

**INDEPENDENT AUDITORS' REPORT
AND
COMBINING FINANCIAL STATEMENTS**

**MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA**

JUNE 30, 2011

**INDEPENDENT AUDITORS' REPORT
AND
COMBINING FINANCIAL STATEMENTS**

**MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA**

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

We have audited the accompanying combining balance sheet of Meridian Behavioral Healthcare, Inc. (the Corporation) a nonprofit corporation, as of June 30, 2011, and the related combining statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These combining financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combining financial statements based on our audit. We did not audit the financial statements of the New Horizons Properties, which represent 11.2%, 0.2%, and 1.2%, respectively, of the assets, net assets, and revenues of the Corporation. Those financial statements were audited by other auditors whose reports have been furnished to us and, our opinion, insofar as it relates to the amounts included for the New Horizons Properties, is based solely on the reports of the other auditors. The prior year summarized comparative information has been derived from the Corporation's 2010 combining financial statements and, in our report dated October 28, 2010, we expressed an unqualified opinion on those combining financial statements.

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

In our opinion, based on our audit and the reports of other auditors, the combining financial statements referred to above present fairly, in all material respects, the financial position of the Corporation and its New Horizons Properties as of June 30, 2011, and the respective changes in net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2011, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the combining financial statements as a whole. The accompanying schedules of functional revenues and expenses; state earnings for alcohol, drug abuse and mental health services - District 3, and schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the State of Florida Department of Children and Families; the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General*, and are not a required part of the combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combining financial statements taken as a whole.



October 20, 2011
Gainesville, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of Meridian Behavioral Healthcare, Inc.'s financial performance offers an overview of the agency's financial activities during the fiscal year that ended June 30, 2011. While the analysis provides a snapshot of Meridian's performance as a whole, the reader is directed to the basic financial statements and the notes to these for a more detailed understanding of the financial performance.

FINANCIAL HIGHLIGHTS

- The assets of Meridian Behavioral Healthcare, Inc. exceeded its liabilities at the close of the fiscal year ended June 30, 2011, by \$9.21 million. Total net assets increased \$575 thousand during the year ended June 30, 2011. Total net assets were divided as follows at June 30, 2011: Invested in Capital Assets, Net of Related Debt of \$1.28 million; Endowed Investments of \$372 thousand; and Unrestricted of \$7.5 million for total ending Net Assets of \$9.2 million.
- State and Federal revenues accounted for \$12 million or 39% of total revenue. Medicaid accounted for \$13.1 million or 42%. County revenues accounted for \$1.268 million or 4% of total revenue and other county revenues totaled \$2 million or 6% of revenues. The remaining \$2.7 million or 9% of revenue was generated principally from client and insurance fees, other contracts, and interest income.
- Salaries and benefits of \$20.4 million represented 66.4% of total expense. This is an increase of \$339 thousand over fiscal year 2010. Contractual services represented \$2 million or 6.7% of total expenses for a total of \$22.4 million or 73.1% of Meridian Behavioral Healthcare, Inc.'s total expenses of \$30.7 million. Equipment and facilities expenses and related interest expense accounted for \$2.5 million or 8.3% of total expenses. Expenses related to program operating costs such as insurance, supplies and travel represented \$2.7million or 8.8% of total expenses.
- Total assets increased \$55 thousand, a .3% increase from 2010. Total liabilities decreased \$520 thousand, a 6.2% decrease.

USING THIS ANNUAL FINANCIAL REPORT

This report consists of a series of financial statements, the notes to those statements, and supplementary information to allow readers to review the financial activities of Meridian Behavioral Healthcare, Inc. as a whole, or to obtain more detailed information, as the reader may prefer.

OVERVIEW OF THE FINANCIAL STATEMENTS

The "totals" column in each financial statement that follows is designed to give the reader a broad overview of Meridian's operations as a whole, including the financially interrelated organizations. The Balance Sheet presents information on assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in net assets may represent a useful indicator of whether Meridian's financial position is improving or deteriorating. However, in evaluating Meridian Behavioral Healthcare Inc.'s overall position, other non-financial factors should also be considered. Other factors include: the current economic situation, changes in governmental contracts for services, the age and condition of Meridian's buildings and equipment, and other contributing factors.

Meridian's financial statements are prepared on the accrual basis of accounting. This basis takes into account all revenues earned and all expenses incurred in the current year, regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

REPORTING MERIDIAN BEHAVIORAL HEALTHCARE'S MOST SIGNIFICANT FUNDS

Meridian Behavioral Healthcare, Inc. is involved in one business-type activity: providing a variety of behavioral health and social services designed to help children and adults with behavioral problems. These services include treatment for mental illness and substance abuse, improve their functioning in the community, remain in intact families, and maintain their self-sufficiency. This activity is recorded in a single enterprise fund:

Net Assets

	Fiscal Year 2011	Fiscal Year 2010	% Change
Current Assets, Including Restricted	\$ 10,375,014	\$ 10,548,037	-1.64%
Property and Equipment, Net	6,273,229	5,971,518	5%
Other Assets	390,122	463,699	-15.8%
Total Assets	17,038,365	16,983,254	0.3%
Current Liabilities, Including Restricted	3,054,550	3,066,126	-0.3%
Long-Term Liabilities	4,770,023	5,278,590	-9.6%
Total Liabilities	7,824,573	8,344,716	-6.2%
Net Assets Invested in Capital Assets			
Net of Related Debt	1,283,758	217,332	590.6%
Restricted			
Endowed Investments	372,047	372,047	0%
Net Assets - Unrestricted	7,557,987	8,049,159	-6.1%
Total Net Assets	\$ 9,213,792	\$ 8,638,538	106.6%

Revenues, Expenses and Changes in Net Assets

Revenues - State and Federal	\$ 12,001,888	\$ 11,914,550	0.7%
Revenues - County	1,268,030	1,375,905	-7.8%
Revenues - Medicare, Medicaid, Insurance and Other	18,036,697	18,757,362	-3.85%
Total Operating Revenues	31,306,615	32,047,817	-2.3%
Expenses - Salaries, Benefits, and other Professional Services	22,739,358	22,941,513	-0.8%
Expenses - Program Operating	5,051,836	4,384,488	115.2%
Expenses - Other Operating	2,940,167	3,774,530	-22.1%
Total Operating Expenses	30,731,361	31,100,531	-1.18%
Change in Net Assets	\$ 575,254	\$ 947,286	-60.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

FINANCIAL ANALYSIS OF MERIDIAN BEHAVIORAL HEALTHCARE, INC. AS A WHOLE

The Balance Sheet provides an overall view of Meridian Behavioral Healthcare, Inc. as of year-end, over time, and can serve as a useful indicator of Meridian Behavioral Healthcare, Inc.'s financial position.

Total assets increased from \$16,983,254 in fiscal year 2010 to \$17,038,365 in fiscal year 2011, an increase of \$55,111. This increase in total assets is largely due to an increase in Property, Plant and Equipment. Property, Plant and Equipment was increased by \$301,711.

Total liabilities decreased from \$8,344,716 in fiscal year 2010 to \$7,824,573 in fiscal year 2011, a decrease of \$520 thousand. This decrease is due to a \$440,144 decrease in long-term liabilities from Notes, Mortgages and Bonds Payable and Interest Rate Swap of \$68,423.

The Statement of Revenues, Expenses, and Changes in Net Assets report the financial operations of the center during the current fiscal year. \$12 million or 39% of Meridian Behavioral Healthcare, Inc.'s \$31 million of revenue in 2011 was earned from services provided to the Department of Children and Families (DCF) of the State of Florida and other State and Federal contracts. Client, Medicare, Medicaid, and Insurance Fees represented \$14.2 million or 45.6% of fiscal year 2011 revenues. The other significant revenue source in fiscal year 2011 was funding provided by the eleven counties in which Meridian Behavioral Healthcare, Inc.'s campuses are located and which it principally serves, for which the funding totaled \$1.268 million or 4% of revenues, and other county revenues totaled \$2.0 million (6.4% of revenues). Total revenues remained relatively even with a decrease by \$369 thousand from fiscal year ending 2010 to fiscal year ending 2011.

Salaries and benefits, professional development, and contractual services account for \$22.6 million or 73.7% of Meridian Behavioral Healthcare, Inc.'s \$30.7 million total expenses in fiscal year 2011. Equipment, facilities, and related interest expense accounted for \$2.56 million or 8.3% of total expenses. Expenses related to program operating expenses such as insurance, supplies and travel represented \$2.5 million or 8.1% of total expenses. Total expenses decreased from \$31.1 million in fiscal year 2010 to \$30.7 million in fiscal year 2011, a decrease of \$369 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2011, Meridian Behavioral Healthcare Inc. had \$6.27 million, net of accumulated depreciation, invested in capital assets such as furniture and equipment, land and buildings and improvements. This amount represents an increase of \$301 thousand or a 5% increase.

Debt

At year-end, Meridian had \$5.3 million in short and long-term notes and mortgages payable related to existing land and buildings, including \$177,807 in related interest rate swaps, compared to \$5.8 million at the end of fiscal year 2010.

Additional information concerning Meridian's debt can be found in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

CURRENT ECONOMIC CONDITION AND OUTLOOK

Meridian Behavioral Healthcare Inc. is a not-for-profit corporation that provides a variety of services including prevention and treatment services to adults and children who suffer from mental health and substance abuse disorders, supported employment and housing throughout a ten-county area of North Central Florida (Alachua, Levy, Gilchrist, Dixie, Bradford, Union, Columbia, Hamilton, Suwannee, and Lafayette); emergency screening and crisis stabilization services are provided in an 11-county area (the previous ten and Putman County). On June 30, 2011, Meridian's primary revenue sources included the Florida Department of Children and Families \$11.9 million, (37.6% of total revenues), other State and Federal contracts \$271 thousand (.8% of total revenues), various Medicaid plans totaling \$12.8 million (41.1% of revenues), and County government, \$1.268 million (4% of revenues) and other county.

Beginning in the fiscal year 2003 and for the years up to and including fiscal year 2011, Meridian's strategic planning process emphasizes service excellence, stewardship, practice excellence, and utilization of right resources. These strategies support development of financial stability and consumer/social impacts of our mission to provide behavioral health and related services while identifying new initiatives that will improve consumer outcomes and the company's financial position. This process includes the ability to respond quickly to changes in market conditions, or to opportunities for new initiatives. During fiscal year ending 2011, Meridian continued delivering services to the majority of its Medicaid consumers through a pre-paid, capitated contract. Our Medicaid budget has remained stable as a result of this funding stream.

In fiscal year ending 2011, Meridian focused on further developing the Meridian Electronic Health Record (MEHR)'s business intelligence capabilities, which has continued to improve revenue capture, this implementation is ongoing. During fiscal year ending 2011, Meridian's Advancement Department reached out to potential donors through continued improvement and participation of Meridian's Board of Associates. They represent business and community leaders who support community engagement. Advancement activities created donation opportunities and achieved paid, in-kind and equipment donations of \$1.33 million, a decrease of \$413 thousand over prior year, due to a decrease in the use of the Patient Assistance Program.

As in the prior two years, we saw a continued emphasis on Forensic Services, Opioid Treatment Program (OTP), Outpatient Rehab Services, and CSU Emergency Services where demand has continued to grow. Integration of behavioral health and primary care continues to be developed in order to offer a primary care home with mental health services which addresses our client's medical concerns as well as mental health needs. Additionally, it will increase access to behavioral health services in primary care settings. We have added several sites this year, and will likely to continue to expand this presence.

Our operation, given the current financial crisis, will continue to be impacted by the declines in State and Federal revenues, leading to initiatives to reform Medicaid and to reduce DCF contracts. Reductions in program funding and changes in DCF revenue administration could create reductions in service volume and access to care. The new Federal Healthcare law will offer additional challenges during the fiscal years ending 2011 - 2014. The impact on services is not fully known at this time. The increasing transition of Medicaid to a managed care model offers the challenge of increased competition and possible service payment decreases or service reductions. DCF is currently implementing Managing Entities, which will result in reductions in funding. We have been preparing for these system transformations and are prepared to meet these challenges by reducing service lines and delivery structure, reducing expenses and managing the accompanying financial changes. New initiatives continue to be explored that can bring additional service to the consumers who form our primary population and that can further improve the financial health of the organization.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Concluded)**

CURRENT ECONOMIC CONDITION AND OUTLOOK (Concluded)

Other than those noted above, Meridian's management is not aware of any current facts, decisions, or conditions that are expected to have a significant effect on the financial condition of the agency during fiscal year 2012.

