

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.

PUNTA GORDA, FLORIDA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2012

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of **Charlotte Behavioral Health Care, Inc.** (a non-profit organization) as of **June 30, 2012**, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Charlotte Behavioral Health Care, Inc.**, as of **June 30, 2012**, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 13, 2012 on our consideration of **Charlotte Behavioral Health Care, Inc.'s** internal control over financial reporting and our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **Charlotte Behavioral Health Care, Inc.** taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as listed in the table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and Chapter 10.650 Rules of the Auditor General of the State of Florida and the Florida Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



DEES & DEES, C.P.A.'s, P.A.
Port Charlotte, Florida
December 13, 2012

COMPLIANCE AND INTERNAL CONTROL

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

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

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

We have audited the financial statements of **Charlotte Behavioral Health Care, Inc.** (a non-profit organization) as of and for the year ended **June 30, 2012**, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. .

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

Board of Directors
Charlotte Behavioral Health Care, Inc.
December 13, 2012
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Compliance and Other Matters

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

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



DEES & DEES, C.P.A.'s, P.A.
Port Charlotte, Florida
December 13, 2012

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

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

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

Compliance

We have audited the compliance of **Charlotte Behavioral Health Care, Inc.** (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended **June 30, 2012**. **Charlotte Behavioral Health Care, Inc.**'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of **Charlotte Behavioral Health Care, Inc.**'s management. Our responsibility is to express an opinion on **Charlotte Behavioral Health Care, Inc.**'s compliance based on our audit.

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

In our opinion, **Charlotte Behavioral Health Care, Inc.** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended **June 30, 2012**.

Internal Control over Compliance

The management of **Charlotte Behavioral Health Care, Inc.** 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 **Charlotte Behavioral Health Care, Inc.**'s internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB 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 of the effectiveness of the Organization's internal control over compliance.

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

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

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



DEES & DEES, C.P.A.'s, P.A.
Port Charlotte, Florida
December 13, 2012

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS
FOR YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over Financial Reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards and State Financial Assistance

Internal control over major federal programs and state projects:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major federal programs and state projects: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 or Chapter 10.654 (1)(h)4, Rules of the Auditor General? yes no

Identification of major programs/projects:

CFDA Numbers

93.959
93.767

Name of Federal Program or Cluster

Block Grants for Prevention and Treatment of Substance Abuse
State Children's Insurance Program

CSFA Numbers

60.031
60.054
60.053

Name of Federal State Project

Substance Abuse Detoxification Services for Adults
Adult Community Mental Health – Emergency Stabilization
Adult Community Mental Health Community Support Services

Dollar threshold used to distinguish between Type A or Type B programs/projects was:

Major Federal Program \$300,000
Major State Project \$300,000

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133? yes no

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE PROJECTS (CONT.)
FOR YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings

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

Section III - Findings and Questioned Costs – Major Federal Programs

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

There were no matters reported in the prior year Schedule of Findings and Questioned Costs required to be reported related to Federal programs under section 510(a) of OMB Circular A-133.

Section IV - Findings and Questioned Costs – Major State Projects

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

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

Section V – Other Issues

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

FINANCIAL STATEMENTS

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

Current Assets:

Cash	\$2,896,275	
Investments	517,755	
Accounts receivable, net	558,309	
Prepaid expenses	<u>232,453</u>	
 Total Current Assets		 \$4,204,792

Property and Equipment:

Land	514,287	
Furniture and fixtures	533,353	
Buildings	<u>5,687,127</u>	
	6,734,767	
Less accumulated depreciation	<u>(3,008,952)</u>	
 Net Property and Equipment		 3,725,815

Other Assets:

Board Designated Cash –		
Catastrophic Fund (Note 4)	500,000	
Capital Fund (Note 4)	<u>544,590</u>	
 Total Other Assets		 <u>1,044,590</u>

TOTAL ASSETS **\$8,975,197**

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 75,302	
Accrued expenses	398,498	
Accrued value options (Note 10)	187,689	
Deferred revenue	<u>8,323</u>	
 Total Current Liabilities		 <u>\$ 669,812</u>
 Total Liabilities		 669,812

