costs               | 547,145   | 1,279                    | 252                               | -                              | -                   | 548,676              |
| Total Allowable Operating Expenses | <u>\$ 17,366,931</u>                              | <u>\$ 473,978</u>        | <u>\$ 782,816</u>                 | <u>\$ -</u>                    | <u>\$ 174,340</u>   | <u>\$ 18,798,065</u> |

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

|    |  |                      |
|----|--|----------------------|
| 1. | Total Expenditures   | \$ 19,346,741        |
| 2. | Less Other State and Federal Funds   | (6,168,065)          |
| 3. | Less Non-Match SAMH Funds  | (2,114,257)          |
| 4. | Less Unallowable Costs per 65E-14, FAC   | <u>(548,676)</u>     |
| 5. | Total Allowable Expenditures   | <u>\$ 10,515,743</u> |
| 6. | Total Amount of State Earnings<br>(Line 5 times 75%)   | \$ 7,886,807         |
| 7. | Amount of State Funds Required Match   | <u>5,577,795</u>     |
| 8. | Amount Due to Department<br>(Subtract Line 7 from Line 6. If Negative, the Amount<br>of the Difference is Due the Department up to the Amount<br>of Line 8.) | <u>\$ 2,309,012</u>  |

**LEE MENTAL HEALTH CENTER, INC.  
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS  
YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

| Program<br>(A)                  | Cost Center<br>(B)        | State<br>Contracted<br>Rate<br>(C) | Total Units<br>of Service<br>Provided<br>(D) | Total Units of<br>Service Paid for<br>by Third Party<br>Contracts, Local<br>Government or<br>Other State Agencies<br>(E) | Maximum Number<br>of Units Eligible<br>for Payment by<br>Department<br>(F) | Amount Paid<br>for Services by<br>the Department<br>(G) | Maximum Dollar<br>Value of Units<br>in Column F<br>(H) | Amount Owed<br>to Department<br>(G less H or \$0<br>Whichever is<br>Greater)<br>(I) |
|---------------------------------|---------------------------|------------------------------------|--|--|--|---|--|---|
| Children's MH                   | Crisis Stabilization Unit | \$ 391.24                          | 2,841  | 1,288  | 1,553  | \$ 382,051  | \$ 607,596   | \$ -  |
| Adult MH                        | Crisis Stabilization Unit | \$ 391.24                          | 10,950                                       | 3,520  | 7,430  | \$ 2,283,158  | \$ 2,906,913   | \$ -  |
| Children's SA                   | Substance Abuse Detox     | \$ 391.24                          | 1,539  | 148  | 1,391  | \$ 422,127  | \$ 544,215   | \$ -  |
| Total Amount Owed to Department |                           |                                    |  |  |  |   |  | <u><u>\$ -</u></u>  |

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS**  
**JUNE 30, 2011**  
**(UNAUDITED)**

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

There were no related party transaction adjustments for the year ended June 30, 2011.

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS (CONTINUED)**  
**JUNE 30, 2011**  
**(UNAUDITED)**

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

There were no related party transaction adjustments for the year ended June 30, 2011.

**LEE MENTAL HEALTH CENTER, INC.**  
**SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS (CONTINUED)**  
**JUNE 30, 2011**  
**(UNAUDITED)**

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

There were no related party transaction adjustments for the year ended June 30, 2011.