**CONTACTING MERIDIAN BEHAVIORAL HEALTHCARE, INC.'S FINANCIAL
MANAGEMENT**

This financial report is designed to provide readers with a general overview of Meridian's finances and to reflect its accountability for the revenues received. Any questions or requests for additional information can be sent to the Finance Department, Meridian Behavioral Healthcare, Inc., P.O. Box 141750, Gainesville, Florida 32614-1750.

COMBINING BALANCE SHEET
JUNE 30, 2011,
WITH COMBINED TOTALS FOR JUNE 30, 2010
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA

ASSETS

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties	Totals	
			2011 Combined	2010 Combined
Current Assets				
Cash and Cash Equivalents	\$ 3,872,046	\$ 54,372	\$ 3,926,418	\$ 6,854,202
Certificates of Deposit	1,308,112	0	1,308,112	796,148
Investments	243,199	0	243,199	133,332
Accounts Receivable:				
Client Fees (Net of Allowance for Uncollectible Accounts of \$774,058 in 2011 and \$854,092 in 2010)	1,248,096	4,849	1,252,945	932,526
Other	0	0	0	107,163
Contracts and Grants Receivable	3,052,604	0	3,052,604	1,211,031
Due from HUD	0	5,237	5,237	8,187
Prepaid Expenses	228,405	0	228,405	147,854
Inventories	50,505	0	50,505	46,286
Total Current Assets	10,002,967	64,458	10,067,425	10,236,729
Restricted Assets				
Funded Reserves	0	1,090,346	1,090,346	1,138,347
Endowed Investments	372,047	0	372,047	372,047
Total Restricted Assets	372,047	1,090,346	1,462,393	1,510,394
Property, Plant and Equipment - Cost Less Depreciation	6,273,229	896,614	7,169,843	6,890,732
Other Assets				
Security Deposits	25,297	18,862	44,159	43,981
Unamortized Issue Costs	85,894	0	85,894	91,048
Due from Affiliates	101,124	0	101,124	101,124
Deferred Outflow of Resources - Interest Rate Swaps	177,807	0	177,807	246,230
Total Other Assets	390,122	18,862	408,984	482,383
Total Assets	\$ 17,038,365	\$ 2,070,280	\$ 19,108,645	\$ 19,120,238

See accompanying notes.

COMBINING BALANCE SHEET
JUNE 30, 2011,
WITH COMBINED TOTALS FOR JUNE 30, 2010
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Concluded)

LIABILITIES AND NET ASSETS

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties	Totals	
			2011 Combined	2010 Combined
Current Liabilities				
Accounts Payable	\$ 583,863	\$ 138,213	\$ 722,076	\$ 808,951
Accrued Salaries and Payroll Taxes	1,006,121	0	1,006,121	1,000,606
Accrued Vacation and Sick Leave	792,899	0	792,899	774,603
HUD Payable	0	19,102	19,102	21,244
Restricted Deferred Revenues	123,445	0	123,445	56,492
Current Portion of Long-term Liabilities	483,149	26,514	509,663	500,433
Interest Payable	0	8,555	8,555	8,689
Other	65,073	18,862	83,935	72,546
Total Current Liabilities	<u>3,054,550</u>	<u>211,246</u>	<u>3,265,796</u>	<u>3,243,564</u>
Long-term Liabilities				
Notes, Mortgages, and Bonds Payable	4,592,216	1,816,756	6,408,972	6,875,470
Derivative Instruments - Interest Rate Swaps	177,807	0	177,807	246,230
Due to Affiliate	0	101,124	101,124	101,124
Total Long-term Liabilities	<u>4,770,023</u>	<u>1,917,880</u>	<u>6,687,903</u>	<u>7,222,824</u>
Total Liabilities	<u>7,824,573</u>	<u>2,129,126</u>	<u>9,953,699</u>	<u>10,466,388</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,283,758	(946,656)	337,102	(832,525)
Endowed Investments	372,047	0	372,047	372,047
Unrestricted	7,557,987	887,810	8,445,797	9,114,328
Total Net Assets	<u>9,213,792</u>	<u>(58,846)</u>	<u>9,154,946</u>	<u>8,653,850</u>
Total Liabilities and Net Assets	<u>\$ 17,038,365</u>	<u>\$ 2,070,280</u>	<u>\$ 19,108,645</u>	<u>\$ 19,120,238</u>

See accompanying notes.

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011,
WITH COMBINED TOTALS FOR JUNE 30, 2010
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA

	Meridian	New	Totals	
	Behavioral Healthcare, Inc.	Horizons Properties	2011 Combined	2010 Combined
Operating Revenues				
State and Federal				
Mental Health:				
Adult	\$ 6,223,424	\$ 0	\$ 6,223,424	\$ 6,220,303
Children	1,507,283	0	1,507,283	1,461,276
Substance Abuse:				
Adult	2,770,005	0	2,770,005	2,832,253
Children	1,229,348	0	1,229,348	1,097,622
Healthy Kids Contract	45,000	0	45,000	75,000
Other Federal and State Contracts	33,267	0	33,267	28,015
H.U.D. Hope Grant	193,561	0	193,561	200,081
Section 8 Housing Grant	0	237,939	237,939	247,506
Medicaid Fees (Net of Provision for Bad Debts of \$329,293 in 2011 and \$244,028 in 2010)	4,924,848	0	4,924,848	5,588,272
Medicaid Prepaid Mental Health Plan	7,889,461	0	7,889,461	8,774,278
Medicare and SSI Fees (Net of Provision for Bad Debts of \$262,096 in 2011 and \$54,470 in 2010)	352,342	0	352,342	121,416
Total State and Federal	<u>25,168,539</u>	<u>237,939</u>	<u>25,406,478</u>	<u>26,646,022</u>
County				
Alachua County	719,224	0	719,224	817,656
Bradford County	88,807	0	88,807	88,807
Columbia County	195,000	0	195,000	195,000
Dixie County	42,000	0	42,000	42,000
Gilchrist County	38,000	0	38,000	38,000
Hamilton County	12,596	0	12,596	12,596
Lafayette County	8,748	0	8,748	8,748
Levy County	68,692	0	68,692	71,368
Putnam County	24,297	0	24,297	32,396
Suwannee County	26,000	0	26,000	26,000
Union County	44,666	0	44,666	43,334
Total County	<u>1,268,030</u>	<u>0</u>	<u>1,268,030</u>	<u>1,375,905</u>
Other Revenues				
Client Fees (Net of Provision for Bad Debts of \$225,629 in 2011 and \$547,968 in 2010)	672,938	0	672,938	459,826
Insurance Fees (Net of Provision for Bad Debts of \$100,504 in 2011 and \$136,726 in 2010)	379,426	0	379,426	210,546
In-kind Services and Materials	1,226,128	0	1,226,128	1,703,913
Local Contracts	2,012,692	0	2,012,692	1,508,306
Food Stamps	53,534	0	53,534	39,413
Contributions	104,169	0	104,169	136,673
Rental Income	0	119,554	119,554	123,216
Other	285,712	1,124	286,836	174,667
Total Other	<u>4,734,599</u>	<u>120,678</u>	<u>4,855,277</u>	<u>4,356,560</u>
Total Operating Revenues	<u>31,171,168</u>	<u>358,617</u>	<u>31,529,785</u>	<u>32,378,487</u>

See accompanying notes.

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011,
WITH COMBINED TOTALS FOR JUNE 30, 2010
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties	Totals	
			2011 Combined	2010 Combined
Operating Expenses				
Personnel				
Salaries	\$ 17,555,084	\$ 0	\$ 17,555,084	\$ 16,994,120
Benefits and Taxes	2,853,261	0	2,853,261	3,278,758
Total Personnel	<u>20,408,345</u>	<u>0</u>	<u>20,408,345</u>	<u>20,272,878</u>
Contractual Services				
Professional Fees	2,062,272	69,153	2,131,425	2,662,444
Travel and Professional Development				
Travel	434,299	0	434,299	423,861
Training and Professional Development	198,985	0	198,985	170,468
Total Travel and Professional Development	<u>633,284</u>	<u>0</u>	<u>633,284</u>	<u>594,329</u>
Facilities				
Depreciation	495,219	73,773	568,992	524,974
Building Rental	91,156	0	91,156	89,013
Repairs and Maintenance	489,739	115,775	605,514	460,414
Utilities	533,599	51,062	584,661	508,814
Total Facilities	<u>1,609,713</u>	<u>240,610</u>	<u>1,850,323</u>	<u>1,583,215</u>
Equipment				
Depreciation	508,574	6,765	515,339	419,788
Equipment Purchases	122,387	0	122,387	124,037
Repairs and Maintenance	65,148	0	65,148	42,432
Total Equipment	<u>696,109</u>	<u>6,765</u>	<u>702,874</u>	<u>586,257</u>
Medical and Pharmacy				
Medical Supplies	203,839	0	203,839	154,211
Indigent Drugs	132,359	0	132,359	151,105
Medicine and Drugs - Regular	212,635	0	212,635	177,277
Total Medical and Pharmacy	<u>548,833</u>	<u>0</u>	<u>548,833</u>	<u>482,593</u>
Supplies				
Food/Household Supplies	649,957	0	649,957	565,958
Operating Supplies	604,932	0	604,932	668,882
Total Supplies	<u>1,254,889</u>	<u>0</u>	<u>1,254,889</u>	<u>1,234,840</u>
Subcontracted Services				
Children's Services	134,078	0	134,078	223,153
Pharmacy	1,444	0	1,444	2,975
Other Subcontracted Services	133,219	0	133,219	25,624
Total Subcontracted Services	<u>268,741</u>	<u>0</u>	<u>268,741</u>	<u>251,752</u>

See accompanying notes.

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011,
WITH COMBINED TOTALS FOR JUNE 30, 2010
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Concluded)

	Meridian	New	Totals	
	Behavioral Healthcare, Inc.	Horizons Properties	2011 Combined	2010 Combined
Operating Expenses (Concluded)				
Other				
In-kind Services and Materials	\$ 1,226,128	\$ 0	\$ 1,226,128	\$ 1,703,913
Insurance and Taxes	645,975	26,928	672,903	685,120
Telephone	506,338	0	506,338	312,543
Other	613,838	6,990	620,828	960,406
Total Other	<u>2,992,279</u>	<u>33,918</u>	<u>3,026,197</u>	<u>3,661,982</u>
(Total Operating Expenses)	<u>(30,474,465)</u>	<u>(350,446)</u>	<u>(30,824,911)</u>	<u>(31,330,290)</u>
Income from Operations	<u>696,703</u>	<u>8,171</u>	<u>704,874</u>	<u>1,048,197</u>
Nonoperating Revenues (Expenses)				
Investment and Interest Income	133,739	1,529	135,268	48,827
Interest and Amortization	(256,896)	(83,858)	(340,754)	(245,862)
Gain (Loss) on Disposals	1,708	0	1,708	(8,330)
Total Nonoperating Revenues (Expenses)	<u>(121,449)</u>	<u>(82,329)</u>	<u>(203,778)</u>	<u>(205,365)</u>
Capital Grants and Contributions	0	0	0	0
Increase in Net Assets	575,254	(74,158)	501,096	842,832
Net Assets, Beginning of Year	<u>8,638,538</u>	<u>15,312</u>	<u>8,653,850</u>	<u>7,811,018</u>
Net Assets, End of Year	<u>\$ 9,213,792</u>	<u>\$ (58,846)</u>	<u>\$ 9,154,946</u>	<u>\$ 8,653,850</u>

See accompanying notes.