Net Assets:

Unrestricted

Undesignated	7,260,795	
Board Designated – Catastrophic (Note 4)	500,000	
Board Designated – Capital (Note 4)	<u>544,590</u>	
 Total Unrestricted Net Assets		 <u>8,305,385</u>

TOTAL LIABILITIES AND NET ASSETS **\$8,975,197**

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2012

Unrestricted Net Assets:

Support:

Donations	\$ 29,761	
Total Unrestricted Support		\$ 29,761

Revenue:

Fees for service	2,754,227	
Interest	4,492	
Miscellaneous	<u>9,296</u>	
Total Unrestricted Revenue		2,768,015

Net Assets Released from Restrictions:

Charlotte County Board of Commissioners	1,435,140	
State of Florida, SAMH	5,568,931	
Other contract services	806,925	
State of Florida – Non-contract	<u>71,187</u>	
Total Net Assets Released From Restrictions		<u>7,882,183</u>

Total Unrestricted Support and Revenue and Reclassifications		10,679,959
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Expenses:

Cost Centers:

C.S.U.	3,282,917	
Mobile Crisis	102,383	
Outpatient	3,379,969	
Case Management	357,719	
Sub Abuse Detox	1,172,023	
Sub Abuse Res. Level I	312,017	
Adult MH Res. Level IV	946,035	
Diversion Programs	310,226	
Non-SAMH Programs	<u>343,707</u>	

Total Expenses		<u>10,206,996</u>
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Increase (Decrease) in Unrestricted Net Assets		472,963
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CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
STATEMENT OF ACTIVITIES (CONT.)
FOR YEAR ENDED JUNE 30, 2012

Temporarily Restricted Net Assets:

Charlotte County Board of Commissioners	\$1,435,140	
State of Florida, SAMH	5,568,931	
Other contract services	806,925	
State of Florida – Non-Contract	71,187	
Net assets released from restrictions	<u>(7,882,183)</u>	
Increase (Decrease) in Temporarily Restricted Net Assets		\$ -0-

Permanently Restricted Net Assets:

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

Increase (Decrease) in Net Assets		<u>472,963</u>
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Net assets at beginning of year		7,678,027
Prior period adjustment, (Note 9)		<u>154,395</u>
Net assets at beginning of year, as adjusted		<u>7,832,422</u>

NET ASSETS AT END OF YEAR		<u>\$8,305,385</u>
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CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:

Change in net assets	\$ 472,963
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	338,965
(Increase) Decrease In:	
Receivables	37,910
Prepaid expenses	(10,440)
Other assets	3,894
Designated assets	(72,000)
Restricted assets	1,000
Increase (Decrease) In:	
Accounts payable	(263,478)
Accrued expenses	(68,022)
Deferred revenue	(17,179)
Accrued premium tax	(161,371)
Net Cash Provided (Used) by Operating Activities	262,242

Cash Flows from Investing Activities:

Refund of prior year premium tax	154,395
Payments for property and equipment	(111,031)
Purchase of investments	(2,755)
Net Cash Provided (Used) by Investing Activities	40,609

Cash Flows from Financing Activities:

Repayment on note payable	(435,654)
Net Cash Provided (Used) by Financing Activities	(435,654)

Net Increase (Decrease) in Cash and Cash Equivalents (133,803)

Cash and cash equivalents at beginning of year 3,029,078

CASH AND CASH EQUIVALENTS AT END OF YEAR **\$2,896,275**

Supplemental Disclosure:

Interest Paid **\$ 23,123**

Note: The Organization did not participate in any non-cash investing and financing activities during the fiscal year ending June 30, 2012. No payments relating to income taxes were made during the 2012 fiscal year.