**LEE MENTAL HEALTH CENTER, INC.**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**JUNE 30, 2011**

|  | Lee Mental<br>Health, Inc. | Helpgro, Inc. | LMHC<br>Properties, Inc. | Eliminations        | Totals               |
|--|----------------------------|---------------|--------------------------|---------------------|----------------------|
| <b>ASSETS</b>                          |                            |               |                          |                     |                      |
| <b>CURRENT ASSETS</b>                  |                            |               |                          |                     |                      |
| Cash and Cash Equivalents              | \$ 567,610                 | \$ -          | \$ 201                   | \$ -                | \$ 567,811           |
| Contracts Receivable, Net              | 1,034,609                  | -             | -                        | -                   | 1,034,609            |
| Accounts Receivable, Net               | 703,244                    | -             | 1,270                    | (213,010)           | 491,504              |
| Other Current Assets                   | 198,645                    | -             | -                        | -                   | 198,645              |
| Total Current Assets                   | <u>2,504,108</u>           | <u>-</u>      | <u>1,471</u>             | <u>(213,010)</u>    | <u>2,292,569</u>     |
| <b>INVESTMENTS</b>                     | 114,735                    | -             | -                        | -                   | 114,735              |
| <b>PROPERTY AND EQUIPMENT, net</b>     | 9,536,746                  | -             | 736,293                  | -                   | 10,273,039           |
| <b>OTHER ASSETS</b>                    |                            |               |                          |                     |                      |
| Restricted Cash Deposits               | 30,373                     | -             | 30,401                   | -                   | 60,774               |
| Debt Issuance Costs, net               | 107,161                    | -             | -                        | -                   | 107,161              |
| Other Assets                           | 2,050                      | -             | 2,135                    | -                   | 4,185                |
| Total Assets                           | <u>\$ 12,295,173</u>       | <u>\$ -</u>   | <u>\$ 770,300</u>        | <u>\$ (213,010)</u> | <u>\$ 12,852,463</u> |
| <b>LIABILITIES AND NET ASSETS</b>      |                            |               |                          |                     |                      |
| <b>CURRENT LIABILITIES</b>             |                            |               |                          |                     |                      |
| Accounts Payable                       | \$ 341,663                 | \$ -          | \$ 236,073               | \$ (213,010)        | \$ 364,726           |
| Deferred Revenue                       | 2,350                      | -             | 849                      | -                   | 3,199                |
| Accrued expenses                       | 594,551                    | -             | 23,041                   | -                   | 617,592              |
| Current Portion of Long-Term Debt      | 177,000                    | -             | -                        | -                   | 177,000              |
| Total Current Liabilities              | <u>1,115,564</u>           | <u>-</u>      | <u>259,963</u>           | <u>(213,010)</u>    | <u>1,162,517</u>     |
| <b>LONG-TERM LIABILITIES</b>           |                            |               |                          |                     |                      |
| Long-Term Debt, Net of Current Portion | 5,050,500                  | -             | 998,400                  | -                   | 6,048,900            |
| Derivative Financial Instrument        | 178,087                    | -             | -                        | -                   | 178,087              |
| Compensated Absences                   | 18,660                     | -             | -                        | -                   | 18,660               |
| Total Long-Term Liabilities            | <u>5,247,247</u>           | <u>-</u>      | <u>998,400</u>           | <u>-</u>            | <u>6,245,647</u>     |
| Total Liabilities                      | <u>6,362,811</u>           | <u>-</u>      | <u>1,258,363</u>         | <u>(213,010)</u>    | <u>7,408,164</u>     |
| <b>NET ASSETS</b>                      |                            |               |                          |                     |                      |
| Unrestricted                           | 5,909,380                  | -             | (488,063)                | -                   | 5,421,317            |
| Temporarily Restricted                 | 22,982                     | -             | -                        | -                   | 22,982               |
| Total Net Assets                       | <u>5,932,362</u>           | <u>-</u>      | <u>(488,063)</u>         | <u>-</u>            | <u>5,444,299</u>     |
| Total Liabilities and Net Assets       | <u>\$ 12,295,173</u>       | <u>\$ -</u>   | <u>\$ 770,300</u>        | <u>\$ (213,010)</u> | <u>\$ 12,852,463</u> |