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011,
WITH COMBINED TOTALS FOR JUNE 30, 2010
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA**

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties	Totals	
			2011 Combined	2010 Combined
Cash Flows from Operating Activities				
Cash Received from State, Federal, County and Local Contracts, Clients and Third Party Billings	\$ 27,463,729	\$ 0	\$ 27,463,729	\$ 31,034,077
Rent and Rent Subsidy Received	0	358,676	358,676	385,139
Other Income Received	497,044	1,124	498,168	223,025
Cash Paid to Employees	(20,004,026)	0	(20,004,026)	(19,641,413)
Cash Paid to Suppliers	(8,032,066)	(239,662)	(8,271,728)	(8,502,573)
Payroll Taxes Paid	(379,304)	0	(379,304)	(360,500)
Net Cash Provided by (Used in) Operating Activities	(454,623)	120,138	(334,485)	3,137,755
Cash Flows from Investing Activities				
Property, Plant and Equipment Purchases	(1,320,210)	(57,937)	(1,378,147)	(1,464,800)
Proceeds from Property Dispositions	9,748	0	9,748	0
Cash Paid for Purchase of Investments	(546,963)	47,998	(498,965)	(438,332)
Proceeds from Sale of Investments	0	0	0	600,299
Interest and Dividends on Investments	58,871	1,531	60,402	20,747
Net Cash Provided by (Used in) Investing Activities	(1,798,554)	(8,408)	(1,806,962)	(1,282,086)
Cash Flows from Capital and Related Financing Activities				
Repayment of Long-term Debt	(476,363)	(24,678)	(501,041)	(245,561)
Long-term Debt Proceeds Received	0	0	0	496,853
Interest Paid on Long-term Debt	(201,304)	(83,992)	(285,296)	(195,546)
Net Cash Provided by (Used in) Financing Activities	(677,667)	(108,670)	(786,337)	55,746
Net Increase (Decrease) in Cash and Cash Equivalents	(2,930,844)	3,060	(2,927,784)	1,911,415
Cash and Cash Equivalents, Beginning of Year	6,802,890	51,312	6,854,202	4,942,787
Cash and Cash Equivalents, End of Year	\$ 3,872,046	\$ 54,372	\$ 3,926,418	\$ 6,854,202
<u>Presented in the Accompanying Combining Balance Sheet As:</u>				
Cash and Cash Equivalents				
Current Assets	\$ 3,872,046	\$ 54,372	\$ 3,926,418	\$ 6,854,202
Total Cash and Cash Equivalents	\$ 3,872,046	\$ 54,372	\$ 3,926,418	\$ 6,854,202

See accompanying notes.

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011,
WITH COMBINED TOTALS FOR JUNE 30, 2010
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Concluded)

	Meridian Behavioral Healthcare, Inc.	New Horizons Properties	Totals	
			2011 Combined	2010 Combined
<u>Reconciliation of Excess (Deficiency)</u>				
<u>of Revenues Over (Under) Expenses</u>				
<u>to Net Cash Provided by (Used in)</u>				
<u>Operating Activities</u>				
Excess (Deficiency) of Revenues				
Over (Under) Expenses	\$ 696,703	\$ 8,171	\$ 704,874	\$ 1,048,197
Reconciling Adjustments:				
Depreciation	1,003,793	80,538	1,084,331	944,762
Bad Debt Expense	917,522	0	917,522	983,192
(Decrease) in Gross Receivables	(2,078,349)	(659)	(2,079,008)	1,331,228
Write-off of Accounts Receivable	(997,556)	0	(997,556)	(1,000,755)
(Decrease) in Prepaid Expenses	(80,551)	0	(80,551)	8,521
(Decrease) in Inventory	(4,219)	0	(4,219)	23,152
Security Deposits	0	0	0	15,209
Increase in Other Receivables	107,163	0	107,163	(90,742)
Other Assets	0	0	0	2,427
(Decrease) in Accounts Payable and Accrued Expenses	(96,089)	32,088	(64,001)	121,165
Increase in Other Current Liabilities	10,007	0	10,007	24,290
Increase in Deferred Revenue	66,953	0	66,953	(272,891)
Net Cash Provided by (Used in)				
Operating Activities	\$ (454,623)	\$ 120,138	\$ (334,485)	\$ 3,137,755
<u>Noncash Activity</u>				
Noncash In-kind Service and Materials Revenues	\$ 1,226,128	\$ 0	\$ 1,226,128	\$ 0
Noncash In-kind Service and Materials Expenses	\$ 1,226,128	\$ 0	\$ 1,226,128	\$ 0

See accompanying notes.

NOTES TO COMBINING FINANCIAL STATEMENTS

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA

Note 1 - Summary of Significant Accounting Policies

Reporting Entity and Basis of Accounting

The accompanying financial statements include the combining assets, liabilities, revenues, and expenses as determined by use of the accrual basis of accounting of Meridian Behavioral Healthcare, Inc. (the Corporation) and the New Horizons Properties described in Note 2.

The Corporation is a not-for-profit Florida corporation which provides comprehensive mental health, substance abuse, and children's services to the general public of Alachua, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Lafayette, Levy, Suwannee, and Union Counties. Because these counties have approval of the majority of the members elected to the Board of Directors, the Corporation is considered a governmental nonprofit. For financial statement purposes, the Corporation is considered a special purpose government engaged only in business-type activities and uses enterprise fund accounting. Accordingly, the accompanying financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has occurred. The combining financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Corporation has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

Cash and cash equivalents are stated at fair market value, and consist of interest-bearing checking and savings accounts, and petty cash.

Concentration of Credit Risk

The Corporation maintains deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits and receivables are generally unsecured.

Investments

Investments are recorded at fair market value and consist of money market accounts, certificates of deposit, external pooled investments, and stocks.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The primary management estimates included in the accompanying statements relate to the collectability of service fee receivables including amounts due from Medicare, Medicaid, third party insurers, and clients and amounts due to these parties as a result of subsequent audits, if any, as discussed in Note 10, and the fair value of the derivative instruments as discussed in Note 6.

Inventories

Inventory consists of indigent drugs and other materials, and is valued at cost using the first-in, first-out (FIFO) method.

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets are segregated from other current assets due to mortgage agreements and endowment restrictions. These assets are legally restricted for specific purposes such as debt service and other donor restrictions and are generally not available for other uses.

Capital Assets

Property, plant and equipment are recorded at cost with estimated lives of three to ten years for transportation and other equipment, and five to thirty years for various buildings and leasehold improvements. The straight-line method of depreciation is used. Maintenance and repairs are expensed as incurred. The Corporation's policy is to capitalize all property, plant and equipment purchases greater than \$1,000.

Accounts Receivable

Accounts receivable are shown at the anticipated realizable value, net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is based on historical data of collectability of revenue types. Accounts older than one year with no activity are written off. Accounts receivable consist primarily of contract and fee amounts due from state and county governments, clients, and third party payers.

Unamortized Debt Issuance Costs and Refunding Loss

Debt issuance costs are amortized over the term of the related debt using the straight-line method. Unamortized refunding loss is amortized over the term of the refunded debt using the effective interest method.

Income Taxes

The reporting entity is currently exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision has been made for income tax liabilities or expenses. Contributions to the Corporation may qualify for the charitable contribution deduction for federal tax purposes.

Operating Revenues and Expenses

The Corporation's combining statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing comprehensive mental health, substance abuse, and children's services to the general public. Nonexchange revenues, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide the Corporation's primary activities, other than financing costs.

Revenue Recognition

Revenues from general sources are recognized as services are provided or as contract and grant funds are earned. Restricted revenues are recognized only to the extent that they are expended in accordance with donor or grantor restrictions. Any restricted revenues which have been received, but not expended, are shown as deferred revenue in the liability section of the accompanying combining balance sheet. Tenant rents and H.U.D. Section 8 - Housing Assistance payments are recognized as revenue when earned.

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Capitation Revenue Agreements

The Corporation has an agreement with North Florida Behavioral Health Partners, Inc. to provide certain medical services to patients in the Florida Prepaid Mental Health Plan. Under the agreement, the Corporation receives monthly capitation payments based on the number of patients in the Florida Prepaid Mental Health Plan area. In addition, North Florida Behavioral Health Partners, Inc. makes fee for service payments to the Corporation for certain covered services based upon a contracted fee schedule. North Florida Behavioral Health Partners, Inc. is a related party as further described in Note 12.

In-kind Revenues and Expenses

Revenues and expenses from in-kind contributions are recognized when received based upon the estimated fair market value of the contribution, provided that there is a clearly measurable basis to value such contributions.

Matching Requirements

The Corporation receives grants through the State of Florida Department of Children and Families (DCF) which require local matching funds. All local matching requirements have been met.

Compensated Absences

The Corporation pays certain amounts of unused annual leave to employees upon termination in accordance with its compensated absences policy. The accrual presented in the accompanying financial statements is computed using the gross salary at the end of the reporting period.

Prior Period Information

The financial statements include certain prior year summarized comparative information in total but not by combining entity. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Reclassification

Certain prior year amounts have been reclassified to conform with current year financial reporting and to facilitate comparison of financial data.

Note 2 - New Horizons Properties

The Corporation, acting as sponsor, established four not-for-profit, single-asset H.U.D. corporations titled New Horizons Properties, Inc. (NHP), New Horizons Properties II, Inc. (NHP II), New Horizons Properties III, Inc. (NHP III), and New Horizons Properties IV, Inc. (NHP IV). The purpose of these organizations is to construct and operate living facilities for the mentally ill who are undergoing treatment by the Corporation, from the proceeds of H.U.D. Section 202 mortgages and Section 8 Housing Assistance. The four single-asset corporations have no employees. Administrative support is provided by the Corporation's employees.

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 2 - New Horizons Properties (Concluded)

The New Horizons Properties are entities for which the Corporation is considered to be financially accountable and, accordingly, the data from the New Horizons Properties are combined with the data from the Corporation. However, for further understandability, the entities' operations are presented in separate columns in the accompanying combining financial statements. Separate financial statements for the New Horizons Properties can be obtained from the Corporation's fiscal department.

The following is a condensed summary of the affiliated groups' financial position as of June 30, 2011, and the results of their operations for the year then ended:

	Financial Position				
	2011				
	NHP	NHP II	NHP III	NHP IV	Total
Current Assets	\$ 6,834	\$ 47,636	\$ 2,661	\$ 7,327	\$ 64,458
Property, Plant and Equipment (Accumulated Depreciation)	423,011 (342,799)	729,997 (571,370)	415,645 (292,788)	910,457 (375,539)	2,479,110 (1,582,496)
Restricted Assets	131,158	743,625	76,110	139,453	1,090,346
Other Assets	1,904	5,477	4,151	7,330	18,862
Total Assets	<u>220,108</u>	<u>955,365</u>	<u>205,779</u>	<u>689,028</u>	<u>2,070,280</u>
Current Liabilities	33,914	28,940	59,573	88,819	211,246
Long-term Liabilities	250,830	485,457	251,652	929,941	1,917,880
Total Liabilities	284,744	514,397	311,225	1,018,760	2,129,126
Fund (Deficit) Balances	<u>(64,636)</u>	<u>440,968</u>	<u>(105,446)</u>	<u>(329,732)</u>	<u>(58,846)</u>
Total Liabilities and Fund Balances	<u>\$ 220,108</u>	<u>\$ 955,365</u>	<u>\$ 205,779</u>	<u>\$ 689,028</u>	<u>\$ 2,070,280</u>
	Results of Operations				
	2011				
	NHP	NHP II	NHP III	NHP IV	Total
Grant Revenue	\$ 45,007	\$ 151,252	\$ 35,988	\$ 5,692	\$ 237,939
Rental Income	16,242	30,352	41,559	31,401	119,554
Interest and Miscellaneous Income (Expenses)	628 (74,119)	1,136 (159,961)	228 (105,578)	661 (94,646)	2,653 (434,304)
(Deficiency) Excess of Revenues (Under) Over Expenses	<u>\$ (12,242)</u>	<u>\$ 22,779</u>	<u>\$ (27,803)</u>	<u>\$ (56,892)</u>	<u>\$ (74,158)</u>

Affiliate advances from the Corporation to the four New Horizons Properties represent uncollateralized, noninterest-bearing intercompany accounts totaling \$101,124, of which nothing is expected to be paid during the 2011-2012 year. For the year ended June 30, 2011, no payments to the Corporation for affiliate advances were made from the New Horizons Properties.