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED JUNE 30, 2012

COST CENTERS

	<u>CSU</u>	<u>MOBILE CRISIS</u>	<u>OUTPTNT PROGAMS</u>	<u>CASE MGMT</u>	<u>SUB ABUSE DETOX</u>	<u>SUB ABUSE RES LEVEL I</u>
Personnel Services:						
Salaries	\$1,856,626	\$ 63,215	\$2,039,890	\$ 198,088	\$ 613,696	\$ 171,661
Fringe benefits	<u>390,474</u>	<u>15,718</u>	<u>478,819</u>	<u>52,876</u>	<u>139,800</u>	<u>34,221</u>
Total Personnel	<u>2,247,100</u>	<u>78,933</u>	<u>2,518,709</u>	<u>243,964</u>	<u>753,496</u>	<u>205,882</u>
Expenses:						
Building occupancy	150,343	4,958	74,087	10,748	95,265	21,882
Professional services	9,760	31	3,716	50	310	72
Travel	713	49	11,983	12,017	402	119
Equipment costs	2,502	-0-	871	91	1,091	212
Food services	51,677	-0-	-0-	-0-	32,810	8,161
Medical and pharmacy	45,496	-0-	12,504	-0-	10,631	2,338
Subcontracted services	94,107	-0-	27,642	-0-	29,218	6,942
Insurance	82,740	-0-	82,749	21,065	30,303	7,609
Interest	-0-	-0-	-0-	-0-	-0-	-0-
Operating supplies/expenses	144,431	6,118	182,477	21,710	64,063	14,193
In kind match	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenses	<u>581,769</u>	<u>11,156</u>	<u>396,029</u>	<u>65,681</u>	<u>264,093</u>	<u>61,528</u>
Total Personnel and Expenses	2,828,869	90,089	2,914,738	309,645	1,017,589	267,410
Distributed Costs:						
Administration	<u>454,048</u>	<u>12,294</u>	<u>465,231</u>	<u>48,074</u>	<u>154,434</u>	<u>44,607</u>
TOTAL	<u>\$3,282,917</u>	<u>\$ 102,383</u>	<u>\$3,379,969</u>	<u>\$ 357,719</u>	<u>\$1,172,023</u>	<u>\$ 312,017</u>

Read Independent Auditors' Report

The accompanying notes are an integral part of this statement.

COST CENTERS						
ADULT MH RES LEVEL IV	TOTAL STATE SAMH FUNDED COST CTRS.	NON-STATE FUNDED SAMH COST CENTERS	TOTAL STATE DESIGNATED (SAMH) COST CTRS.	NON-SAMH COST CENTERS HLTHY START	ADMIN	TOTAL
\$ 237,962	\$ 5,174,138	\$ 141,480	\$ 5,315,618	\$ 192,122	\$ 822,997	\$ 6,330,737
<u>62,452</u>	<u>1,174,360</u>	<u>31,858</u>	<u>1,206,218</u>	<u>54,480</u>	<u>207,744</u>	<u>1,468,442</u>
<u>300,414</u>	<u>6,348,498</u>	<u>173,338</u>	<u>6,521,836</u>	<u>246,602</u>	<u>1,030,741</u>	<u>7,799,179</u>
88,767	446,050	1,725	447,775	9,364	87,496	544,635
75	14,014	-0-	14,014	312	40,990	55,316
10,548	35,831	1,464	37,295	7,793	-0-	45,088
149	4,916	-0-	4,916	85	1,583	6,584
1,163	93,811	-0-	93,811	-0-	34	93,845
-0-	70,969	1,285	72,254	-0-	275	72,529
129	158,038	-0-	158,038	2,458	17	160,513
71,717	296,183	-0-	296,183	9,384	13,473	319,040
-0-	-0-	-0-	-0-	-0-	-0-	-0-
373,011	806,003	97,019	903,022	19,037	188,208	1,110,267
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>545,559</u>	<u>1,925,815</u>	<u>101,493</u>	<u>2,027,308</u>	<u>48,433</u>	<u>332,076</u>	<u>2,407,817</u>
845,973	8,274,313	274,831	8,549,144	295,035	1,362,817	10,206,996
<u>100,062</u>	<u>1,278,750</u>	<u>35,395</u>	<u>1,314,145</u>	<u>48,672</u>	<u>(1,362,817)</u>	<u>-0-</u>
<u>\$ 946,035</u>	<u>\$ 9,553,063</u>	<u>\$ 310,226</u>	<u>\$ 9,863,289</u>	<u>\$ 343,707</u>	<u>\$ -0-</u>	<u>\$10,206,996</u>