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

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

**LEE MENTAL HEALTH CENTER, INC.  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

|  | Lee Mental<br>Health, Inc. | Helpgro, Inc. | LMHC<br>Properties, Inc. | Eliminations    | Totals              |
|--|----------------------------|---------------|--------------------------|-----------------|---------------------|
| <b>UNRESTRICTED NET ASSETS</b>                     |                            |               |                          |                 |                     |
| <b>Support and Revenue:</b>                        |                            |               |                          |                 |                     |
| Support:   |                            |               |                          |                 |                     |
| State Grants                                       | \$ 8,193,472               | \$ -          | \$ -                     | \$ -            | \$ 8,193,472        |
| Other Governmental                                 | 3,113,240                  | -             | -                        | -               | 3,113,240           |
| Contributions and In-kind Revenue                  | 1,175,067                  | -             | -                        | -               | 1,175,067           |
| Total Support                                      | <u>12,481,779</u>          | <u>-</u>      | <u>-</u>                 | <u>-</u>        | <u>12,481,779</u>   |
| Revenue:   |                            |               |                          |                 |                     |
| Net Client Fee Revenue                             | 6,360,043                  | -             | -                        | -               | 6,360,043           |
| Interest Income                                    | 1,722                      | 127           | 63                       | -               | 1,912               |
| Gain on Acquisition of Related Party               | 982,332                    | -             | -                        | -               | 982,332             |
| Unrealized Loss on Derivative Financial Instrument | (178,087)                  | -             | -                        | -               | (178,087)           |
| Unrealized Gain on Investments                     | 13,982                     | -             | -                        | -               | 13,982              |
| Other Income (Loss)                                | 161,966                    | 61,245        | 96,378                   | (73,823)        | 245,766             |
| Total Revenue                                      | <u>7,341,958</u>           | <u>61,372</u> | <u>96,441</u>            | <u>(73,823)</u> | <u>7,425,948</u>    |
| Net Assets Released From Restrictions:             |                            |               |                          |                 |                     |
| Satisfaction of Program Restrictions               | 59,764                     | -             | -                        | -               | 59,764              |
| Total Unrestricted Support and Revenue             | <u>19,883,501</u>          | <u>61,372</u> | <u>96,441</u>            | <u>(73,823)</u> | <u>19,967,491</u>   |
| <b>Expenses:</b>                                   |                            |               |                          |                 |                     |
| Program Services:                                  |                            |               |                          |                 |                     |
| Adult Mental Health                                | 14,349,070                 | -             | -                        | (22,954)        | 14,326,116          |
| Children's Mental Health                           | 2,675,116                  | -             | -                        | (1,029)         | 2,674,087           |
| Children and Family Services                       | 370,394                    | -             | -                        | (1,035)         | 369,359             |
| Adult Substance Abuse                              | 881,131                    | -             | -                        | (7,184)         | 873,947             |
| Children's Substance Abuse                         | 145,824                    | -             | -                        | -               | 145,824             |
| Other Support Services                             | 812,111                    | -             | -                        | (29,043)        | 783,068             |
| Total Program Services                             | <u>19,233,646</u>          | <u>-</u>      | <u>-</u>                 | <u>(61,245)</u> | <u>19,172,401</u>   |
| Support Services:                                  |                            |               |                          |                 |                     |
| Administrative                                     | -                          | -             | -                        | -               | -                   |
| Real Estate Holding Company                        | -                          | 61,439        | 125,479                  | (12,578)        | 174,340             |
| Total Support Services                             | <u>-</u>                   | <u>61,439</u> | <u>125,479</u>           | <u>(12,578)</u> | <u>174,340</u>      |
| Total Unrestricted Expenses                        | <u>19,233,646</u>          | <u>61,439</u> | <u>125,479</u>           | <u>(73,823)</u> | <u>19,346,741</u>   |
| Net Increase (Decrease) in Unrestricted Net Assets | 649,855                    | (67)          | (29,038)                 | -               | 620,750             |
| <b>TEMPORARILY RESTRICTED NET ASSETS:</b>          |                            |               |                          |                 |                     |
| Contributions                                      | 5,427                      | -             | -                        | -               | 5,427               |
| Interest   | 70                         | -             | -                        | -               | 70                  |
| Net Assets Released From Restrictions:             |                            |               |                          |                 |                     |
| Satisfaction of Program Restrictions               | (59,764)                   | -             | -                        | -               | (59,764)            |
| Decrease in Temporarily Restricted Net Assets      | (54,267)                   | -             | -                        | -               | (54,267)            |
| Increase (Decrease) in Net Assets                  | <u>595,588</u>             | <u>(67)</u>   | <u>(29,038)</u>          | <u>-</u>        | <u>566,483</u>      |
| <b>NET ASSETS, Beginning of Year</b>               | <u>5,336,774</u>           | <u>67</u>     | <u>(459,025)</u>         | <u>-</u>        | <u>4,877,816</u>    |
| <b>NET ASSETS, End of Year</b>                     | <u>\$ 5,932,362</u>        | <u>\$ -</u>   | <u>\$ (488,063)</u>      | <u>\$ -</u>     | <u>\$ 5,444,299</u> |