Note 3 - Deposits and Investments

Deposits

At year-end, the carrying amount of the Corporation's deposits was \$3,872,046 and the bank balances were \$3,899,551. Although most deposits were fully insured by FDIC at year-end, certain accounts of the Corporation exceeded insured limits. The total amount of all uninsured deposits of the Corporation totaled \$9,047. The Corporation does not have a formal investment policy that addresses credit risk.

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 3 - Deposits and Investments (Concluded)

Deposits (Concluded)

The carrying amount of the New Horizons Properties' deposits was \$54,372 and the bank balances were \$56,853. Deposits of the New Horizons Properties are maintained in public depositories and are insured by FDIC up to \$250,000 per financial institution for interest bearing accounts and fully insured for all non-interest bearing accounts.

Money Market Accounts, Certificates of Deposit, and Other Investments

Investments are recorded at fair market value. The carrying amount and fair market value at June 30, 2011, are as follows:

	<u>Meridian Behavioral Healthcare, Inc.</u>	<u>New Horizons Properties</u>
Cash Equivalents, Certificates of Deposit, and Other Investments:		
Ameris Bank, 0.85% Interest	\$ 103,646	\$ 0
Bank of America, 0.30% Interest	135,918	0
Bank of America, 0.55% Interest	103,166	0
Capital City, 0.60% Interest	250,000	0
Columbia Bank, 0.99% Interest	250,000	0
M&S Bank, 0.75% Interest	258,827	0
Mercantile Bank, 0.80% Interest	206,555	0
New Horizons, 0.05% Interest	0	1,904
New Horizons II, 0.05% Interest	0	5,477
New Horizons II, 0.00% Interest	0	652,574
New Horizons III, 0.05% Interest	0	4,151
New Horizons III, 0.05% Interest	0	6,090
New Horizons III, 0.40% Interest	0	70,020
New Horizon IV, 0.05% Interest	0	7,330
New Horizon IV, 0.00% Interest	0	64,030
John Hancock Money Market	317	0
Schwab Money Market	90,920	0
Schwab Haynie Trust Money Market	150	0
New Horizons, 0.40% Interest MMA	0	124,063
New Horizons, 0.00% Interest MMA	0	7,122
New Horizons II, 0.60% Interest MMA	0	91,024
New Horizons IV, 0.004% Interest MMA	0	75,423
Gainesville Community Foundation	412,284	0
Prestige Health Choice, LLC	20,000	0
Florida Premier Health Plan	15,000	0
MHRRG - Class C Stock (150 Shares)	75,000	0
MHRRG - Class D Stock (3 Shares)	<u>1,575</u>	<u>0</u>
Total Cash Equivalents, Certificates of Deposit, and Other Investments	1,923,358	1,109,208
(Endowed Investments)	(372,047)	0
(Funded Reserves)	0	(1,090,346)
(Tenant Security Deposit Portion)	<u>0</u>	<u>(18,862)</u>
Total Current Cash Equivalents, Certificates of Deposit, and Other Investments	<u>\$ 1,551,311</u>	<u>\$ 0</u>

For the year ended June 30, 2011, investment and interest income includes \$58,871 of interest and an unrealized gain of \$74,868 on investments.

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDAIN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

Meridian Behavioral Healthcare, Inc.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 626,535	\$ 0	\$ 0	\$ 626,535
Work in Progress	383,142	152,001	(383,142)	152,001
Total Capital Assets Not Being Depreciated	<u>1,009,677</u>	<u>152,001</u>	<u>(383,142)</u>	<u>778,536</u>
Capital Assets Being Depreciated				
Land Improvements	41,815	0	(9,095)	32,720
Buildings and Improvements	10,500,541	992,206	(226,435)	11,266,312
Computer Software	945,862	242,523	0	1,188,385
Furniture and Equipment	5,339,357	316,622	(3,268,429)	2,387,550
Total Capital Assets Being Depreciated	<u>16,827,575</u>	<u>1,551,351</u>	<u>(3,503,959)</u>	<u>14,874,967</u>
Less Accumulated Depreciation				
Land Improvements	(28,991)	(1,890)	9,095	(21,786)
Buildings and Improvements	(7,649,480)	(493,328)	226,503	(7,916,305)
Furniture and Equipment	(4,187,263)	(508,575)	3,253,655	(1,442,183)
Total Accumulated Depreciation	<u>(11,865,734)</u>	<u>(1,003,793)</u>	<u>3,489,253</u>	<u>(9,380,274)</u>
Total Capital Assets Being Depreciated, Net	<u>4,961,841</u>	<u>547,558</u>	<u>(14,706)</u>	<u>5,494,693</u>
Total Capital Assets, Net	<u>\$ 5,971,518</u>	<u>\$ 699,559</u>	<u>\$ (397,848)</u>	<u>\$ 6,273,229</u>

New Horizons Properties

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 279,636	\$ 0	\$ 0	\$ 279,636
Capital Assets Being Depreciated				
Buildings and Improvements	2,065,572	34,750	0	2,100,322
Furniture and Equipment	75,967	23,188	0	99,155
Total Capital Assets Being Depreciated	<u>2,141,539</u>	<u>57,938</u>	<u>0</u>	<u>2,199,477</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,443,621)	(73,773)	0	(1,517,394)
Furniture and Equipment	(58,340)	(6,765)	0	(65,105)
Total Accumulated Depreciation	<u>(1,501,961)</u>	<u>(80,538)</u>	<u>0</u>	<u>(1,582,499)</u>
Total Capital Assets Being Depreciated, Net	<u>639,578</u>	<u>(22,600)</u>	<u>0</u>	<u>616,978</u>
Total Capital Assets, Net	<u>\$ 919,214</u>	<u>\$ (22,600)</u>	<u>\$ 0</u>	<u>\$ 896,614</u>

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 4 - Capital Assets (Concluded)

Depreciation expense for the year ended June 30, 2011, for the Corporation totaled \$1,003,793 and for the New Horizons Properties totaled \$80,538.

Substantially all property and equipment has been pledged as collateral on long-term debt of the Corporation. See Note 5 for further long-term debt information.

Note 5 - Long-term Debt

A summary of mortgages, bonds, capital leases payable and compensated absences at June 30, 2011, follows:

Meridian Behavioral Healthcare, Inc.					
	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds and Mortgages Payable - Collateralized					
by Real Estate					
Regions Bank Draw, 2008A, Variable					
Interest Rate of 63.7% of LIBOR					
Plus 117 Basis Points	\$ 3,349,024	\$ 0	\$ (134,013)	\$ 3,215,011	\$ 139,694
Unamortized Refunding Loss	(168,047)	0	43,772	(124,275)	0
Regions Bank Draw, 2008B, Variable					
Interest Rate of 63.7% of LIBOR					
Plus 117 Basis Points	2,284,286	0	(334,285)	1,950,001	334,285
Capital Leases Payable - Collateralized by					
Equipment					
U.S. Bank, Payable \$1,090 Per Month					
Including Interest at 12.813%	<u>42,693</u>	<u>0</u>	<u>(8,065)</u>	<u>34,628</u>	<u>9,170</u>
Total Long-term Debt - Meridian Behavioral					
Healthcare, Inc.	<u>\$ 5,507,956</u>	<u>\$ 0</u>	<u>\$ (432,591)</u>	<u>\$ 5,075,365</u>	<u>\$ 483,149</u>

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 5 - Long-term Debt (Continued)

	New Horizons Properties			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Increases	Decreases		
Mortgages Payable - Collateralized by Real Estate					
U.S. Department of H.U.D., Payable \$2,068 Per Month Including Interest at 9.25% for Forty Years	\$ 201,995	\$ 0	\$ (6,803)	\$ 195,192	\$ 6,964
U.S. Department of H.U.D., Payable \$4,766 Per Month Including Interest at 9.25% for Forty Years After Closing	486,208	0	(12,751)	473,457	13,981
U.S. Department of H.U.D., Payable \$2,242 Per Month Including Interest at 8.38% for Forty Years	262,344	0	(5,123)	257,221	5,569
U.S. Department of H.U.D., Capital Advance, Not Payable if Facility is Used for Very Low-income Residents	<u>917,400</u>	<u>0</u>	<u>0</u>	<u>917,400</u>	<u>0</u>
Total Long-term Debt - New Horizons Properties	<u>1,867,947</u>	<u>0</u>	<u>(24,677)</u>	<u>1,843,270</u>	<u>26,514</u>
Total Long-term Debt - Meridian Behavioral Healthcare, Inc. and New Horizons Properties	<u>\$ 8,150,506</u>	<u>\$ 1,215,166</u>	<u>\$ (1,654,138)</u>	<u>\$ 7,711,534</u>	<u>\$ 509,663</u>

The capital advance from the U.S. Department of H.U.D. in the amount of \$917,400 bears no interest and is not required to be repaid as long as the facility is used for low-income residents over a forty-year period. The facility is currently being used in this capacity and it is anticipated it will continue to be over the forty-year period.

Interest costs incurred for the year ended June 30, 2011, on the long-term debt previously described totaled \$201,238 for the Corporation and \$83,858 for the New Horizons Properties (none of which was capitalized).

The Corporation's property under capital leases, which is included in capital assets, consists of the following at June 30, 2011:

Furniture and Equipment	\$ 455,795
(Accumulated Depreciation)	<u>(319,028)</u>
Total	<u>\$ 136,767</u>

Current year amortization of equipment under capital lease is included in depreciation expense.

The Corporation leases equipment under a capital lease expiring in fiscal year 2015. Future minimum rental payments required for all noncancellable leases that have remaining lease terms in excess of one year for leases in effect on June 30, 2011, are included below.

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 5 - Long-term Debt (Concluded)

The following is a summary of principal and interest payments due on the long-term debt previously described (note that the future maturities excluded the \$917,400 capital advance which it is not anticipated to require future cash outflows):

Meridian Behavioral Healthcare, Inc. Debt

Fiscal Year Ending	Principal	Interest	Swap Interest	Total
2012	\$ 483,149	\$ 187,716	\$ (48,228)	\$ 622,637
2013	4,577,174	115,051	(36,171)	4,656,054
2014	11,833	1,247	0	13,080
2015	3,209	69	0	3,278
Total	\$ 5,075,365	\$ 304,083	\$ (84,399)	\$ 5,295,049

New Horizons Properties

Fiscal Year Ending	Principal
2012	\$ 26,605
2013	29,133
2014	31,898
2015	34,915
2016	38,138
2017-2033	765,181
Total	\$ 925,870

Regions Bank Note, 2008A

In February 2008, the Corporation obtained a \$3,600,000 note payable to Regions Bank for the refunding of the Health Facility Revenue Bonds, Series 2003. The refunding resulted in an accounting loss of \$177,534, which is being amortized over the remaining term of the refunded bonds. The note is secured by real estate of the Corporation.

Regions Bank Note, 2008B

In February 2008, the Corporation obtained a \$2,400,000 note payable to Regions Bank to fund capital acquisitions and improvements. The note is secured by real estate of the Corporation.

Debt Covenants

Under the Regions Bank notes, the Corporation has agreed to maintain a debt service coverage ratio equal to or greater than 1.25 and a net funded debt to EBITDA ratio equal to or greater than 2.5 for the preceding twelve-month period, measured quarterly, as defined in the covenants. The Corporation has also agreed to maintain a minimum of \$1,000,000 cash on hand, tested each June 30 and December 31, and may not incur additional debt in excess of an aggregate of \$250,000 without written permission of Regions Bank. As of June 30, 2011, the Corporation is in compliance with these covenants.

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 6 - Derivative Instruments

During the year, the Corporation was party to two interest rate swap agreements.