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies

Organization and Nature of Activities

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

Basis of Accounting

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

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

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

Basis of Presentation

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

Estimates

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

Contributions

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

Income Tax Status

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

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2012

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

Accounts Receivable

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

Cash and Cash Equivalents

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

Property and Equipment

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

Fair Value Measurements

The Organization follows the requirements of the Financial Accounting Standards Board in accordance with FASB ASC 820 for the year ended June 30, 2012. FASB ASC 820 establishes a hierarchy framework for measuring fair value of financial instruments. The hierarchy is described below and listed in order of priority:

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

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

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

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2012

Note 2 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2012
Land	\$ 514,287
Furniture and fixtures	533,353
Buildings	5,687,127
	6,734,767
Less Accumulated Depreciation	(3,008,952)
	<u>\$3,725,815</u>

Depreciation expense for the year ended June 30, 2012 was \$338,965.

Note 3 - Fair Value of Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2012:

	Investment Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Certificate of Deposit	\$ -0-	\$502,755	\$ -0-	\$502,755
Premier Health Investment	-0-	-0-	15,000	15,000
	<u>\$ -0-</u>	<u>\$502,755</u>	<u>\$ 15,000</u>	<u>\$517,755</u>

Note 4 - Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and accounts receivable. The Organization places its cash and cash equivalents with a national financial institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. All funds over \$100,000 are automatically sweep daily into a Federated Prime Obligations Fund. The securities in which the Fund invests will be rated in the highest short-term rating category and invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. At times, cash balances may exceed the FDIC limit. At June 30, 2012, the Organization had \$3,690,865 of deposits in excess of insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

The Organization grants credit without collateral to its patients. A significant portion consists of local residents who may be insured under third-party payor agreements. However, receivables have been recorded at the amount management expects to collect. The reserve for uncollectible amounts was \$146,637 as of June 30, 2012. The reserve is based on historical collections and management's estimate of the amount to be collected based on currently known facts.

Note 5 - Compensated Absences

The Organization allows employees to accumulate up to 240 hours of annual leave. Upon termination, the Organization will compensate the employee for the unexercised annual leave. No compensation will be made for the unused sick leave. The amount of accrued compensated absences at June 30, 2012 is \$51,278.

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2012

Note 6 - Pension Plan

The Organization provides a 403(B) Retirement Program for all eligible employees. This plan is with the Variable Annuity Life Insurance Company (V.A.L.I.C.). The plan is designed for non-profit 501(c)(3) organizations. The retirement plan is a non-contributory plan for employees and the Organization contributes 9% of all eligible salaries. After three years of employment at the Organization, the eligible employees are fully vested. Employees have the option to make additional voluntary contributions into the plan. For the year ended June 30, 2012, pension expense amounted to \$422,469.

Note 7 - Board Designations

As of June 30, 2012, the Board of Directors has designated certain unrestricted net assets for specific use. It has designated \$500,000 of unrestricted funds to establish a Catastrophic Fund. It has also designated \$544,590 of unrestricted funds to be used to pay for capital improvements, as they occur.

Note 8 - Income Taxes

Provisions of FASB Accounting Standards Codification (ASC) 740 requires all organizations, including not-for-profit organizations, to recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Judgment is required in assessing the future tax consequences of events that have not been recognized in the Organization's financial statements or tax returns. Variations in the actual outcome of these future tax consequences could materially impact the Organization's financial position, results of operations, or cash flows. Management believes that appropriate support exists for the positions taken on the Organization's tax return, with the U.S. Internal Revenue Service and the Florida Department of Revenue.

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

Note 9 – Prior Period Adjustment

At June 30, 2011, the Organization accrued and subsequently paid a "premium tax" to the Florida Department of Revenue of \$161,371. The tax was based at 1.75% of the capitation rate paid to the providers. Through legal actions by various partnerships the tax was refunded during the year less adjustments for legal fees and costs. This resulted in the Organization receiving a refund of \$154,395 from the original amount paid.