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

|   | Lee Mental<br>Health, Inc. | Helpgro, Inc.     | LMHC<br>Properties, Inc. | Eliminations     | Totals              |
|---|----------------------------|-------------------|--------------------------|------------------|---------------------|
| <b>UNRESTRICTED NET ASSETS</b>                |                            |                   |                          |                  |                     |
| <b>Support and Revenue:</b>                   |                            |                   |                          |                  |                     |
| Support:                                      |                            |                   |                          |                  |                     |
| State Grants                                  | \$ 8,429,288               | \$ -              | \$ -                     | \$ -             | \$ 8,429,288        |
| Other Governmental                            | 3,570,901                  | -                 | -                        | -                | 3,570,901           |
| Contributions and In-kind Revenue             | 803,796                    | -                 | -                        | -                | 803,796             |
| Total Support                                 | <u>12,803,985</u>          | <u>-</u>          | <u>-</u>                 | <u>-</u>         | <u>12,803,985</u>   |
| Revenue:                                      |                            |                   |                          |                  |                     |
| Net Client Fee Revenue                        | 5,635,113                  | -                 | -                        | -                | 5,635,113           |
| Interest Income                               | 6,558                      | 342               | 35                       | -                | 6,935               |
| Gain (Loss) in Equity of LLC                  | (17,067)                   | -                 | -                        | -                | (17,067)            |
| Other Income                                  | 215,383                    | 122,775           | 91,874                   | (134,776)        | 295,256             |
| Total Revenue                                 | <u>5,839,987</u>           | <u>123,117</u>    | <u>91,909</u>            | <u>(134,776)</u> | <u>5,920,237</u>    |
| Total Unrestricted Support and Revenue        | <u>18,643,972</u>          | <u>123,117</u>    | <u>91,909</u>            | <u>(134,776)</u> | <u>18,724,222</u>   |
| <b>Expenses:</b>                              |                            |                   |                          |                  |                     |
| Program Services:                             |                            |                   |                          |                  |                     |
| Adult Mental Health                           | 13,293,077                 | -                 | -                        | (59,552)         | 13,233,525          |
| Children's Mental Health                      | 2,678,134                  | -                 | -                        | (3,287)          | 2,674,847           |
| Children and Family Services                  | 594,984                    | -                 | -                        | (2,345)          | 592,639             |
| Adult Substance Abuse                         | 792,325                    | -                 | -                        | (15,591)         | 776,734             |
| Children's Substance Abuse                    | 154,130                    | -                 | -                        | -                | 154,130             |
| Other Program Services                        | 411,161                    | -                 | -                        | -                | 411,161             |
| Total Program Services                        | <u>17,923,811</u>          | <u>-</u>          | <u>-</u>                 | <u>(80,775)</u>  | <u>17,843,036</u>   |
| Support Services:                             |                            |                   |                          |                  |                     |
| Administrative                                | 42,001                     | -                 | -                        | (42,001)         | -                   |
| Real Estate Holding Company                   | -                          | 123,117           | 118,773                  | (12,000)         | 229,890             |
| Total Support Services                        | <u>42,001</u>              | <u>123,117</u>    | <u>118,773</u>           | <u>(54,001)</u>  | <u>229,890</u>      |
| Total Unrestricted Expenses                   | <u>17,965,812</u>          | <u>123,117</u>    | <u>118,773</u>           | <u>(134,776)</u> | <u>18,072,926</u>   |
| Net Decrease in Unrestricted Net Assets       | 678,160                    | -                 | (26,864)                 | -                | 651,296             |
| <b>TEMPORARILY RESTRICTED NET ASSETS:</b>     |                            |                   |                          |                  |                     |
| Contributions                                 | 50,092                     | -                 | -                        | -                | 50,092              |
| Increase in Temporarily Restricted Net Assets | 50,092                     | -                 | -                        | -                | 50,092              |
| Decrease in Net Assets                        | 728,252                    | -                 | (26,864)                 | -                | 701,388             |
| <b>NET ASSETS, Beginning of Year</b>          | <u>4,071,628</u>           | <u>536,961</u>    | <u>(432,161)</u>         | <u>-</u>         | <u>4,176,428</u>    |
| <b>NET ASSETS, End of Year</b>                | <u>\$ 4,799,880</u>        | <u>\$ 536,961</u> | <u>\$ (459,025)</u>      | <u>\$ -</u>      | <u>\$ 4,877,816</u> |

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

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

We have audited the consolidated financial statements of Lee Mental Health Center, Inc. (the "Center") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 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 Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Board of Directors  
Lee Mental Health Center, Inc.

**Compliance and Other Matters**

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

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

*LarsonAllen LLP*  
**LarsonAllen LLP**

Fort Myers, Florida  
October 18, 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  
Lee Mental Health Center, Inc.  
Fort Myers, Florida

**Compliance**

We have audited Lee 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 is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650 Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or a state project occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

Board of Directors  
Lee Mental Health Center, Inc.