At June 30, 2011, the Corporation has the following derivative instruments outstanding:

	<u>Notional Amount</u>	<u>Fair Value</u>		<u>Changes in Fair Value</u>	
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>
Cash Flow Hedges					
Pay-fixed Interest Rate Swap	\$ 3,600,000	Debt	\$ (115,675)	Deferred Outflow	\$ 37,815
Pay-fixed Interest Rate Swap	\$ 2,000,000	Debt	\$ (62,132)	Deferred Outflow	\$ 30,608

Derivative Instrument Types

As of June 30, 2011, the interest rate swaps are considered to be hedging derivative instruments and are identified as a cash flow hedge. The Corporation used the synthetic instrument method to evaluate hedge effectiveness. This method evaluates effectiveness by combining the hedgeable item and the potential hedging derivative instrument to simulate a third synthetic instrument. A potential hedging derivative instrument is effective if its total variable cash flows substantially offset the variable cash flows of the hedgeable item, substantially fixing the actual synthetic rate.

Fair Values

Fair values of the interest rate swaps were estimated using the zero-coupon method.

Hedging Derivative Instruments - Objectives and Terms

The objectives and terms of the Corporation's hedging derivative instruments outstanding at June 30, 2011, and counterparty credit ratings are as follows:

<u>Instrument</u>	<u>Derivative Type</u>	<u>Counterparty Credit Rating</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>
1	Pay-fixed Interest Rate Swap	BBB- / Ba2	Hedge Changes in Cash Flows on the 2008A Note	\$ 3,600,000	3/19/2008	3/1/2013	Pay Synthetic Fixed Rate of 3.58% Receive 63.7% of LIBOR
2	Pay-fixed Interest Rate Swap	BBB- / Ba2	Hedge Changes in Cash Flows on the 2008B Note	\$ 2,000,000	3/19/2008	3/1/2013	Pay Synthetic Fixed Rate of 3.96% Receive 63.7% of LIBOR

Derivative Instruments Risks

Interest Rate Risk—The Corporation is exposed to interest rate risk on its swap agreements. On pay-fixed, receive variable interest rate swaps, the Corporation's net payment increases as LIBOR decreases.

Termination Risk—The swaps may be terminated at any time if certain events occur that result in one party not performing in accordance with the agreement. If a swap is terminated, the variable rate notes would no longer carry a synthetic fixed interest rate. Also, if, at the time of termination, the swap has a negative fair value, the Corporation would be liable to the Counterparty for a payment equal to the swap's fair value at that time.

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 7 - Changes in Restricted Deferred Amounts

Balance, Beginning of Year	\$	56,492
Additions:		
Restricted Funds Received or Accrued During the Year		114,415
Deductions:		
Restricted Funds Expended or Earned During the Year		(47,462)
Balance, End of Year	\$	<u>123,445</u>
 Components of Restricted Deferred Amounts		
Fees for Services	\$	114,415
LC Donation		2,082
Eli Lilly		3,467
Other		3,481
Total	\$	<u>123,445</u>

Substantially all state, county, and local contract revenues are restricted in use to mental health and substance abuse programs.

Note 8 - Fees

Fees represent charges for client services. The charges are made to first party payers (the client) and third party payers (insurance companies, state, and local agencies). The Corporation operates as an agent for the client in pursuing the collection of third party payments. A sliding fee schedule is used which discounts the fee based on the client's financial ability to pay.

Note 9 - Pension Plan

The Corporation has adopted a defined contribution pension plan covering all employees. The employer contributes a variable amount of each employee's gross salary based on participation in Social Security taxes. The employer contributes 7.5% of each employee's gross salaries that opt out of Social Security taxes and 1.3% for employees that continue to pay Social Security taxes. Employees vest immediately. Pension expense for 2011 was \$1,103,889.

The Corporation also provides a tax-deferred annuity plan to which employees may contribute. All employees are eligible to participate and vest immediately.

Note 10 - Grants and Service Fees

The Corporation and the New Horizons Properties receive federal and state grants, Medicare, Medicaid, Medicaid capitation, and service fees funds. These funds are subject to compliance audits by the providers or their representatives. The audits of these programs have not yet been accepted/approved by the providers and their representatives. Accordingly, the final determination of compliance with applicable grant requirements and other federal and state programs will be established at a future date. The amount, if any, of billings and expenditures which may be disallowed cannot be determined and, accordingly, no provision for these amounts have been made in the accompanying financial statements.

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)

Note 11 - Risk Management

The Corporation is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Corporation carries insurance. Insurance against losses are provided through various commercial insurers for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Professional Liability
- Real and Personal Property Damage
- Automobile Physical Damage and Liability
- Directors' and Officers' Liability

The Corporation's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the Corporation's experience for this type of risk.

As of June 30, 2011, the Corporation was the defendant to various ongoing litigations. The outcomes and a reasonable estimation of any losses were not determinable.

Note 12 - Contingencies

In August 2010, the Florida Department of Revenue (FDOR) notified North Florida Behavioral Health Partners, Inc., (NFBHP) that a 1.75% premium tax was assessed on all premiums paid by the Agency for Health Care Administration (AHCA) to NFBHP, for the period January 1, 2007 to June 30, 2010. Effective July 2, 2010, based on the FDOR notice, AHCA built the 1.75% tax into the rate paid to NFBHP for the 2010-2011 fiscal year. NFBHP is holding this amount, and a reserve for the prior years' liability, pending clarification of whether the tax for the period January 1, 2007 to June 30, 2010 is, in fact, owed. That total liability was estimated to be \$1,846,294 of which the Corporation's portion would be \$778,526.

As background, in 1997, AHCA began an initiative to provide mental health services for Medicaid recipients in a managed care environment. In order to assure that the providers of the services were appropriately licensed, AHCA and the Florida Legislature settled on a prepaid limited health services model. After obtaining a federal waiver, AHCA entered into a prepaid capitated contract with NFBHP for AHCA Area 3, effective October, 2006. NFBHP is owned in part by North Florida Behavioral Health Network, of which the Corporation is a member, and by Value Options, Inc. The Corporation concurrently entered into a contract with NFBHP to provide these mental health services.

After legislation enabled AHCA to contract with agencies such as NFBHP, the premium tax language of F.S. 636.066, under which NFBHP was licensed by the State, was not recognized in the contracts. The contracted rates between AHCA and NFBHP were actuarially determined and included all costs incurred in administering and delivering the services required. The costs associated with the premium tax were not included as part of the rate calculation.

NOTES TO COMBINING FINANCIAL STATEMENTS
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Concluded)

Note 12 - Contingencies (Concluded)

The 2011 legislative session eliminated the tax for these plans going forward. The 2010-2011 tax was built into the rate, and there is no liability associated with it. The period between January 1, 2007, and June 30, 2010 remains to be resolved, either between AHCA, FDOR and NFBHP or the 2012 legislative session. If the Legislature fails to do so, AHCA and NFBHP will resolve the treatment of the payment of the premium tax liability. Management believes this a possible contingent liability and the probability of payment cannot be determined at this time.

Note 13 - Related Parties

During 2006, the Corporation became a member in the North Florida Behavioral Health Network, Inc. for the purpose of bidding on one or more contracts for the provision behavioral health care services pursuant to the State of Florida in connection with the Florida Medicaid Prepaid Mental Health Plan. North Florida Behavioral Health Network is a 50% shareholder in North Florida Behavioral Health Partners, Inc. which in turn executed the bids and was ultimately awarded the contract under the Florida Medicaid Prepaid Mental Health Plan during the year ended June 30, 2007. The contracts the Agency for Health Care Administration (AHCA) has signed with North Florida Behavioral Health Partners, Inc. provide the rates paid, which are determined by the appropriate AHCA actuaries, and those rates include all costs incurred in administering and delivering the services required. The Corporation as a member of the North Florida Behavioral Health Network, Inc. provided services under the contracts for the prepaid mental health services and fee for services during the years ended June 30, 2011, and 2010, recognizing revenue of \$7,889,461 and \$8,774,278, respectively.

ADDITIONAL INFORMATION

SCHEDULE OF FUNCTIONAL REVENUES

SCHEDULE OF FUNCTIONAL REVENUES

	Case Management	Case Management	Crisis Stabilization	Crisis Stabilization	Crisis Support	Day Treatment / Day Care	Family Crisis Intervention
	AMH	CMH	AMH	CMH	Emergency	ASA	CMH
COST CENTER REVENUE REPORT-ACTUAL							
SECTION I - STATE ADM FUNDING							
STATE-19004 610			\$ 71,093				
STATE-19018 610							
STATE-19M18 610	\$ 104,435						
STATE-19ME4 610			1,285				
STATE-39A18 610 (TANF)							
STATE-CFBAS 610	70,000		2,195,400		\$ 918,878		
STATE-GX018 610							
STATE FUNDS AD/MH (IDP) LINE CREDIT							
STATE-270G5 618						23,583	1,881
STATE-270G7 618							
STATE-27HIV 618							
STATE-27ME5 618							203,651
STATE-27ME7 618							
STATE-27PR6 618							
STATE-27WOM 618							
STATE-39TC0 618 (TANF)							
STATE-ADDEX 618							
STATE-ADTRT 618							
STATE-190C1 435					8,290		178,061
STATE-19C13 435		45,748					
STATE-19M13 435		29,043					
STATE-19ME1 4257				256,390	191,799		131,275
STATE-19ME1 435				79,597	137,847		117,037
STATE-9PRNM 435							
STATE-WO027 435						30,182	
STATE-270G1 420							
STATE-270G3 420							
STATE-27CHV 420							
STATE-27ME1 420							
STATE-27ME3 420						27,435	
STATE-27PR2 420							
STATE-39TC1 420 (TANF)							
Total SECTION I - STATE ADM FUNDING	174,435	74,791	2,267,778	335,987	1,338,014	205,532	426,373
SECTION II - OTHER GOVERNMENT FUNDING							
Total A. OTHER STATE FUNDING	-	-	-	-	-	-	-
Total B. MEDICAID	971,910	600,233	1,732,770	590,789	47,411	5,600	138,799
Total C. LOCAL GOVERNMENT	-	82,958	-	-	24,297	-	-
Total D. IN-KIND (Local Gov't Only)	8,822	8,822	-	-	-	-	-
Total SECTION II - OTHER GOVERNMENT FUNDING	980,732	692,013	1,732,770	590,789	71,708	5,600	138,799
SECTION III - ALL OTHER FUNDING AND REVENUES							
Total A. FIRST AND THIRD PARTY FEES (including Medicare)	(5,736)	-	251,088	128,721	(73,137)	13,095	168
Total B. CONTRIBUTIONS AND DONATIONS	-	-	-	-	-	-	-
C. OTHER							
Choices							
No Wrong Door- Residential							
No Wrong Door- Psychiatric							
WellFlorida EAP							
LIP Grants							
SCHOOL BOARD							
SCHOOL BOARD - RECOVERY CENTER							
DRUG COURT							29,273
DRUG COURT DAY REPORTING							17,115
GOVT - DEPARTMENT OF CORRECTIONS							
GOVT - PARTNERSHIP FFS							
GOVT - PARTNERSHIP TFC							
GOVT - VETERANS HOSPITAL							
GOVT - US Probation Office							
GRANTS - CDBG							
GRANTS - CJMHSAG							
GRANTS - GRACE MKT PLACE							
GRANTS - MIWG							
ELDER FOOD PROGRAM							
GENOA HEALTHCARE							
M V TRANSPORTATION							
PUTNAM BEHAVIORAL HEALTHCARE						19,350	
MEDICAL RECORDS							
FOOD STAMP INCOME							
GROUP HOME FEES							
CAFETERIA REVENUE							
INTEREST INCOME							
MISCELLANEOUS INCOME							
GAIN/(LOSS) ON DISPOSAL							
BACKGROUND REVENUE							
EMPLOYEE WELLNESS							
DIVIDEND/INTEREST INCOME ON INVESTMENTS							
UNREALIZED GAIN (LOSS) ON INVESTMENTS							
Total C. OTHER	-	-	-	-	19,350	46,388	-
Total D. IN-KIND	-	-	-	-	-	-	-
Total SECTION III - ALL OTHER FUNDING AND REVENUES	(5,736)	-	251,088	128,721	(53,787)	59,483	168
Total COST CENTER REVENUE REPORT-ACTUAL	\$ 1,149,431	\$ 766,804	\$ 4,251,636	\$ 1,055,497	\$ 1,355,935	\$ 270,615	\$ 565,340