Note 10 – Accrued Value Options

The Organization received payments from Value Options for services provided. A liability has been accrued, based on past experience, for the overpayment for services provided from January 1, 2012 through June 30, 2012. The actual payback is billed annually on a calendar year basis.

Note 11 – Support from the State of Florida which Required Match

During the year ended June 30, 2012, the Organization received support from the State of Florida, Department of Children and Families through Central Florida Behavioral Health Network, Inc.. The income from these contracts is earned by providing services to patients. The contracts require a local match for certain services. The Organization incurred and funded allowable program costs in excess of the required match during 2012.

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2012

Note 13 - Subsequent Events


The Organization evaluated events and transactions after June 30, 2012 through December 13, 2012, the date the financial statements were available to be issued, for subsequent events.

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

We have audited the financial statements of Charlotte Behavioral Health Care, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules outlined in the table of contents and found on pages 21-28 of these financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



DEES & DEES, C.P.A.'s, P.A.
Port Charlotte, Florida
December 13, 2012

SUPPLEMENTAL INFORMATION

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF STATE EARNINGS
FOR YEAR ENDED JUNE 30, 2012

1. Total Expenditures	\$10,206,996
2. Less other State and Federal Funds:	(2,620,233)
3. Less Non-Match SAMH Funds	(2,753,548)
4. Less Unallowable Costs per 65E-14, F.A.C.	<u>(42,578)</u>
5. Total Allowable Expenditures (Sum of lines, 1,2,3, and 4)	<u>4,790,637</u>
6. Maximum Available Earnings (Line 5 times 75%)	<u>3,592,978</u>
7. Amount of State Funds Requiring Match	<u>2,884,417</u>
8. Amount Due to Department (Subtract line 7 from line 6. If negative, the amount of the difference is due the department up to the amount of Line7. If positive, nothing is due.)	<u>\$ 708,561</u>

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
FOR YEAR ENDED JUNE 30, 2012

Available Day Cost Center	Available Day Cost Center	State Rate	Available Bed Days	Non-State Funded Bed Days	Bed Days Eligible for State Funding	State Contract Revenue	Dollar Value of Eligible Bed Days	Column "G" Less Column "H"
A	B	C	D	E	F	G	H	I
N/A	Detox	235.69	4,381	1,045	3,336	772,485	786,225	-0-
CSU	N/A	391.24	6,954	1,802	5,152	1,969,659	2,015,668	-0-
Total Amount Owed to Department								<u><u>\$ -0-</u></u>

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

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUE
FOR YEAR ENDED JUNE 30, 2012

