

LEE MENTAL HEALTH CENTER, INC.

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

YEARS ENDED JUNE 30, 2012 AND 2011

LEE MENTAL HEALTH CENTER, INC.
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of Lee Mental Health Center, Inc. (the "Center") as of June 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of LMHC Properties, Inc., which reflect total assets and unrestricted support and revenue constituting 5.7% and 0.5%, respectively, as of June 30, 2012; and 5.9% and 0.5%, respectively, as of June 30, 2011, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LMHC Properties, Inc., is based solely on the report of the other auditors. The financial statements of LMHC Properties, Inc. were audited in accordance with *Government Auditing Standards*.

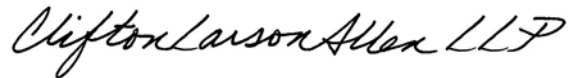
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Lee Mental Health Center, Inc.

Our audits were conducted for the purpose of forming opinions on the basic consolidated financial statements. The schedules of revenues and expenditures by cost center, the schedule of state earnings, the schedule of bed-day availability payments, the schedule of related party transaction adjustments and the consolidating schedules are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Auditor General*, and is also not a required part of the basic consolidated financial statements. The schedules of revenues and expenditures by cost center, the schedule of state earnings, the schedule of bed-day availability payments, the schedule of related party transaction adjustments, the consolidating schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The schedules of revenues and expenditures by cost center, the schedule of state earnings, the consolidating schedules, and the schedule of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 basic consolidated financial statements taken as a whole. The schedule of bed-day availability payments and schedule of related party transaction adjustments has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



CliftonLarsonAllen LLP

Fort Myers, Florida
October 26, 2012

LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 556,996	\$ 567,811
Contracts Receivable, Net	1,304,620	1,034,609
Accounts Receivable, Net	779,630	491,504
Other Current Assets	166,063	198,645
Total Current Assets	2,807,309	2,292,569
INVESTMENTS	96,000	114,735
PROPERTY AND EQUIPMENT, NET	9,843,172	10,273,039
OTHER ASSETS		
Assets Classified as Held for Sale	144,792	-
Restricted Cash Deposits	44,486	60,774
Debt Issuance Costs, Net	83,423	107,161
Other Assets	1,495	4,185
Total Assets	\$ 13,020,677	\$ 12,852,463
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 606,879	\$ 364,726
Deferred Revenue	3,094	3,199
Accrued Expenses	653,881	617,592
Current Portion of Long-Term Debt	184,200	177,000
Total Current Liabilities	1,448,054	1,162,517
LONG-TERM LIABILITIES		
Long-term Debt, Net of Current Portion	5,864,700	6,048,900
Compensated Absences	16,908	18,660
Derivative Financial Instrument	325,896	178,087
Total Long-Term Liabilities	6,207,504	6,245,647
Total Liabilities	7,655,558	7,408,164
NET ASSETS		
Unrestricted	5,351,873	5,421,317
Temporarily Restricted	13,246	22,982
Total Net Assets	5,365,119	5,444,299
Total Liabilities and Net Assets	\$ 13,020,677	\$ 12,852,463

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
UNRESTRICTED NET ASSETS		
Support and Revenue:		
Support:		
State Grants	\$ 7,864,220	\$ 8,193,472
Other Governmental	3,293,646	3,113,240
Contributions and In-kind Revenue	1,156,218	1,175,067
Total Support	12,314,084	12,481,779
Revenue:		
Net Client Fee Revenue	6,730,704	6,360,043
Interest Income	876	1,912
Gain on Acquisition of Related Party	-	982,332
Unrealized Loss on Derivative Financial Instrument	(147,809)	(178,087)
Unrealized Gain (Loss) on Investments	(18,735)	13,982
Other Income	483,738	245,766
Total Revenue	7,048,774	7,425,948
Net Assets Released From Restrictions:		
Satisfaction of Program Restrictions	11,236	59,764
Total Unrestricted Support and Revenue	19,374,094	19,967,491
Expenses:		
Program Services:		
Adult Mental Health	13,936,935	14,326,116
Children's Mental Health	2,765,441	2,674,087
Children and Family Services	340,051	369,359
Adult Substance Abuse	930,164	873,947
Children's Substance Abuse	63,125	145,824
Other Program Services	1,280,410	783,068
Total Program Services	19,316,126	19,172,401
Support Services:		
Real Estate Holding Company	127,412	174,340
Total Support Services	127,412	174,340
Total Unrestricted Expenses	19,443,538	19,346,741
Net Increase (Decrease) in Unrestricted Net Assets	(69,444)	620,750
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	1,500	5,427
Interest	-	70
Net Assets Released From Restrictions:		
Satisfaction of Program Restrictions	(11,236)	(59,764)
Decrease in Temporarily Restricted Net Assets	(9,736)	(54,267)
Increase (Decrease) in Net Assets	(79,180)	566,483
NET ASSETS, Beginning of Year	5,444,299	4,877,816
NET ASSETS, End of Year	\$ 5,365,119	\$ 5,444,299

See accompanying Notes to Consolidated Financial Statements.

LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Services						Support Services			
	Adult Mental Health	Children's Mental Health	Children and Family Services	Adult Substance Abuse	Children's Substance Abuse	Other Program Services	Total Program	Administration and Support	LMHC Properties, Inc.	Total
PERSONNEL EXPENSES										
Salaries	\$ 6,858,415	\$ 1,352,519	\$ 158,515	\$ 440,447	\$ 44,258	\$ 713,660	\$ 9,567,814	\$ 875,543	\$ 9,101	\$ 10,452,458
Fringe Benefits	1,369,584	255,993	38,702	99,124	9,371	114,866	1,887,640	241,805	-	2,129,445
Total Personnel Expenses	8,227,999	1,608,512	197,217	539,571	53,629	828,526	11,455,454	1,117,348	9,101	12,581,903
OPERATING EXPENSES										
Building Occupancy	514,139	111,770	8,764	76,242	599	188,403	899,917	26,140	56,955	983,012
Professional Services	1,469,604	401,279	51,802	36,342	290	50,459	2,009,776	115,980	14,098	2,139,854
Travel	53,159	46,170	15,813	521	1,008	631	117,302	17,218	-	134,520
Equipment Costs	241,292	60,153	7,053	27,010	227	16,174	351,909	10,937	-	362,846
Food Services	106,533	12,468	45	32,866	-	137,072	288,984	1,491	-	290,475
Medicine and Pharmacy	1,147,107	27,514	143	20,312	19	3,914	1,199,009	2,628	-	1,201,637
Insurance	260,856	61,494	8,263	20,146	593	23,837	375,189	881	12,735	388,805
Interest Paid	-	-	-	-	-	-	-	248,656	-	248,656
Operating Supplies and Expenses	359,709	71,586	11,073	27,971	1,575	27,886	499,800	77,006	34,523	611,329
Bad Debt	405,931	55,520	-	38,262	-	788	500,501	-	-	500,501
Total Operating Expenses	4,558,330	847,954	102,956	279,672	4,311	449,164	6,242,387	500,937	118,311	6,861,635
Total Direct Expenses	12,786,329	2,456,466	300,173	819,243	57,940	1,277,690	17,697,841	1,618,285	127,412	19,443,538
ALLOCATED EXPENSES										
Administration	1,150,606	308,975	39,878	110,921	5,185	2,720	1,618,285	(1,618,285)	-	-
Total Allocated Expenses	1,150,606	308,975	39,878	110,921	5,185	2,720	1,618,285	(1,618,285)	-	-
Total Expenses	\$ 13,936,935	\$ 2,765,441	\$ 340,051	\$ 930,164	\$ 63,125	\$ 1,280,410	\$ 19,316,126	\$ -	\$ 127,412	\$ 19,443,538

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contracts, Client Fees and Donations	\$ 18,457,940	\$ 19,098,397
Cash Payments for Program and Support Services	(17,653,701)	(18,731,656)
Cash Received for Interest	876	1,912
Cash Payments for Interest	(248,656)	(149,521)
Net Cash Provided by Operating Activities	556,459	219,132
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(413,759)	(466,257)
Proceeds From Sale of Property and Equipment	7,197	2,154
Cash Received in Purchase of LLC	-	155,672
Cash Paid for Purchase of LLC	-	(908,252)
Net Change in Restricted Cash Deposits	16,288	(32,722)
Net Cash Used in Investing Activities	(390,274)	(1,249,405)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	4,657,416
Payments of Notes Payable	(177,000)	(3,636,055)
Payment for Debt Issuance Costs	-	(118,691)
Net Cash Provided by (Used in) Financing Activities	(177,000)	902,670
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,815)	(127,603)
CASH AND CASH EQUIVALENTS, Beginning of Year	567,811	695,414
CASH AND CASH EQUIVALENTS, End of Year	\$ 556,996	\$ 567,811
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing transactions:		
Purchase of LLC		
Fair Value of Land and Buildings Received	\$ -	\$ 4,475,000
Debt Refinanced	\$ -	\$ (642,584)

See accompanying Notes to Consolidated Financial Statements.

LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	<u>\$ (79,180)</u>	<u>\$ 566,483</u>
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	696,362	596,227
Amortization of Debt Issuance Costs	23,738	11,530
Loss on Sale of Equipment	(4,012)	1,896
Realized Gain on Acquisition of Related Party	(532,857)	(982,332)
Unrealized Loss on Derivative Financial Instrument	147,809	178,087
Net Realized/Unrealized Gain on Investments	18,022	(13,982)
(Increase) Decrease in:		
Accounts Receivable, Net	(288,126)	(109,987)
Contract and Other Receivables	(270,011)	103,762
Other Assets	35,272	(110,354)
Increase (Decrease) in:		
Accounts Payable	242,153	(49,532)
Deferred Revenue	(105)	(1,889)
Accrued Liabilities	567,394	29,223
Total Adjustments	<u>635,639</u>	<u>(347,351)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u><u>\$ 556,459</u></u>	 <u><u>\$ 219,132</u></u>

See accompanying Notes to Consolidated Financial Statements.

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Lee Mental Health Center, Inc. and LMHC Properties, Inc. (collectively referred to as the "Center") are related nonprofit corporations formed for the promotion and treatment of behavioral health and related issues for Southwest Florida. These organizations plan, develop, and implement services which are designed to promote mental health, provide counseling, and prevent substance abuse for the citizens of Southwest Florida. The Center's support comes primarily from state and local government grants.

The consolidated entities which comprise the Center are entities related by common board members. LMHC Properties, Inc. serves, and Helpgro, Inc. served until December 30, 2010, as support entities for Lee Mental Health Center, Inc. Helpgro, Inc. was the corporation that held the title to Lee Mental Health Center, Inc.'s property and buildings. Helpgro, Inc. was a 501(c)(2) organization that was required by the Internal Revenue Code to remit any net profits from its activities back to Lee Mental Health Center, Inc. LMHC Properties, Inc. is a section 202 project, regulated by the U.S. Department of Housing and Urban Development, consisting of two separate apartment facilities with a total of 20 units for the disadvantaged located in Fort Myers, Florida. LMHC Properties, Inc. is designated as a 501(c)(3) nonprofit organization.