Intervention	Intervention	Intervention	Intervention	Outpatient	Outpatient	Outpatient	Outpatient	Outpatient Medical	Outpatient Medical	Outpatient Medical	Outpatient Medical
AMH	ASA	CMH	CSA	AMH	ASA	CMH	CSA	AMH	ASA	CMH	CSA
				\$ 8,617							
\$ 54,925				47,276		\$ 29,167		\$ 493,106			
				598,756							
				27,746							
								126,865			
	31,753				76,717			\$ 1,410			
					38,406			2,875			
					38,142						
		10,200								\$ 6,667	
		4,910				117,751				76,635	
						4,870				28,278	
			26,688				(55,794)				\$ 122,738
54,925	31,753	15,110	26,688	682,395	153,265	151,788	(55,794)	619,971	4,285	111,580	122,738
-	-	-	-	-	-	45,000	-	-	-	-	-
-	1,056	98	2,391	723,016	200,394	1,448,959	7,518	1,214,640	27	828,933	-
-	-	-	-	-	-	-	-	20,867	-	-	-
-	-	-	-	8,822	-	8,820	-	17,645	-	-	-
-	1,056	98	2,391	731,838	200,394	1,502,779	7,518	1,253,152	27	828,933	-
411	(2,244)	38	1,032	71,685	30,606	63,056	2,354	220,680	45	64,149	-
-	-	-	-	-	-	-	-	-	-	-	-
				30,074				70,174			
				375				1,471			
						15,525					
					16,260						
					13,846						
						62,726					
185,000											
								7,526			
		210			5,801	(65)					
185,000	-	210	-	30,449	35,907	78,186	-	79,171	-	-	-
-	-	-	-	-	-	-	-	1,116,778	-	-	-
185,411	(2,244)	248	1,032	102,134	66,513	141,242	2,354	1,416,629	45	64,149	-
\$ 240,336	\$ 30,565	\$ 15,456	\$ 30,111	\$ 1,516,367	\$ 420,172	\$ 1,795,809	\$ (45,922)	\$ 3,289,752	\$ 4,357	\$ 1,004,662	\$ 122,738

SCHEDULE OF FUNCTIONAL REVENUES
(Continued)

	Outreach	Outreach	Outreach	Outreach	Prevention	Prevention	R&B w/Supv Residential Level 2
	AMH	ASA	CMH	CSA	ASA	CSA	AMH
COST CENTER REVENUE REPORT-ACTUAL							
SECTION I - STATE ADM FUNDING							
STATE-19004 610							
STATE-19018 610	\$ 35,560						
STATE-19M18 610	266,844						\$ 414,897
STATE-19ME4 610							
STATE-39A18 610 (TANF)	-						
STATE-CFBAS 610							
STATE-GX018 610	117,679						
STATE FUNDS AD/MH (IDP) LINE CREDIT							
STATE-270G5 618							
STATE-270G7 618		\$ 31,121					
STATE-27HIV 618							
STATE-27ME5 618							
STATE-27ME7 618		116,840					
STATE-27PR6 618					\$ 201,699		
STATE-27WOM 618							
STATE-39TC0 618 (TANF)							
STATE-ADDEX 618							
STATE-ADTRT 618							
STATE-190C1 435							
STATE-19C13 435							
STATE-19M13 435							
STATE-19ME1 4257							
STATE-19ME1 435							
STATE-9PRNM 435							
STATE-WO027 435							
STATE-270G1 420							
STATE-270G3 420				\$ 6,639			
STATE-27CHV 420							
STATE-27ME1 420							
STATE-27ME3 420				24,398			
STATE-27PR2 420						35,204	
STATE-39TC1 420 (TANF)							
Total SECTION I - STATE ADM FUNDING	420,083	147,961	\$ -	31,037	201,699	35,204	414,897
SECTION II - OTHER GOVERNMENT FUNDING							
Total A. OTHER STATE FUNDING	-	-	-	-	-	-	-
Total B. MEDICAID	(23)	1,545	16	591	-	-	-
Total C. LOCAL GOVERNMENT	170,344	-	-	-	-	-	354,726
Total D. IN-KIND (Local Gov't Only)	-	-	-	-	-	-	-
Total SECTION II - OTHER GOVERNMENT FUNDING	170,321	1,545	16	591	-	-	354,726
SECTION III - ALL OTHER FUNDING AND REVENUES							
Total A. FIRST AND THIRD PARTY FEES (including Medicare)	194	59	-	42	-	-	-
Total B. CONTRIBUTIONS AND DONATIONS	-	-	-	-	-	-	-
C. OTHER							
Choices							
No Wrong Door- Residential							
No Wrong Door- Psychiatric							
WellFlorida EAP							
LIP Grants							
SCHOOL BOARD							
SCHOOL BOARD - RECOVERY CENTER							
DRUG COURT							
DRUG COURT DAY REPORTING							
GOVT - DEPARTMENT OF CORRECTIONS							
GOVT - PARTNERSHIP FFS							
GOVT - PARTNERSHIP TFC							
GOVT - VETERANS HOSPITAL							
GOVT - US Probation Office							
GRANTS - CDBG							
GRANTS - CJMHSAG							
GRANTS - GRACE MKT PLACE							
GRANTS - MIWG	185,000						
ELDER FOOD PROGRAM							
GENOA HEALTHCARE							
M V TRANSPORTATION							
PUTNAM BEHAVIORAL HEALTHCARE							
MEDICAL RECORDS							
FOOD STAMP INCOME							4,464
GROUP HOME FEES							222,128
CAFETERIA REVENUE							
INTEREST INCOME							
MISCELLANEOUS INCOME							885
GAIN/(LOSS) ON DISPOSAL							
BACKGROUND REVENUE							
EMPLOYEE WELLNESS							
DIVIDEND/INTEREST INCOME ON INVESTMENTS							
UNREALIZED GAIN (LOSS) ON INVESTMENTS							
Total C. OTHER	185,000	-	-	-	-	-	227,477
Total D. IN-KIND	-	-	-	-	-	-	-
Total SECTION III - ALL OTHER FUNDING AND REVENUES	185,194	59	-	42	-	-	227,477
Total COST CENTER REVENUE REPORT-ACTUAL	\$ 775,598	\$ 149,565	\$ 16	\$ 31,670	\$ 201,699	\$ 35,204	\$ 997,100

Residential Detox	Residential Level 2	Residential Level 2	Respite Care	Supported Employment		Therapeutic		Non-ADM	Other Support		Total
ASA/CSA	ASA	CSA	CMH	AMH	TANF	Foster Care	Non-DCF	NHP	General	Administration	
									\$ -		\$ 79,710
	\$ 371,743			\$ 103,359							82,836
											2,437,231
					\$ 165,794						1,285
											165,794
											3,184,278
											145,425
\$ 424,632											126,865
	377,909										424,632
	63,797										512,621
196,657											136,831
	72,883										196,657
											431,516
	596,872										201,699
							207,056				596,872
56,595											207,056
	5,526										56,595
											5,526
											186,351
			\$ 52,703								62,615
											281,042
											579,464
											334,481
											33,148
											30,182
6,569											6,569
		\$ 111,339									117,978
		5,185									5,185
13,278											13,278
		878,077									1,023,543
											35,204
					27,590						27,590
697,731	1,488,730	994,601	52,703	103,359	400,440	-	-	-	-	-	11,730,059
											85,551
											12,814,309
281,577	275,615			71		156,394	4,141,175				1,268,030
							57,644				52,931
281,577	275,615			71		156,394	4,284,370				14,265,821
102,909	167,326						(26,345)	172,384			1,182,581
									295	103,874	104,169
											100,248
	225,000										225,000
											1,471
											375
							1,320				1,320
											15,525
		119,045									119,045
											45,533
											17,115
											13,846
											62,726
							4,846				4,846
	222,750										222,750
	2,850										2,850
				5,244							5,244
											600,387
											108,010
											370,000
									28,023		28,023
											7,526
									35,445		35,445
									1,050		20,400
									32,533		32,533
	49,070										53,534
											222,128
									13,179		13,179
										15,539	15,539
							825	113,749	230,530	29,772	381,707
									(8,200)	9,908	1,708
										718	718
										3,858	3,858
										58,791	58,791
										64,055	64,055
	499,670	119,045		5,244		4,846	710,542	113,749	332,560	182,641	2,855,435
										56,419	1,173,197
102,909	666,996	119,045		5,244		(21,499)	882,926	113,749	332,855	342,934	5,315,382
\$ 1,082,217	\$ 2,431,341	\$ 1,113,646	\$ 52,703	\$ 108,674	\$ 400,440	\$ 134,895	\$ 5,167,296	\$ 113,749	\$ 332,855	\$ 342,934	\$ 31,311,262

SCHEDULE OF FUNCTIONAL EXPENSES

SCHEDULE OF FUNCTIONAL EXPENSES

	Case Management AMH	Case Management CMH	Crisis Stabilization AMH	Crisis Stabilization CMH	Crisis Support Emergency	Day Treatment / Day Care ASA
COST CENTER EXPENSE REPORT - ACTUAL						
SECTION I - PERSONNEL SERVICES						
Total A. SALARIES	\$ 576,210	\$ 316,386	\$ 2,916,251	\$ 357,395	\$ 851,993	\$ 118,504
Total B. FRINGE	114,074	63,486	408,872	76,840	121,211	21,439
Total SECTION I - PERSONNEL SERVICES	690,284	379,872	3,325,123	434,235	973,204	139,943
SECTION II - EXPENSES						
Total A. BUILDING OCCUPANCY	-	-	-	-	-	-
Total B. PROFESSIONAL SERVICES	-	-	-	-	-	-
Total C. TRAVEL	31,607	17,677	12,491	-	19,061	1,511
Total D. EQUIPMENT COSTS	-	-	8,647	-	-	-
Total E. FOOD SERVICES	-	-	413	-	-	-
Total F. MEDICAL & PHARMACY SUPPLIES	-	-	151,997	32,564	-	7,659
Total G. SUBCONTRACTED SERVICES	-	-	1,829	225	-	-
Total H. INSURANCE	-	-	-	-	-	-
Total I. INTEREST	-	-	-	-	-	-
Total J. OPERATING SUPPLIES	19,439	85	62,180	94	-	-
Total K. OTHER	-	-	382	-	650	-
Total L. DONATED ITEMS	-	-	-	-	-	-
Total SECTION II - EXPENSES	51,046	17,762	237,939	32,883	19,711	9,170
TOTAL PERSONNEL AND EXPENSES	741,330	397,634	3,563,062	467,118	992,915	149,113
SECTION III - DISTRIBUTED COSTS						
Total A. DEPARTMENT SUPPORT	57,094	33,875	110,351	24,156	182,939	19,191
Total B. FACILITIES	120,931	70,509	263,444	57,658	67,885	20,057
Total C. CLINICAL SUPPORT / MEDICAL RECORDS	102,195	48,726	226,676	39,888	88,123	14,692
Total D. TRANSPORTATION	10,754	10,529	-	-	31,889	-
Total E. FOOD SERVICES - ALLOCATION	-	-	200,952	32,996	-	18,938
Total F. MEDICAL ANCILLARY - ALLOCATION	-	-	32,569	5,689	-	-
Total G. PROFESSIONAL LIABILITY INSURANCE	16,374	10,128	50,153	10,834	15,499	3,214
Total H. INFORMATION TECHNOLOGY	27,659	95,482	25,063	2,926	58,786	-
Total I. STAFFING	-	-	85,419	17,783	-	-
Total J. TRAINING	7,351	4,406	17,217	3,549	6,871	1,409
AREA TOTAL EXPENSES	1,083,688	671,289	4,574,906	662,597	1,444,907	226,614
SECTION IV - ADMINISTRATION ALLOCATION						
Total A. ADMINISTRATION	186,107	114,227	568,966	122,172	175,646	36,364
Total COST CENTER EXPENSE REPORT - ACTUAL	\$ 1,269,795	\$ 785,516	\$ 5,143,872	\$ 784,769	\$ 1,620,553	\$ 262,978