COST CENTERS

	MOBILE		OUTPTNT	CASE	SUB ABUSE	SUB ABUSE
	CSU	CRISIS	PROGRAMS	MGMT	DETOX	RES LEVEL I
CFBHN Funding - Services	\$1,969,660	\$ 37,577	\$1,346,786	\$ 220,018	\$ 772,485	\$ 176,511
CFBHN Funding – Non-Service	27,944	-0-	42,008	1,235	-0-	-0-
Total CFBHN Funding	<u>1,997,604</u>	<u>37,577</u>	<u>1,388,794</u>	<u>221,253</u>	<u>772,485</u>	<u>176,511</u>
Other State Agency Funding	-0-	-0	-0-	-0-	-0-	-0-
Medicaid	378,806	2,089	1,383,805	146,792	131,420	24,340
Local Government	150,000	117,359	901,897	64,680	-0-	201,204
Federal Grants/Contracts	-0-	-0-	91,157	-0-	-0-	-0-
In kind – Local government	-0-	-0-	-0-	-0-	-0-	-0-
Total Other Gov't Funding	<u>528,806</u>	<u>119,448</u>	<u>2,376,859</u>	<u>211,472</u>	<u>131,420</u>	<u>225,544</u>
1 st and 2 nd Party Payments	15,618	-0-	95,677	-0-	50,645	15,741
3 rd Party Payments	145,275	-0-	239,139	-0-	42,722	-0-
Medicare	-0-	-0-	-0-	-0-	-0-	-0-
Contributions/Donations	-0-	-0-	-0-	-0-	-0-	346
Other	27,956	-0-	77,496	28,603	17,710	-0-
In kind	-0-	-0-	-0-	-0-	-0-	-0-
Total All Other Revenues	<u>188,849</u>	<u>-0-</u>	<u>412,312</u>	<u>28,603</u>	<u>111,077</u>	<u>16,087</u>
TOTAL FUNDING	<u>2,715,259</u>	<u>157,025</u>	<u>4,177,965</u>	<u>461,328</u>	<u>1,014,982</u>	<u>418,142</u>
Salaries	\$1,856,626	\$ 63,215	\$2,039,890	\$ 198,088	\$ 613,696	\$ 171,661
Fringe benefits	390,474	15,718	478,819	52,876	139,800	34,221
Total Personnel	<u>2,247,100</u>	<u>78,933</u>	<u>2,518,709</u>	<u>243,964</u>	<u>753,496</u>	<u>205,882</u>
Expenses:						
Building occupancy	150,343	4,958	74,087	10,748	95,265	21,882
Professional services	9,760	31	3,716	50	310	72
Travel	713	49	11,983	12,017	402	119
Equipment costs	2,502	-0-	871	91	1,091	212
Food services	51,677	-0-	-0-	-0-	32,810	8,161
Medical and pharmacy	45,496	-0-	12,504	-0-	10,631	2,338
Subcontracted services	94,107	-0-	27,642	-0-	29,218	6,942
Insurance	82,740	-0-	82,749	21,065	30,303	7,609
Interest	-0-	-0-	-0-	-0-	-0-	-0-
Operating supplies/expenses	144,431	6,118	182,477	21,710	64,063	14,193
In kind match	-0-	-0-	-0-	-0-	-0-	-0-
Total Expenses	<u>581,769</u>	<u>11,156</u>	<u>396,029</u>	<u>65,681</u>	<u>264,093</u>	<u>61,528</u>
Total Personnel and Expenses	<u>2,828,869</u>	<u>90,089</u>	<u>2,914,738</u>	<u>309,645</u>	<u>1,017,589</u>	<u>267,410</u>
Distributed Costs:						
Administration	<u>454,048</u>	<u>12,294</u>	<u>465,231</u>	<u>48,074</u>	<u>154,434</u>	<u>44,607</u>
TOTAL	<u>\$3,282,917</u>	<u>\$ 102,383</u>	<u>\$3,379,969</u>	<u>\$ 357,719</u>	<u>\$1,172,023</u>	<u>\$ 312,017</u>