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

Significant Accounting Policies

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

Basis of Presentation

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

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

Significant Accounting Policies (Continued)

Principles of Consolidation

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Accounts and Contracts Receivable

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

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

Significant Accounting Policies (Continued)

Accounts and Contracts Receivable (Continued)

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

Investments

Investments in common stocks with readily determinable fair values are stated at fair value based on quoted market rates. The investments the Southwest Florida Community Foundation are measured at the values reported to the Center by the Foundation, which approximates fair market value. The investments with Prestige Health Choice are measured at cost. Unrealized gains on investments amounted to \$18,735 and \$13,269 for the years ended June 30, 2012 and 2011, respectively, and is included in other income.

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

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

Prior to 2011, the Center accounted for an interest in D'Alessandro Partners & Lee Mental Health, LLC (the "LLC"), using the equity method of accounting under which the Center's share of the net income or loss of the LLC was recognized in the Center's consolidated statements of activities and added to or subtracted from the investment account. Distributions received from the LLC, if any, reduce the investment account. Prior to 2011, the Center's interest in the LLC was 33%. On December 30, 2010, the Center purchased the remaining 67% interest in the net assets of the LLC and the LLC was dissolved. See Note 6 to the consolidated financial statements for more information.

Property and Equipment

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

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Property and equipment classified as held for sale are measured at their carrying value and expected to be sold within one year. Assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. Property and equipment once classified as held for sale are not depreciated.

Debt Issuance Costs

Issuance costs related to long-term debt are capitalized and amortized over the life of the debt using the effective interest method. Issuance costs capitalized total \$118,691 and are shown net of accumulated amortization of \$35,268 and \$11,530 for the years ended June 30, 2012 and 2011, respectively, in the consolidated statement of financial position.

Impairment of Long-Lived Assets

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

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

Compensated Absences

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

Income Taxes

The Internal Revenue Service has determined that the Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center is a nonprofit Florida corporation and, therefore, is not subject to state income taxes. Should the Center's tax exempt status be challenged in the future, its 2011, 2010, and 2009 tax years are open for examination by the IRS.

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

Significant Accounting Policies (Continued)

Contributions

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

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

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

Deferred Revenue

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

Fair Value of Financial Instruments

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

Concentrations

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

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

Significant Accounting Policies (Continued)

Estimates

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

Fair Value Measurements

The Center measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Center may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

Level 1

Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds that the Center has the ability to access as of the measurement date.

Level 2

Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3

Inputs that are unobservable. Unobservable inputs reflect the Center's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

**LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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

Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Center adopted the policy to value certain financial instruments at fair value. The Center has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

During 2010, FASB released ASU 2010-06 *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This guidance changes the requirements to reflect Level 3 changes (purchases, sales, issuances, and settlements) from a net basis to require separate disclosure for each type and is effective for fiscal years ending after December 15, 2011. This guidance does not require the change to be retrospectively applied to prior periods presented. The Center adopted this guidance effective for the year ending June 30, 2012.

Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through October 26, 2012, the date the financial statements were available to be issued.

NOTE 2 CONTRACTS RECEIVABLE

Contracts receivable consisted of the following at June 30:

	2012	2011
Lee County	\$ 526,590	\$ 226,309
State of Florida, Department of Children & Families	720,248	661,814
Other	66,302	155,006
	<u>1,313,140</u>	<u>1,043,129</u>
Less Allowance for Doubtful Accounts	(8,520)	(8,520)
	<u>\$ 1,304,620</u>	<u>\$ 1,034,609</u>

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2012	2011
Self-Pay and Insurance	\$ 706,383	\$ 689,539
Medicaid	147,464	92,826
Medicare	65,477	34,433
Other	207,779	9,415
	<u>1,127,103</u>	<u>826,213</u>
Less Allowance for Doubtful Accounts	(347,473)	(334,709)
	<u>\$ 779,630</u>	<u>\$ 491,504</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2012	2011
Land	\$ 1,202,398	\$ 1,236,174
Buildings and Improvements	12,636,319	12,509,099
Furniture and Equipment	2,778,695	2,652,484
Vehicles	203,298	178,372
	<u>16,820,710</u>	<u>16,576,129</u>
Less Accumulated Depreciation	(6,977,538)	(6,303,090)
	<u>\$ 9,843,172</u>	<u>\$ 10,273,039</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$696,363 and \$596,227, respectively.