	Family Crisis Intervention		Intervention			Outpatient		Outpatient		Outpatient Medical	Outreach
	CMH	AMH	ASA	CMH	CSA	AMH	ASA	CMH	CSA	AMH	AMH
\$	193,018	\$ 78,815	\$ 19,233	\$ 39,419	\$ 24,230	\$ 905,301	\$ 140,511	\$ 1,001,593	\$ 22,607	\$ 2,183,673	\$ 245,211
	35,972	29,313	6,960	5,537	4,834	117,051	18,995	140,170	4,607	170,762	44,180
	228,990	108,128	26,193	44,956	29,064	1,022,352	159,506	1,141,763	27,214	2,354,435	289,391
	-	-	-	-	-	-	-	-	-	165	-
	-	-	-	-	-	5,200	-	1,000	-	7,658	-
	7,820	-	982	716	-	79,471	645	31,288	-	26,938	6,882
	-	2,710	-	-	-	1,103	432	-	-	1,500	184
	-	-	276	-	-	170	84	100	-	3,006	-
	-	185	-	-	-	32,924	24,335	8,891	-	128,215	1,863
	-	-	-	-	-	250	-	8,200	-	1,997	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	1,924	13,924	39	-	-	1,782	30	18,147	-	1,036	161,783
	-	-	-	-	-	-	-	-	-	4,043	287
	-	-	-	-	-	-	-	-	-	1,116,778	-
	9,744	16,819	1,297	716	-	120,900	25,526	67,626	-	1,291,336	170,999
	238,734	124,947	27,490	45,672	29,064	1,143,252	185,032	1,209,389	27,214	3,645,771	460,390
	32,985	21,110	6,100	5,489	5,489	114,697	19,577	141,530	1,874	-	78,470
	13,624	39,373	-	-	-	56,495	37,916	230,387	-	198,956	26,305
	27,374	16,468	4,492	4,107	4,107	138,992	14,567	106,848	1,082	57,382	110,170
	-	8,672	-	-	-	-	-	-	-	-	23,217
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	63,764	-
	6,292	1,279	874	677	726	17,981	4,697	23,162	1,031	47,619	6,478
	19,650	11,039	3,796	3,369	1,123	41,491	2,859	115,132	1,123	106,438	47,220
	-	-	-	-	-	-	-	-	-	-	-
	2,138	1,174	395	361	361	8,851	1,282	9,818	237	4,479	3,456
	340,797	224,062	43,147	59,675	40,870	1,521,759	265,930	1,836,266	32,561	4,124,409	755,706
	71,300	14,728	9,860	7,636	8,189	205,620	52,967	261,222	11,628	539,644	72,928
\$	412,097	\$ 238,790	\$ 53,007	\$ 67,311	\$ 49,059	\$ 1,727,379	\$ 318,897	\$ 2,097,488	\$ 44,189	\$ 4,664,053	\$ 828,635

SCHEDULE OF FUNCTIONAL EXPENSES
(Concluded)

	Outreach ASA	Outreach CSA	Prevention ASA	Prevention CSA	R&B w/Supv Residential Level 2 AMH	Residential Detox ASA
COST CENTER EXPENSE REPORT - ACTUAL						
SECTION I - PERSONNEL SERVICES						
Total A. SALARIES	\$ 46,369	\$ 64,469	\$ 85,602	\$ -	\$ 414,515	\$ 521,976
Total B. FRINGE	14,914	9,263	16,384	-	53,753	84,472
Total SECTION I - PERSONNEL SERVICES	61,283	73,732	101,986	-	468,268	606,448
SECTION II - EXPENSES						
Total A. BUILDING OCCUPANCY	-	-	-	-	771	-
Total B. PROFESSIONAL SERVICES	-	-	-	-	-	-
Total C. TRAVEL	7,274	3,811	5,834	-	1,044	920
Total D. EQUIPMENT COSTS	-	-	-	-	2,768	2,956
Total E. FOOD SERVICES	-	-	-	-	32,407	-
Total F. MEDICAL & PHARMACY SUPPLIES	-	-	-	-	15,467	16,432
Total G. SUBCONTRACTED SERVICES	-	-	1,167	-	2,050	1,722
Total H. INSURANCE	-	-	-	-	-	-
Total I. INTEREST	-	-	-	-	-	-
Total J. OPERATING SUPPLIES	9,791	10,262	313	-	13,310	465
Total K. OTHER	-	-	15	-	547	384
Total L. DONATED ITEMS	-	-	-	-	-	-
Total SECTION II - EXPENSES	17,065	14,073	7,329	-	68,364	22,879
TOTAL PERSONNEL AND EXPENSES	78,348	87,805	109,315	-	536,632	629,327
SECTION III - DISTRIBUTED COSTS						
Total A. DEPARTMENT SUPPORT	12,758	5,489	16,359	-	72,815	24,278
Total B. FACILITIES	22,077	7,752	5,637	-	22,550	215,164
Total C. CLINICAL SUPPORT / MEDICAL RECORDS	10,951	4,107	13,614	-	60,310	48,160
Total D. TRANSPORTATION	-	-	-	-	21,282	-
Total E. FOOD SERVICES - ALLOCATION	-	-	-	-	97,429	84,022
Total F. MEDICAL ANCILLARY - ALLOCATION	-	-	-	-	-	12,751
Total G. PROFESSIONAL LIABILITY INSURANCE	2,144	823	2,821	-	10,260	11,316
Total H. INFORMATION TECHNOLOGY	(2,603)	3,369	11,135	-	11,135	2,785
Total I. STAFFING	-	-	-	-	23,342	18,622
Total J. TRAINING	690	361	1,052	-	4,700	3,749
AREA TOTAL EXPENSES	124,365	109,706	159,933	-	860,455	1,050,174
SECTION IV - ADMINISTRATION ALLOCATION						
Total A. ADMINISTRATION	24,303	9,280	31,974	-	116,277	128,239
Total COST CENTER EXPENSE REPORT - ACTUAL	\$ 148,668	\$ 118,986	\$ 191,907	\$ -	\$ 976,732	\$ 1,178,413

Residential Level 2 ASA	Residential Level 2 CSA	Respite Care CMH	Supported Employment AMH	TASC ASA	Therapeutic Foster Care	Non-DCF	Other Support General	Information Technology	Administration	Total
\$ 792,190	\$ 314,314	\$ -	\$ 123,723	\$ 25,750	\$ 84,030	\$ 1,150,135	\$ 2,835,762	\$ 431,680	\$ 2,223,874	\$ 19,104,739
122,396	57,855	-	16,028	2,600	18,799	179,347	478,606	71,148	347,530	2,857,398
914,586	372,169	-	139,751	28,350	102,829	1,329,482	3,314,368	502,828	2,571,404	21,962,137
66	4,755	-	-	-	-	52,122	1,543,981	7,855	-	1,609,715
-	-	-	-	-	-	45,070	12,000	11,545	298,189	380,662
3,748	7,165	-	114	-	10,081	22,309	184,571	19,264	90,993	594,217
8,472	7,111	-	-	-	-	(749)	299,023	332,649	29,305	696,111
2,798	519	-	-	-	571	673	603,476	60	5,403	649,956
29,216	804	-	-	-	-	85,827	5,200	-	7,256	548,835
1,325	-	-	-	-	134,078	1,589	14,709	224,455	12,774	406,370
-	-	-	-	-	-	132	622,659	-	23,184	645,975
-	-	-	-	-	-	-	-	-	256,897	256,897
33,929	6,140	-	-	-	1,181	43,027	478,532	488,667	222,049	1,588,129
964	-	-	-	-	27	2,164	76,050	404	84,630	170,547
-	-	-	-	-	-	-	52,931	-	56,619	1,226,328
80,518	26,494	-	114	-	145,938	252,164	3,893,132	1,084,899	1,087,299	8,773,742
995,104	398,663	-	139,865	28,350	248,767	1,581,646	7,207,500	1,587,727	3,658,703	30,735,879
-	-	-	-	-	-	-	-	-	-	-
149,199	57,971	-	5,744	-	19,115	173,642	(1,392,297)	-	-	-
519,968	61,309	-	11,921	-	12,919	266,117	(2,348,960)	-	-	-
123,935	47,865	-	8,214	-	15,809	124,980	(1,463,836)	-	-	-
53,138	21,248	-	-	-	21,248	21,248	(233,660)	10,437	-	-
232,967	90,390	-	-	-	-	94,687	(852,380)	-	-	-
12,752	-	-	-	-	-	-	(127,526)	-	-	-
28,085	9,416	351	1,476	-	2,323	52,001	(338,030)	-	-	-
50,435	53,218	-	7,081	-	-	151,289	301,962	(1,309,967)	157,007	-
46,957	18,538	-	-	-	-	-	(210,661)	-	-	-
9,449	3,732	-	712	-	1,238	15,444	(133,022)	3,507	15,032	-
2,221,989	762,350	351	175,013	28,350	321,419	2,481,054	409,090.50	291,704	3,830,742	30,735,879
318,325	106,701	3,956	16,651	-	26,364	589,465	-	-	(3,830,742)	-
\$ 2,540,314	\$ 869,051	\$ 4,307	\$ 191,664	\$ 28,350	\$ 347,783	\$ 3,070,519	\$ 409,091	\$ 291,704	\$ (172,039)	\$ 30,735,879

**SCHEDULE OF STATE EARNINGS FOR ALCOHOL, DRUG ABUSE,
AND MENTAL HEALTH SERVICES - DISTRICT 3**

**SCHEDULE OF STATE EARNINGS FOR ALCOHOL, DRUG ABUSE, AND
MENTAL HEALTH SERVICES - DISTRICT 3
FOR THE YEAR ENDED JUNE 30, 2011
MERIDIAN BEHAVIORAL HEALTHCARE, INC. - GAINESVILLE, FLORIDA**

A		B	C		D
Cost Center	Program	Total Units	State Rate		Earnings
1 Aftercare	ASA	0.00	\$	52.91	\$ 0
2 Aftercare	CSA	0.00		52.91	0
3 Assessment	AMH	0.00		82.11	0
4 Assessment	ASA	0.00		82.11	0
5 Assessment	CMH	0.00		82.11	0
6 Case Management	AMH	6,276.83		54.27	340,644
7 Case Management	ASA	0.00		54.27	0
8 Case Management	CMH	2,471.45		54.27	134,126
9 Case Management	CSA	0.00		54.27	0
10 Crisis Stabilization	AMH *	7,362.95		342.43	2,521,295
11 Crisis Stabilization	CMH *	1,214.81		342.43	415,987
12 Crisis Support Emergency	AMH *	23,511.33		30.18	709,572
13 Crisis Support Emergency	ASA *	781.41		30.18	23,583
14 Crisis Support Emergency	CMH *	23,674.32		30.18	714,491
15 Crisis Support Emergency	CSA *	909.05		30.18	27,435
16 Day Care	AMH	374.00		30.30	11,332
17 Day Care	ASA	595.00		30.30	18,029
18 Day-Night	AMH	0.00		71.48	0
19 Day-Night	ASA	4,466.00		71.48	319,230
20 Day-Night	CMH	0.00		71.48	0
21 Day-Night	CSA	0.00		71.48	0
22 In-Home/On-Site	CMH	0.00		71.48	0
23 In-Home/On-Site	CSA	0.00		71.48	0
24 Intervention	AMH	4,316.09		49.81	214,984
25 Intervention	ASA	558.43		49.81	27,815
26 Intervention	CMH	9.83		49.81	490
27 Intervention	CSA	511.79		49.81	25,492
28 OTP Outpatient	ASA	4,372.00		51.66	225,858
29 Outpatient	AMH	33,138.82		74.19	2,458,569
30 Outpatient	ASA	10,640.64		74.19	789,429
31 Outpatient	CMH	5,444.72		74.19	403,944
32 Outpatient	CSA	195.90		74.19	14,534
33 Outpatient Medical	AMH	4,867.94		406.50	1,978,818
34 Outpatient Medical	ASA	0.00		406.50	0
35 Outpatient Medical	CMH	775.10		406.50	315,078
36 Outpatient Medical	CSA	0.00		406.50	0
37 Outreach	AMH	9,887.85		43.20	427,155
38 Outreach	ASA	2,866.03		43.20	123,812
39 Outreach	CMH	949.52		43.20	41,019
40 Outreach	CSA	612.66		43.20	26,467
41 Peer Counseling	AMH	0.00		20.00	0
42 Prevention	ASA	4,623.42		43.20	199,732
43 Prevention	CSA	944.17		43.20	40,788
44 Rehab Services	AMH	0.00		60.60	0
45 Rehab Services	ASA	0.00		60.60	0