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

COST CENTERS

ADULT MH RES LEVEL IV	TOTAL STATE	NON-STATE FUNDED	TOTAL STATE DESIGNATED	NON-SAMH COST CENTERS		
	SAMH FUNDED COST CTRS.	SAMH COST CENTERS	(SAMH) COST CTRS.	HLTHY START	ADMIN	TOTAL
\$ 1,045,894	\$ 5,568,931	\$ -0-	\$ 5,568,931	\$ -0-	\$ -0-	\$ 5,568,931
-0-	71,187	-0-	71,187	-0-	-0-	71,187
<u>1,045,894</u>	<u>5,640,118</u>	<u>-0-</u>	<u>5,640,118</u>	<u>-0-</u>	<u>-0-</u>	<u>5,640,118</u>
-0-	-0-	-0-	-0-	333,216	-0-	333,216
82,962	2,150,214	-0-	2,150,214	-0-	-0-	2,150,214
-0-	1,435,140	-0-	1,435,140	-0-	-0-	1,435,140
-0-	91,157	259,038	350,195	-0-	-0-	350,195
-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>82,962</u>	<u>3,676,511</u>	<u>259,038</u>	<u>3,935,549</u>	<u>333,216</u>	<u>-0-</u>	<u>4,268,765</u>
-0-	177,681	-0-	177,681	-0-	-0-	177,681
-0-	427,136	-0-	427,136	-0-	-0-	427,136
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	346	-0-	346	-0-	-0-	346
-0-	151,765	14,148	165,913	-0-	-0-	165,913
-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>-0-</u>	<u>756,928</u>	<u>14,148</u>	<u>771,076</u>	<u>333,216</u>	<u>-0-</u>	<u>771,076</u>
<u>1,128,856</u>	<u>10,073,557</u>	<u>273,186</u>	<u>10,346,743</u>	<u>333,216</u>	<u>-0-</u>	<u>10,679,959</u>
\$ 237,962	\$ 5,174,138	\$ 141,480	\$ 5,315,618	\$ 192,122	\$ 822,997	\$ 6,330,737
<u>62,452</u>	<u>1,174,360</u>	<u>31,858</u>	<u>1,206,218</u>	<u>54,480</u>	<u>207,744</u>	<u>1,468,442</u>
<u>300,414</u>	<u>6,348,498</u>	<u>173,338</u>	<u>6,521,836</u>	<u>246,602</u>	<u>1,030,741</u>	<u>7,799,179</u>
88,767	446,050	1,725	447,775	9,364	87,496	544,635
75	14,014	-0-	14,014	312	40,990	55,316
10,548	35,831	1,464	37,295	7,793	-0-	45,088
149	4,916	-0-	4,916	85	1,583	6,584
1,163	93,811	-0-	93,811	-0-	34	93,845
-0-	70,969	1,285	72,254	-0-	275	72,529
129	158,038	-0-	158,038	2,458	17	160,513
71,717	296,183	-0-	296,183	9,384	13,473	319,040
-0-	-0-	-0-	-0-	-0-	-0-	-0-
373,011	806,003	97,019	903,022	19,037	188,208	1,110,267
-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>545,559</u>	<u>1,925,815</u>	<u>101,493</u>	<u>2,027,308</u>	<u>48,433</u>	<u>332,076</u>	<u>2,407,817</u>
845,973	8,274,313	274,831	8,549,144	295,035	1,362,817	10,206,996
<u>100,062</u>	<u>1,278,750</u>	<u>35,395</u>	<u>1,314,145</u>	<u>48,672</u>	<u>(1,362,817)</u>	<u>-0-</u>
<u>\$ 946,035</u>	<u>\$ 9,553,063</u>	<u>\$ 310,226</u>	<u>\$ 9,863,289</u>	<u>\$ 343,707</u>	<u>\$ -0-</u>	<u>\$10,206,996</u>

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS
FOR YEAR ENDED JUNE 30, 2012

There were no related party transaction adjustments during the year ended June 30, 2012.

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED JUNE 30, 2012

<u>Grantor/Program Title</u>	<u>CFDA CFSA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>
Federal Awards			
<u>Department of Health and Human Services</u>			
Passed through Florida Department of Children and Families			
Community Mental Health Services	93.958	QD1A9	\$ 366,953
*Prevention and Treatment of Substance Abuse	93.959	QD1A9	667,341
*State Children's Insurance Program	93.767	QD1A9	123,000
Healthy Start – Parenting Education	93.778	011.01	2,067
Healthy Start – Psychosocial Counseling	93.778	09.04	2,950
Healthy Start – CMMS	93.778	09.01	107,645
Healthy Start – Sobra Waivers	93.994	09.01	<u>34,960</u>
 TOTAL FEDERAL AWARDS			 <u>\$1,304,916</u>
 State Funds Awarded for Matching			
<u>Department of Children and Families</u>			
Healthy Start – Parenting Education	93.778	011.01	\$ 8,733
Healthy Start – Psychosocial Counseling	93.994	09.04	18,000
Health Start – CMMS	93.778	09.01	72,851
Health Start – Sobra Waivers	93.994	09.01	<u>48,573</u>
 TOTAL STATE FUNDS AWARDED FOR MATCHING			 <u>\$ 148,157</u>
 State Financial Assistance			
<u>Department of Children and Families</u>			
Core Services Contract	60.033	QD1A9	\$ 187,540
*Core Services Contract	60.031	QD1A9	332,597
Core Services Contract	60.055	QD1A9	169,818
*Core Services Contract	60.053	QD1A9	1,746,553
Core Services Contract	60.006	QD1A9	1,133,856
*Core Services Contract	60.054	QD1A9	456,632
Core Services Contract	60.030	QD1A9	54,267
Core Services Contract	60.063	QD1A9	87,590
Core Services Contract	60.001	QD1A9	<u>265,687</u>
 TOTAL STATE FINANCIAL ASSISTANCE			 <u>\$ 4,434,540</u>