NOTE 5 FAIR VALUE MEASUREMENTS

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

	2012			Total
	Level 1	Level 2	Level 3	
Assets:				
Common Stocks	\$ 37,514	\$ -	\$ -	\$ 37,514
Investment in Healthcare Company	-	-	10,000	10,000
Pooled Investment with Southwest Florida Community Foundation	-	-	48,486	48,486
Total Assets at Fair Value	<u>\$ 37,514</u>	<u>\$ -</u>	<u>\$ 58,486</u>	<u>\$ 96,000</u>
Liabilities:				
Derivative Instrument - Interest Rate Swap	\$ -	\$ 325,896	\$ -	\$ 325,896
Total Liabilities at Fair Value	<u>\$ -</u>	<u>\$ 325,896</u>	<u>\$ -</u>	<u>\$ 325,896</u>

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	2011			Total
	Level 1	Level 2	Level 3	
Assets:				
Common Stocks	\$ 53,346	\$ -	\$ -	\$ 53,346
Investment in Healthcare Company	-	-	10,000	10,000
Pooled Investment with Southwest Florida Community Foundation	-	-	51,389	51,389
Total Assets at Fair Value	<u>\$ 53,346</u>	<u>\$ -</u>	<u>\$ 61,389</u>	<u>\$ 114,735</u>
Liabilities:				
Derivative Instrument - Interest Rate Swap	\$ -	\$ 178,087	\$ -	\$ 178,087
Total Liabilities at Fair Value	<u>\$ -</u>	<u>\$ 178,087</u>	<u>\$ -</u>	<u>\$ 178,087</u>

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

	2012	2011
Balance, Beginning of Year	\$ 61,389	\$ 55,550
Total Gains or Losses Relating to Instruments Still Held at the Reporting Date	(2,903)	5,839
Balance, End of Year	<u>\$ 58,486</u>	<u>\$ 61,389</u>

NOTE 6 INVESTMENT IN LLC

Prior to 2011, the Center presented its 33% investment in D'Alessandro & Partners and Lee Mental Health, LLC (LLC) as a component in the consolidated statement of financial position. The LLC was established by the Center and D'Alessandro Partners, LLC for the purpose of owning, operating, leasing and/or holding for investment certain real property in Lee County.

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

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 6 INVESTMENT IN LLC (CONTINUED)

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

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

NOTE 7 ACCRUED EXPENSES

Accrued expenses consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Payroll and Payroll Taxes	\$ 462,240	\$ 396,239
Other Accrued Expenses	191,641	221,353
	<u>\$ 653,881</u>	<u>\$ 617,592</u>

NOTE 8 LONG-TERM OBLIGATIONS

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

	<u>2012</u>	<u>2011</u>
Mortgage payable to a financial institution, collateralized by first mortgage on land and building, payable in monthly installments of principal and interest, due December 2015. The Center entered into an interest rate swap agreement in connection with this debt issuance with a fixed rate of 2.45% and a variable rate equal to the one month LIBOR rate. See Note 10 for more information.	\$ 5,050,500	\$ 5,227,500
 The Capital Advance Mortgage note, sponsored by HUD, requires no monthly mortgage payment as long as the project is in regulatory compliance; the note does not have an amount for any current portion. Any payment of principal or accrued interest requires prior approval of HUD.	 998,400	 998,400
	6,048,900	6,225,900
Less: current portion	(184,200)	(177,000)
	<u>\$ 5,864,700</u>	<u>\$ 6,048,900</u>

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

Scheduled principal maturities of debt payable are approximately as follows:

2013	\$ 184,200
2014	191,900
2015	199,800
2016	4,474,600
	<u>\$ 5,050,500</u>

The Center had available an \$800,000 revolving line of credit with Fifth Third Bank at June 30, 2012 and 2011. The line of credit has a current maturity date of February 28, 2013. Interest is charged at 3.50% and 3.00% in excess of the one month LIBOR rate (3.74% and 3.19%) for the years ended June 30, 2012 and 2011, respectively. The line is collateralized by all business assets of Lee Mental Health Center, Inc., other than real estate and non-titled vehicles.

As of June 30, 2012 and 2011, there was no outstanding balance on this line of credit.

The mortgage and line of credit agreements contain covenants pertaining to net worth and debt coverage. The Center is required to maintain a debt coverage ratio equal to or exceeding 1.10 to 1.00 for the mortgage and 1.25 to 1.00 for the line of credit at all times during each fiscal year. In addition, the Center must maintain outstanding indebtedness to net worth of 2.00 to 1.00 or less at all times for both agreements. At June 30, 2012, the Center was in compliance with these covenants.

NOTE 9 DERIVATIVE FINANCIAL INSTRUMENT

The Center holds a derivative financial instrument for the purpose of managing the risk associated with interest rates on its variable rate borrowing. During the year ended June 30, 2011, the Center entered into a pay fixed interest rate swap agreement in connection with the mortgage debt discussed in Note 8. The original notional value of the agreement was \$5,300,000. The notional amount of the swap agreement was \$5,050,500 and \$5,227,500 at June 30, 2012 and 2011. The effective date of this agreement was December 30, 2010.

The Center uses fair value measurements to record the fair value adjustment of the derivative instrument. The fair value of this agreement is \$325,896 and \$178,087 for the years ended June 30, 2012 and 2011, respectively, and is reported in long term liabilities in the consolidated statements of financial position. Changes in the fair value of derivatives are reported in the consolidated statement of activities. See Note 5 for more information on fair value measurements.

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 10 NET ASSETS

Net asset components consist of the following at June 30:

	2012	2011
<u>Unrestricted Net Assets</u>		
Lee Mental Health Center, Inc.	\$ 5,873,366	\$ 5,909,380
LMHC Properties, Inc.	<u>(521,493)</u>	<u>(488,063)</u>
Total Unrestricted Net Assets	5,351,873	5,421,317
<u>Temporarily Restricted Net Assets</u>		
Special Purpose Funds	<u>13,246</u>	<u>22,982</u>
Total Net Assets	<u>\$ 5,365,119</u>	<u>\$ 5,444,299</u>

NOTE 11 PENSION PLAN

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

Employer contributions, including administrative costs to the plan for the years ended June 30, 2012 and 2011, were \$152,896 and \$140,400, respectively.