In our opinion, the Center complied, in all material respects, with the 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 requirements that could have a direct and material effect on a major federal program or a state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

*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 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 will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the 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 18, 2011

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

| <b>FEDERAL / STATE AGENCY</b><br><i>Pass-through Entity</i><br>Federal Program / State Project | CFDA<br>CSFA<br>NUMBER | GRANT/<br>CONTRACT<br>NUMBER | EXPENDITURES               |
|--|------------------------|------------------------------|----------------------------|
| <b>U.S. DEPARTMENT OF HEALTH<br/>AND HUMAN SERVICES</b>  |                        |                              |                            |
| <i>Passed Through Central Florida Behavioral Health Network</i>                                |                        |                              |                            |
| Block Grants for Community Mental Health Services  | 93.958                 | CF2036-1006                  | \$ 554,205                 |
| Block Grants for Prevention and Treatment of Substance Abuse                                   | 93.959                 | CF2036-1006                  | <u>805,717</u>             |
| Total programs - U.S. Department of Health and Human Services                                  |                        |                              | 1,359,922                  |
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN<br/>DEVELOPMENT</b>                                    |                        |                              |                            |
| <i>Passed through Lee County Board of Commissioners</i>  |                        |                              |                            |
| Shelter Plus Care  | 14.238                 | 5155                         | 76,280                     |
| Shelter Plus Care  | 14.238                 | 5612                         | <u>18,555</u>              |
|  |                        |                              | 94,835                     |
| Community Development Block Grant ARRA<br>Entitlement Grants (CDBG-R)(Recovery Act Funded)     | 14.253                 | 4904                         | <u>4,900</u>               |
| Total programs - U.S. Department of Housing<br>and Urban Development                           |                        |                              | 99,735                     |
| <b>U.S. DEPARTMENT OF JUSTICE</b>  |                        |                              |                            |
| <i>Passed through Lee County Board of Commissioners</i>  |                        |                              |                            |
| Edward Byrne Memorial Justice Assistance Grant Program   | 16.738                 | 5118                         | 18,943                     |
| Edward Byrne Memorial Justice Assistance Grant Program   | 16.738                 | 5543                         | <u>31,018</u>              |
|  |                        |                              | <u>49,961</u>              |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>  |                        |                              | <u><u>\$ 1,509,618</u></u> |

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

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

| FEDERAL / STATE AGENCY<br><i>Pass-through Entity</i><br>Federal Program / State Project | CFDA<br>CSFA<br>NUMBER | GRANT/<br>CONTRACT<br>NUMBER | EXPENDITURES               |
|---|------------------------|------------------------------|----------------------------|
| <b>STATE OF FLORIDA,<br/>DEPARTMENT OF CHILDREN AND FAMILIES</b>                        |                        |                              |                            |
| <i>Passed Through Central Florida Behavioral Health Network</i>                         |                        |                              |                            |
| Children's Baker Act Services   | 60.001                 | CF2036-1006                  | \$ 425,305                 |
| Baker Act   | 60.006                 | CF2036-1006                  | 2,275,059                  |
| Substance Abuse Detoxification Services for Children                                    | 60.028                 | CF2036-1006                  | 170,754                    |
| Substance Abuse Treatment and Aftercare Services for Children                           | 60.030                 | CF2036-1006                  | 186,661                    |
| Substance Abuse Treatment and Aftercare Services for Adults                             | 60.033                 | CF2036-1006                  | 14,966                     |
| Indigent Psychiatric Outpatient Program   | 60.039                 | CF2036-1006                  | 124,117                    |
| Adult Community Mental Health Community Support Services                                | 60.053                 | CF2036-1006                  | 2,157,738                  |
| Adult Community Mental Health Emergency Stabilization                                   | 60.054                 | CF2036-1006                  | 303,576                    |
| Children's Mental Health Community Support Services                                     | 60.055                 | CF2036-1006                  | 115,325                    |
| Adult Mental Health - Special Projects - Emergency Stabilization                        | 60.061                 | CF2036-1006                  | 352,306                    |
| Community Forensic Beds and Competency Restoration Training                             | 60.114                 | CF2036-1006                  | 206,323                    |
| <i>Passed through Lee County Board of Commissioners</i>                                 |                        |                              |                            |
| Public Safety, Mental Health, and Substance Abuse Local Matching Grant                  | 60.115                 | 5267                         | 11,170                     |
| Public Safety, Mental Health, and Substance Abuse Local Matching Grant                  | 60.115                 | 5544                         | 10,000                     |
|   |                        |                              | <u>21,170</u>              |
| Total Programs - State of Florida, Department of Children and Families                  |                        |                              | 6,353,300                  |
| <b>STATE OF FLORIDA, DEPARTMENT OF JUVENILE JUSTICE</b>                                 |                        |                              |                            |
| <i>Passed Through Evidence Based Associates</i>   |                        |                              |                            |
| Conditional Release Services/Contracted Intensive Probation                             | 80.018/.019            | VT775                        | <u>441,056</u>             |
| <b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>                                 |                        |                              | <u>6,794,356</u>           |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>              |                        |                              | <u><u>\$ 8,303,974</u></u> |