**SCHEDULE OF STATE EARNINGS FOR ALCOHOL, DRUG ABUSE, AND
MENTAL HEALTH SERVICES - DISTRICT 3
FOR THE YEAR ENDED JUNE 30, 2011
MERIDIAN BEHAVIORAL HEALTHCARE, INC. - GAINESVILLE, FLORIDA
(Concluded)**

A	B	C	D
<u>Cost Center</u>	<u>Program</u>	<u>Total Units</u>	<u>State Rate</u>
46 Rehab Services	CMH	0.00	\$ 60.60
47 Respite Services	CMH	4,488.00	12.76
48 Residential Detox	ASA *	2,237.61	302.95
49 Residential Detox	CSA *	65.51	302.95
50 Residential Level 2 w/sup	AMH	9,711.00	102.81
51 Residential Level 2	ASA	9,820.00	224.49
52 Residential Level 2 w/sup	CMH	0.00	102.81
53 Residential Level 2	CSA	4,811.00	224.49
54 Residential Level 2-Dual Diag	AMH	2,776.00	224.49
55 Residential Level 3	CMH	1,550.00	94.21
56 Residential Level 4	AMH	16,002.00	6.09
57 Supported Employment	AMH	1,905.92	51.99
58 TASC	ASA	0.00	59.52
			Subtotal
			Unallowable Costs
E. Total Estimated Earnings			18,553,358
F. Federal Funds			0
G. Medicaid			(2,030,197)
H. Other State			(45,000)
I. Net Allowable			<u>\$ 16,478,161</u>
J. State ADM Funds			\$ 11,613,018
K. Required Local Match			2,694,235
L. Percent			18.83%
M. Total Allowable State Earnings			<u>\$ 13,375,116</u>
N. Amount of ADM Funds Paid/Received			\$ 11,601,295
O. Total Allowable State Earnings			(13,375,116)
P. Amount Owed to State/(Uncompensated Care)			<u>\$ (1,773,821)</u>

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
OMB CIRCULAR A-133, *SINGLE AUDIT REQUIREMENTS*
AND CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA**

	<u>CFDA/ CFSA Number</u>	<u>Grant/ Contract Number</u>	<u>Expenditures</u>
Federal Awards			
U.S. Department of Health and Human Services			
Indirect Programs:			
Passed Through Florida Department of Children and Families:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150 *	CH800	\$ 145,425
Temporary Assistance for Needy Families (TANF)	93.558 *	CH800	391,958
Block Grants for Community Mental Health Services	93.958 *	CH800	411,512
Block Grants for Prevention and Treatment of Substance Abuse	93.959 *	CH800	2,039,652
Children's Health Insurance Program (CHIP)	93.767	CH808	<u>45,000</u>
Total U.S. Department of Health and Human Services			<u>3,033,547</u>
U.S Department of Housing and Urban Development			
Indirect Programs:			
Passed Through City of Gainesville, Florida:			
Community Development Block Grant (CDBG)	14.218	B-06-MC12-0007	5,244
Supportive Housing	14.235	FL0110BH080802	<u>85,551</u>
Total U.S. Department of Housing and Urban Development			<u>90,795</u>
U.S Department of Agriculture Food and Nutrition Service			
Indirect Programs:			
Passed Through Florida Department of Elder Affairs:			
Child and Adult Care Food Program	10.558	Y1109	<u>32,729</u>
Total U.S. Department of Agriculture Food and Nutrition Service			<u>32,729</u>
U.S Department of Justice			
Indirect Programs:			
Passed Through Alachua County:			
Congressionally Recommended Awards	16.753	224-3690	<u>225,000</u>
Total U.S. Department of Justice			<u>225,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,382,071</u></u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Concluded)**

	<u>CFDA/ CFSA Number</u>		<u>Grant/ Contract Number</u>	<u>Expenditures</u>
State Financial Assistance				
Florida Department of Children and Families				
Direct Projects:				
Children's Baker Act Services	60.001	*	CH800	\$ 579,464
Baker Act	60.006	*	CH800	2,120,701
Substance Abuse Detoxification Services for Children	60.028	*	CH800	13,278
Substance Abuse Treatment and Aftercare Services for Children	60.030	*	CH800	1,022,393
Substance Abuse Detoxification Services for Adults	60.031	*	CH800	196,657
Substance Abuse Treatment and Aftercare Services for Adults	60.033	*	CH800	431,031
Indigent Psychiatric Outpatient Services	60.039	*	CH800	25,812
Children's Mental Health SIPP RTC Non-Medicaid Eligible	60.048	*	CH800	33,148
Adult Community Mental Health Community Support Services	60.053	*	CH800	2,409,419
Adult Community Mental Health Emergency Stabilization	60.054	*	CH800	994,862
Children's Mental Health Community Support Services	60.055	*	CH800	281,142
Children's Mental Health Emergency Stabilization	60.057	*	CH800	334,481
Community Forensic Beds	60.114	*	CH800	70,000
Indirect Projects:				
Passed Through Alachua County:				
Public Safety, Mental Health, and Substance Abuse				
Local Matching Grant	60.115		064-3611	499,500
Public Safety, Mental Health, and Substance Abuse				
Local Matching Grant	60.115		213-3611	99,287
Subtotal Expenditures - 60.115				<u>598,787</u>
Total Florida Department of Children and Families				<u>9,111,175</u>
Total Expenditures of State Financial Assistance				<u>\$ 9,111,175</u>

* These programs are part of Meridian Behavior Healthcare, Inc.'s primary funding contract.

The above schedule of federal awards and state financial assistance was prepared using the accrual basis of accounting. The above schedule does not include state matching funds provided for federal programs. Also, the above schedule does not include state funds not identified by a CSFA number.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
 FEDERAL PROGRAMS AND STATE PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2011
 MERIDIAN BEHAVIORAL HEALTHCARE, INC.
 GAINESVILLE, FLORIDA**

I. Summary of Audit Results

Financial Statements

A. Type of Audit Report Issued on Financial Statements

Unqualified Opinion

B. Significant Deficiencies in Internal Control

Audit identified a significant deficiency in internal control not considered a material weakness. See Financial Statement Finding No. 2011-1 reported in Section II of this schedule.

C. Noncompliance Material to Auditee Financial Statements

Audit disclosed no material instances of noncompliance.

Federal Awards and State Financial Assistance

A. Significant Deficiencies and/or Material Weaknesses in Internal Control Over Major Federal Programs and State Projects

Audit disclosed no instances of significant deficiencies in internal control over major Federal programs and State projects or significant deficiencies which were material weaknesses in internal control over major Federal programs and State projects that are required to be reported in the schedule of findings and questioned costs.

B. Type of Audit Report Issued on Compliance with Requirements Applicable to Major Federal Programs and State Projects

Unqualified Opinion

C. Audit Findings Relative to Section .510(a) of OMB Circular A-133 and Chapter 10.656, Rules of the Auditor General

The audit disclosed no findings required to be reported under Section .510(a) of OMB Circular A-133 and Chapter 10.656, *Rules of the Auditor General*.

D. The Programs/Projects Tested as Major Programs/Projects Include the Following:

<u>Federal Program</u>	<u>Federal CFDA No.</u>
Temporary Assistance for Needy Families	93.558
Block Grants for Community Mental Health Services	93.958
Block Grants for Prevention and Treatment of Substance Abuse	93.959

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2011
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Continued)**

I. Summary of Audit Results (Concluded)

**D. The Programs/Projects Tested as Major Programs/Projects Include the Following:
(Concluded)**

State Project	State CSFA No.
Baker Act	60.006
Adult Community Mental Health - Community Support Services	60.053
Children’s Mental Health Community Support Services	60.055
Public Safety, Mental Health, and Substance Abuse Local Matching Grant	60.115

E. The Threshold for Distinguishing Type A and Type B Programs/Projects was \$300,000 for Major Federal Programs and \$300,000 for Major State Projects.

F. The Auditee was Determined to be a Low-risk Auditee Pursuant to OMB Circular A-133. This Does Not Apply to State Projects.

II. Findings Related to the Financial Statements Required to be Reported Under Generally Accepted Government Auditing Standards (GAGAS)

Financial Statement Finding No. 2011-1, Significant Deficiency

Client Medical Records

Condition—During the audit, a sample of medical records was reviewed to determine if the required information, per the policies of the Corporation, was included. It was noted during our review that a significant number of the sampled medical records were missing required documentation of insurance information and or fee agreements.

Effect—The lack of documentation for insurance information and fee agreements could lead to increased errors in billing causing rejection of payment or a reimbursement of collections to the payers.

Recommendation—We recommend that required documents be clearly communicated to all responsible individuals and that a notation is documented for any missing items and an explanation of how this information was verified.

III. Findings and Questioned Costs for Major Federal Programs Required to be Reported Under Section .510(a) of OMB Circular A-133

The audit disclosed no findings which are required to be reported under Section .510(a) of OMB Circular A-133.

IV. Findings and Questioned Costs for Major State Projects Under Chapter 10.656, Rules of the Auditor General

The audit disclosed no findings which are required to be reported under Chapter 10.656, Rules of the Auditor General.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2011
MERIDIAN BEHAVIORAL HEALTHCARE, INC.
GAINESVILLE, FLORIDA
(Concluded)**

V. **Management Letter**

No management letter was issued because there were no items related to major State projects required to be reported in the management letter.

VI. **Status of Prior Audit Findings**

There were no prior year findings included in the schedule of findings and questioned costs required to be reported under Section .510 (a) of OMB Circular A-133 or Chapter 10.650, *Rules of the Auditor General*.

VII. **Corrective Action Plan for Current Year Audit Findings**

No Corrective Plan is required because there were no findings required to be reported under the Federal or Florida *Single Audit Acts*.

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND 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
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

Compliance

We have audited the compliance of Meridian Behavioral Healthcare, Inc. (the Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the compliance requirements described in the Department of Financial Services' State Projects, *Compliance Supplement*, that could have a direct and material effect on each of the Corporation's major Federal programs and State projects for the year ended June 30, 2011. The Corporation's major Federal programs and State projects are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and State projects is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit. The Corporation's basic financial statements include the operations of the New Horizons Properties which received Federal awards which is not included in the schedule during the year June 30, 2011. Our audit, described below, did not include the operations of the New Horizons because those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the New Horizons Properties, is based solely on the reports of the other auditors.

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

In our opinion, the Corporation complied, in all material respects, with the 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.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

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

Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered the Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program or State project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a Federal program or State project that will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 audit committee, management, Board of Directors, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 20, 2011
Gainesville, Florida

**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
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

We have audited the combining financial statements of Meridian Behavioral Healthcare, Inc. (the Corporation), as of and for the year ended June 30, 2011, and have issued our report thereon dated October 20, 2011. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the New Horizons Properties, as described in our report on the Corporation's combining financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 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 the 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 that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, as Financial Statement Finding No. 2011-1, which we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Board of Directors
Meridian Behavioral Healthcare, Inc.
Gainesville, Florida

**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*
(*Concluded*)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 audit committee, management, Board of Directors, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

October 20, 2011
Gainesville, Florida