NOTE 12 COMMITMENTS AND CONTINGENCIES

The Center leases certain equipment and office space under various non-cancelable operating leases. The future minimum lease payments under these leases are as follows:

Year Ending June 30,	
2013	\$ 42,049
2014	23,954
2015	<u>10,197</u>
	<u>\$ 76,200</u>

Rent expense was and \$73,218 and \$373,504 for the years ended June 30, 2012 and 2011, respectively.

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

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 13 SUPPORT FROM THE STATE OF FLORIDA WHICH REQUIRES MATCH

During the years ended June 30, 2012 and 2011, the Center received support from the State of Florida, under grant contracts with the Department of Children and Families, Alcohol, Drug Abuse, and Mental Health Program. These contracts are renegotiated annually. The income from these contracts is earned by providing services to patients. The contracts required a local match of \$1,874,130 and \$1,859,265 in 2012 and 2011, respectively, for certain program services.

The Center incurred and funded allowable program costs in excess of the required match during the fiscal years ending June 30, 2012 and 2011.

NOTE 14 SUPPORT FROM LEE COUNTY

Financial support of \$3,152,940 and \$2,908,853 was received from Lee County for the years ended June 30, 2012 and 2011, respectively, as part of its annual award to the Center.

NOTE 15 CONFLICT OF INTEREST POLICY

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

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

NOTE 16 SUBSEQUENT EVENT

The board of directors has entered into discussions with Southwest Florida Addiction Services, Inc. (SWFAS) to explore a possible merger subsequent to year end. The Center and SWFAS have similar missions and provide complementary services to the clients served by both organizations.

Management and the board of directors have expressed support for the merger in order to expand services to the community.

The merger is expected to be completed by June 30, 2013.

SUPPLEMENTARY INFORMATION

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF REVENUES BY COST CENTER
YEAR ENDED JUNE 30, 2012

	Crisis Stabilization			Residential			Crisis/ Support Emergency Services	Adult & Child Medical Services
	Adult Crisis Stabilization	Children's Crisis Stabilization	Total	Adult Mental Health	Adult Substance Abuse	Total		
STATE SAMH FUNDING								
SAMH	\$ 2,261,316	\$ 567,636	\$ 2,828,952	\$ 847,222	\$ 421,716	\$ 1,268,938	\$ 1,086,658	\$ 1,162,012
Total State SAMH Funding	<u>2,261,316</u>	<u>567,636</u>	<u>2,828,952</u>	<u>847,222</u>	<u>421,716</u>	<u>1,268,938</u>	<u>1,086,658</u>	<u>1,162,012</u>
OTHER GOVERNMENT FUNDING								
Other State Agency Funding	-	-	-	-	-	-	-	-
Medicaid	759,095	517,458	1,276,553	41,595	783	42,378	7,048	1,685,336
Local Government	792,750	298,154	1,090,904	293,017	437,905	730,922	369,956	419,117
Federal Grants and Contracts	-	-	-	-	-	-	-	-
Total Other Government Funding	<u>1,551,845</u>	<u>815,612</u>	<u>2,367,457</u>	<u>334,612</u>	<u>438,688</u>	<u>773,300</u>	<u>377,004</u>	<u>2,104,453</u>
ALL OTHER FUNDING & REVENUE								
First and Second Party Payments	246,459	85,972	332,431	16,253	74,108	90,361	2,890	268,671
Third Party Payments (Except Medicare)	431,036	204,759	635,795	432	6,825	7,257	135	86,166
Medicare	71,379	-	71,379	1,777	-	1,777	181	101,678
Contributions and Donations	-	-	-	-	-	-	-	-
Other	-	7,830	7,830	-	-	-	-	619
In-kind Revenue	-	50	50	45	45	90	-	807,284
Total Nongovernmental Funding	<u>748,874</u>	<u>298,611</u>	<u>1,047,485</u>	<u>18,507</u>	<u>80,978</u>	<u>99,485</u>	<u>3,206</u>	<u>1,264,418</u>
Total All Funding and Revenue	<u>\$ 4,562,035</u>	<u>\$ 1,681,859</u>	<u>\$ 6,243,894</u>	<u>\$ 1,200,341</u>	<u>\$ 941,382</u>	<u>\$ 2,141,723</u>	<u>\$ 1,466,868</u>	<u>\$ 4,530,883</u>

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF REVENUES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2012

	Comprehensive Community Service Team				Recovery Support Services	Total for State SAMH-Funded Cost Centers	Non State SAMH Funded Cost Centers
	Adult	Forensic	Child	Total			
STATE SAMH FUNDING							
SAMH	\$ 689,978	\$ 448,327	\$ 135,001	\$ 1,273,306	\$ 15,248	\$ 7,635,114	\$ -
Total State SAMH Funding	689,978	448,327	135,001	1,273,306	15,248	7,635,114	-
OTHER GOVERNMENT FUNDING							
Other State Agency Funding	59,466	-	-	59,466	-	59,466	-
Medicaid	196,032	35,934	1,019,563	1,251,529	-	4,262,844	518,489
Local Government	-	102,395	31,953	134,348	-	2,745,247	-
Federal Grants and Contracts	-	-	-	-	-	-	-
Total Other Government Funding	255,498	138,329	1,051,516	1,445,343	-	7,067,557	518,489
ALL OTHER FUNDING & REVENUE							
First and Second Party Payments	7,932	1,672	3,425	13,029	-	707,382	26,583
Third Party Payments (Except Medicare)	-	-	8,108	8,108	-	737,461	18,068
Medicare	-	-	-	-	-	175,015	21,694
Contributions and Donations	-	-	-	-	-	-	246,392
Other	-	-	15,716	15,716	-	24,165	727
In-kind Revenue	-	-	-	-	-	807,424	75
Total Nongovernmental Funding	7,932	1,672	27,249	36,853	-	2,451,447	313,539
Total All Funding and Revenue	\$ 953,408	\$ 588,328	\$ 1,213,766	\$ 2,755,502	\$ 15,248	\$ 17,154,118	\$ 832,028