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

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

**NOTE 1 PURPOSE OF SCHEDULE**

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

The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING**

**Basis of Presentation**

The accompanying Consolidated Schedule of Expenditures of Federal Awards includes the federal and state grant activity of the Center and controlled entities (excluding certain operations as noted below).

The Center's consolidated financial statements include the operations of the Center's controlled housing corporation, which received \$1,038,448 in federal awards that are not included in the Consolidated Schedule of Expenditures of Federal Awards for the year ended June 30, 2011. Our audit did not include the operations of the Center's controlled housing corporations because the U.S. Department of Housing and Urban Development requires separate single audits to be performed on these entities in accordance with OMB Circular A-133.

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.

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)**

**Basis of Presentation (Continued)**

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

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

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

**Type A and Type B Programs**

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures to be used in defining Type A and Type B federal financial assistance programs. Type A assistance programs for the Center are those federal programs with expenditures in excess of \$300,000 for the fiscal year ended June 30, 2011.

Each non-state entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in any fiscal year is required to have a state single audit for such fiscal year in accordance with the requirements of the Florida Single Audit Act (Section 215.97, Florida Statutes). Chapter 69I-5 establishes the level of expenditures to be used in defining Type A and Type B state financial assistance projects. Type A assistance projects for the Center are those programs with expenditures in excess of \$300,000, which is the greater of \$300,000, or 3% of total state awards expended for the fiscal year ended June 30, 2011.

**Basis of Accounting**

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



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

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

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Identification of major programs/projects:

| <b>CFDA Number(s)</b> | <b>Name of Federal Program or Cluster</b>                    |
|-----------------------|--|
| 93.958                | Block Grant for Community Mental Health Services             |
| 93.959                | Block Grants for Prevention and Treatment of Substance Abuse |
| <b>CSFA Number(s)</b> | <b>Name of State Project</b>                                 |
| 60.006                | Baker Act  |
| 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

\$ 300,000

Major State Project

\$ 300,000

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

\_\_\_\_\_ yes        X   no

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

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**Section II – Financial Statement Findings**

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

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

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

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

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

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

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

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**Section V – Other Issues**

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

**LEE MENTAL HEALTH CENTER, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2011**

**FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED  
IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

None Reported

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**2010-01 – Suspension & Debarment**

Condition

Based on testing of the ARRA Community Development Block Grant program, it was determined that the Center entered into a covered transaction with a third party provider and did not perform a search to verify that the entity had not been suspended or debarred or otherwise excluded.

Auditor's Recommendation

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

Current Status

The Center has implemented a policy whereas the purchasing department will verify each company for suspension and/or debarment before a bid is accepted for any project work. This policy will include retaining appropriate documentation in the bid file. No similar finding was noted in the current year.

**2010-02 – Contract Files**

Condition

Contract files should document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of the contract price. Based on testing of the ARRA Community Development Block Grant program, it was determined that the Center did not have contract files related to the project.

Auditor's Recommendation

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

Current Status

The Center has implemented a policy whereas the purchasing department is responsible for gathering all the required files for contracted services. No similar finding was noted in the current year.

**LEE MENTAL HEALTH CENTER, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND  
CORRECTIVE ACTION PLAN (CONTINUED)  
YEAR ENDED JUNE 30, 2011**

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)**

**2010-03 – Vendor Contracts**

Condition

Based on testing of the ARRA Community Development Block Grant program, it was determined that the Center did not include all of the required provisions of OMB Circular A-110 in contract files where grant funding is used. The Center did not create their own contracts with vendors used in the project.

Auditor's Recommendation

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

Current Status

The Center has implemented a policy where all projects that are funded with grant money will be reviewed by the purchasing department to ensure the required information from OMB Circular A-110 and its Appendix A is included. This will be reviewed by the Director of Accounting. No similar findings were noted in the current year.