*Denotes Major Program/Project

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED JUNE 30, 2012

(1) Purpose of the Schedule

The Schedule of Expenditures of Federal Awards and State Financial Assistance (the “Schedule”) is a supplementary schedule to the Center’s basic financial statements and is presented for the purpose of additional analysis. The Schedule is required by Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations and by Chapter 691-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, and Schedule of Expenditures of State Financial Assistance.

(2) Summary of Significant Accounting Policies

Basis of Presentation

Federal Financial Assistance – Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156), and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, that nonfederal entities receive or administer, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property interest subsidies, insurance, or direct appropriations.

State Financial Assistance – Pursuant to Florida Single Audit Act (Section 215.97, Florida Statutes) and Chapter 691-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, state financial assistance is defined as assistance from state resources, not including federal financial assistance and state matching, provided to non-state entities to carry out a state project. State financial assistance includes all types of state assistance as stated in the rules of the Florida Department of Financial Services, established in consultation with the Comptroller and appropriate state agencies that provide state financial assistance. It includes state financial assistance provided directly by state awarding agencies or indirectly by recipients of state awards. It does not include procurement contracts used to buy goods or services from vendors.

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

Catalog of State Financial Assistance – Chapter 691-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, requires the Schedule to present the total state financial assistance expended for each individual state project as identified in the Catalog of State Financial Assistance (CSFA). State financial assistance projects that have not been assigned a CSFA number are indicated with an “N/A”.

Type A and Type B Programs

Federal Programs

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

CHARLOTTE BEHAVIORAL HEALTH CARE, INC.
PUNTA GORDA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONT.)
FOR YEAR ENDED JUNE 30, 2012

Type A and Type B Programs (cont.)

State Programs

Each non-state entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in any fiscal year is required to have a state single audit for such fiscal year in accordance with the requirements of the Florida Single Audit Act (Section 215.97, Florida Statutes). Chapter 691-5 establishes the level of expenditures to be used in defining Type A and Type B state financial assistance projects. Type A assistance projects are defined on a sliding scale. For the Center, Type A programs are defined as those programs with expenditures in excess of \$300,000 or 3% of total state awards, whichever is larger, expended for the fiscal year. Type B assistance projects are defined as all projects that are not Type A projects.

Basis of Accounting

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

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

MANAGEMENT LETTER

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

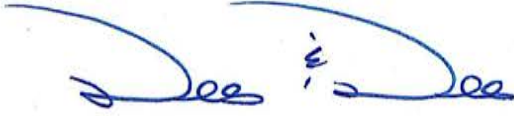
We have audited the financial statements of Charlotte Behavioral Health Care, Inc. as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated December 13, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which were dated December 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements or abuse, that have an effect on the financial statements or state projects amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State Project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, (2) Deficiencies in internal control that are not significant deficiencies.

There were no current year or prior year comments reported as part of the Management Letter.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of Charlotte Behavioral Healthcare, Inc. and management, and the Florida Auditor General, Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DEES & DEES, C.P.A.'s, P.A.
December 13, 2012

December 13, 2012

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

We have audited the financial statements of **Charlotte Behavioral Health Care, Inc.** for the year ended **June 30, 2012**, and have issued our report thereon dated December 13, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 2, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **Charlotte Behavioral Health Care, Inc.** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending June 30, 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 13, 2012.

Management Consultations with Other Independent Accountants

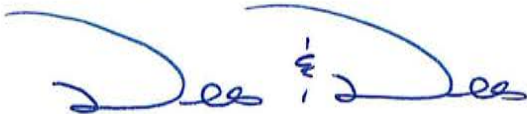
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination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

Other Audit Findings or Issues

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

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

Very truly yours,



DEES & DEES, C.P.A.'s, P.A.
December 13, 2012