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF REVENUES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2012

	Total for All State Designated SAMH Cost Centers	Non SAMH Cost Centers	Direct Support Cost Centers	Administrative Cost Centers	LMHC Properties, Inc.	Total Funding
STATE SAMH FUNDING						
SAMH	\$ 7,635,114	\$ -	\$ -	\$ -	\$ -	\$ 7,635,114
Total State SAMH Funding	<u>7,635,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,635,114</u>
OTHER GOVERNMENT FUNDING						
Other State Agency Funding	59,466	274,638	-	-	-	334,104
Medicaid	4,781,333	381	7,048	221,423	-	5,010,185
Local Government	2,745,247	80,512	407,693	-	-	3,233,452
Federal Grants and Contracts	-	-	-	-	41,106	41,106
Total Other Government Funding	<u>7,586,046</u>	<u>355,531</u>	<u>414,741</u>	<u>221,423</u>	<u>41,106</u>	<u>8,618,847</u>
ALL OTHER FUNDING & REVENUE						
First and Second Party Payments	733,965	26,408	2,890	-	-	763,263
Third Party Payments (Except Medicare)	755,529	-	135	-	-	755,664
Medicare	196,709	4,703	181	-	-	201,593
Contributions and Donations	246,392	-	20,000	-	-	266,392
Other	24,892	833	71,989	160,211	57,364	315,289
In-kind Revenue	807,499	-	-	697	-	808,196
Total Nongovernmental Funding	<u>2,764,986</u>	<u>31,944</u>	<u>95,195</u>	<u>160,908</u>	<u>57,364</u>	<u>3,110,397</u>
Total All Funding and Revenue	<u>\$ 17,986,146</u>	<u>\$ 387,475</u>	<u>\$ 509,936</u>	<u>\$ 382,331</u>	<u>\$ 98,470</u>	<u>\$ 19,364,358</u>

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENSES BY COST CENTER
YEAR ENDED JUNE 30, 2012

	Adult Crisis Stabilization	Children's Crisis Stabilization	Total	Adult Mental Health	Adult Substance Abuse	Total	Crisis Support Emergency Services	Child Medical Services
PERSONNEL EXPENSES								
Salaries	\$ 2,498,976	\$ 743,852	\$ 3,242,828	\$ 757,628	\$ 440,447	\$ 1,198,075	\$ 521,641	\$ 1,781,604
Fringe Benefits	462,759	140,450	603,209	190,421	99,124	289,545	83,648	282,643
Total Personnel Expenses	<u>2,961,735</u>	<u>884,302</u>	<u>3,846,037</u>	<u>948,049</u>	<u>539,571</u>	<u>1,487,620</u>	<u>605,289</u>	<u>2,064,247</u>
OPERATING EXPENSES								
Building Occupancy	174,033	75,772	249,805	87,534	76,242	163,776	26,759	72,155
Professional Services	521,007	389,462	910,469	33,518	36,342	69,860	5,770	866,814
Travel	4,538	1,088	5,626	931	521	1,452	430	4,846
Equipment Costs	95,845	32,915	128,760	36,448	27,010	63,458	5,441	32,356
Food Services	65,596	12,468	78,064	37,662	32,866	70,528	3,276	-
Medicine and Pharmacy	237,943	26,967	264,910	11,409	20,312	31,721	23,872	872,451
Insurance	86,027	31,743	117,770	26,647	20,146	46,793	16,863	67,958
Interest Paid	-	-	-	-	-	-	-	-
Operating Supplies and Expenses	100,075	36,303	136,378	41,077	27,971	69,048	17,532	76,307
Bad Debt	158,198	40,601	198,799	5,624	38,262	43,886	788	206,379
Total Operating Expenses	<u>1,443,262</u>	<u>647,319</u>	<u>2,090,581</u>	<u>280,850</u>	<u>279,672</u>	<u>560,522</u>	<u>100,731</u>	<u>2,199,266</u>
Total Direct Expenses	<u>4,404,997</u>	<u>1,531,621</u>	<u>5,936,618</u>	<u>1,228,899</u>	<u>819,243</u>	<u>2,048,142</u>	<u>706,020</u>	<u>4,263,513</u>
DISTRIBUTED INDIRECT COSTS								
Administration	476,851	156,710	633,561	156,046	110,921	266,967	-	160,727
Total Distributed Indirect Costs	<u>476,851</u>	<u>156,710</u>	<u>633,561</u>	<u>156,046</u>	<u>110,921</u>	<u>266,967</u>	<u>-</u>	<u>160,727</u>
Total Actual Operating Expenses	<u>4,881,848</u>	<u>1,688,331</u>	<u>6,570,179</u>	<u>1,384,945</u>	<u>930,164</u>	<u>2,315,109</u>	<u>706,020</u>	<u>4,424,240</u>
State Excluded Costs	158,198	40,601	198,799	5,624	38,262	43,886	788	206,379
Total Allowable Operating Expenses	<u>\$ 4,723,650</u>	<u>\$ 1,647,730</u>	<u>\$ 6,371,380</u>	<u>\$ 1,379,321</u>	<u>\$ 891,902</u>	<u>\$ 2,271,223</u>	<u>\$ 705,232</u>	<u>\$ 4,217,861</u>

**LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENSES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2012**

	Adult	Forensic	Child	Total	Recovery Support Services	Total for State SAMH-Funded Cost Centers	Non State SAMH Funded Cost Centers
PERSONNEL EXPENSES							
Salaries	\$ 500,454	\$ 330,403	\$ 608,668	\$ 1,439,525	\$ 44,258	\$ 8,227,931	\$ 429,083
Fringe Benefits	152,920	81,597	115,543	350,060	9,371	1,618,476	103,888
Total Personnel Expenses	<u>653,374</u>	<u>412,000</u>	<u>724,211</u>	<u>1,789,585</u>	<u>53,629</u>	<u>9,846,407</u>	<u>532,971</u>
OPERATING EXPENSES							
Building Occupancy	50,975	26,989	35,998	113,962	599	627,056	43,832
Professional Services	14,177	7,805	11,817	33,799	290	1,887,002	41,377
Travel	25,346	14,551	45,082	84,979	1,008	98,341	1,876
Equipment Costs	27,678	19,185	27,237	74,100	227	304,342	21,666
Food Services	-	-	-	-	-	151,868	-
Medicine and Pharmacy	528	329	547	1,404	19	1,194,377	547
Insurance	24,818	13,887	29,751	68,456	593	318,433	22,241
Interest Paid	-	-	-	-	-	-	-
Operating Supplies and Expenses	67,791	29,342	35,283	132,416	1,575	433,256	26,647
Bad Debt	9,194	3,535	14,919	27,648	-	477,500	21,941
Total Operating Expenses	<u>220,507</u>	<u>115,623</u>	<u>200,634</u>	<u>536,764</u>	<u>4,311</u>	<u>5,492,175</u>	<u>180,127</u>
Total Direct Expenses	<u>873,881</u>	<u>527,623</u>	<u>924,845</u>	<u>2,326,349</u>	<u>57,940</u>	<u>15,338,582</u>	<u>713,098</u>
ALLOCATED EXPENSES							
Administration	146,791	91,664	152,264	390,719	5,185	1,457,159	110,836
Total Allocated Expenses	<u>146,791</u>	<u>91,664</u>	<u>152,264</u>	<u>390,719</u>	<u>5,185</u>	<u>1,457,159</u>	<u>110,836</u>
Total expenses	<u>1,020,672</u>	<u>619,287</u>	<u>1,077,109</u>	<u>2,717,068</u>	<u>63,125</u>	<u>16,795,741</u>	<u>823,934</u>
State Excluded Costs	9,194	3,535	14,919	27,648	-	477,500	21,941
Total Allowable Operating Expenses	<u>\$ 1,011,478</u>	<u>\$ 615,752</u>	<u>\$ 1,062,190</u>	<u>\$ 2,689,420</u>	<u>\$ 63,125</u>	<u>\$ 16,318,241</u>	<u>\$ 801,993</u>

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENSES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2012

	Total for All State SAMH Cost Centers	Non SAMH Cost Centers	Direct Support Cost Centers	Administrative Cost Centers	Related Entities	Total Funding
PERSONNEL EXPENSES						
Salaries	\$ 8,657,014	\$ 300,042	\$ 610,758	\$ 875,543	\$ 9,101	\$ 10,452,458
Fringe Benefits	1,722,364	59,589	105,687	241,805	-	2,129,445
Total Personnel Expenses	<u>10,379,378</u>	<u>359,631</u>	<u>716,445</u>	<u>1,117,348</u>	<u>9,101</u>	<u>12,581,903</u>
OPERATING EXPENSES						
Building Occupancy	670,888	47,088	181,941	26,140	56,955	983,012
Professional Services	1,928,379	62,494	18,903	115,980	14,098	2,139,854
Travel	100,217	16,497	588	17,218	-	134,520
Equipment Costs	326,008	11,558	14,343	10,937	-	362,846
Food Services	151,868	44	137,072	1,491	-	290,475
Medicine and Pharmacy	1,194,924	4,085	-	2,628	-	1,201,637
Insurance	340,674	11,250	23,265	881	12,735	388,805
Interest Paid	-	-	-	248,656	-	248,656
Operating Supplies and Expenses	459,903	14,698	25,199	77,006	34,523	611,329
Bad Debt	499,441	272	788	-	-	500,501
Total Operating Expenses	<u>5,672,302</u>	<u>167,986</u>	<u>402,099</u>	<u>500,937</u>	<u>118,311</u>	<u>6,861,635</u>
Total Direct Expenses	<u>16,051,680</u>	<u>527,617</u>	<u>1,118,544</u>	<u>1,618,285</u>	<u>127,412</u>	<u>19,443,538</u>
ALLOCATED EXPENSES						
Administration	1,567,995	50,290	-	(1,618,285)	-	-
Total Allocated Expenses	<u>1,567,995</u>	<u>50,290</u>	<u>-</u>	<u>(1,618,285)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>17,619,675</u>	<u>577,907</u>	<u>1,118,544</u>	<u>-</u>	<u>127,412</u>	<u>19,443,538</u>
State Excluded Costs	499,441	272	788	-	-	500,501
Total Allowable Operating Expenses	<u>\$ 17,120,234</u>	<u>\$ 577,635</u>	<u>\$ 1,117,756</u>	<u>\$ -</u>	<u>\$ 127,412</u>	<u>\$ 18,943,037</u>

**LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF STATE EARNINGS
YEAR ENDED JUNE 30, 2012**

1.	Total Expenditures	\$ 19,443,538
2.	Less Other State and Federal Funds	(6,107,552)
3.	Less Non-Match SAMH Funds	(2,010,764)
4.	Less Unallowable Costs per 65E-14, FAC	<u>(500,501)</u>
5.	Total Allowable Expenditures	<u><u>\$ 10,824,721</u></u>
6.	Total Amount of State Earnings (Line 5 times 75%)	\$ 8,118,541
7.	Amount of State Funds Required Match	<u>5,622,390</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 Line 8.)	<u><u>\$ 2,496,151</u></u>

**LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Program (A)	Cost Center (B)	State Contracted Rate (C)	Total Units of Service Provided (D)	Total Units of Service Paid for by Third Party Contracts, Local Government or Other State Agencies (E)	Maximum Number of Units Eligible for Payment by Department (F)	Amount Paid for Services by the Department (G)	Maximum Dollar Value of Units in Column F (H)	Amount Owed to Department (G less H or \$0 Whichever is Greater) (I)
Children's MH	Crisis Stabilization Unit	\$ 391.24	2,677	997	1,680	\$ 382,051	\$ 657,283	\$ -
Adult MH	Crisis Stabilization Unit	\$ 391.24	10,980	2,633	8,347	\$ 2,283,178	\$ 3,265,680	\$ -
Children's SA	Juvenile Addictions	\$ 391.24	1,319	101	1,218	\$ 190,405	\$ 476,530	\$ -
Adult SA	Residential	\$ 234.04	3,675	1,806	1,869	\$ 425,793	\$ 437,421	\$ -
Adult MH	Residential	\$ 235.39	3,900	1,061	2,839	\$ 628,657	\$ 668,272	\$ -
Adult MH	Room & Board	\$ 232.49	1,228	201	1,027	\$ 226,309	\$ 238,767	\$ -
Total Amount Owed to Department								<u><u>\$ -</u></u>

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS
JUNE 30, 2012
(UNAUDITED)

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

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

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS (CONTINUED)
JUNE 30, 2012
(UNAUDITED)

	Child	Comprehensive Community Service Team				Misc	State	Non State
	Medical Services	Adult	Forensic	Child	Total	SAMH Programs	SAMH-Funded Cost Centers	SAMH Funded Cost Centers
Revenues From Grantee								
Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue from Grantee	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses Associated with Grantee								
Transactions								
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-
Total Associated Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Related Party Transactions Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS (CONTINUED)
JUNE 30, 2012
(UNAUDITED)

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

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

LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2012

	Lee Mental Health, Inc.	LMHC Properties, Inc.	Eliminations	Totals
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 556,927	\$ 69	\$ -	\$ 556,996
Contracts Receivable, Net	1,304,620	-	-	1,304,620
Accounts Receivable, Net	995,561	1,573	(217,504)	779,630
Other Current Assets	166,063	-	-	166,063
Total Current Assets	3,023,171	1,642	(217,504)	2,807,309
INVESTMENTS	96,000	-	-	96,000
PROPERTY AND EQUIPMENT, net	9,123,904	719,268	-	9,843,172
OTHER ASSETS				
Assets Classified as Held for Sale	144,792	-	-	144,792
Restricted Cash Deposits	20,637	23,849	-	44,486
Debt Issuance Costs, net	83,423	-	-	83,423
Other Assets	(640)	2,135	-	1,495
Total Assets	<u>\$ 12,491,287</u>	<u>\$ 746,894</u>	<u>\$ (217,504)</u>	<u>\$ 13,020,677</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 573,693	\$ 250,690	\$ (217,504)	\$ 606,879
Deferred Revenue	2,350	744	-	3,094
Accrued expenses	635,328	18,553	-	653,881
Current Portion of Long-Term Debt	184,200	-	-	184,200
Total Current Liabilities	1,395,571	269,987	(217,504)	1,448,054
LONG-TERM LIABILITIES				
Long-Term Debt, Net of Current Portion	4,866,300	998,400	-	5,864,700
Derivative Financial Instrument	325,896	-	-	325,896
Compensated Absences	16,908	-	-	16,908
Total Long-Term Liabilities	5,209,104	998,400	-	6,207,504
Total Liabilities	6,604,675	1,268,387	(217,504)	7,655,558
NET ASSETS				
Unrestricted	5,873,366	(521,493)	-	5,351,873
Temporarily Restricted	13,246	-	-	13,246
Total Net Assets	5,886,612	(521,493)	-	5,365,119
Total Liabilities and Net Assets	<u>\$ 12,491,287</u>	<u>\$ 746,894</u>	<u>\$ (217,504)</u>	<u>\$ 13,020,677</u>

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

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

**LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	Lee Mental Health, Inc.	LMHC Properties, Inc.	Eliminations	Totals
UNRESTRICTED NET ASSETS				
Support and Revenue:				
Support:				
State Grants	\$ 7,864,220	\$ -	\$ -	\$ 7,864,220
Other Governmental	3,293,646	-	-	3,293,646
Contributions and In-kind Revenue	1,156,218	-	-	1,156,218
Total Support	<u>12,314,084</u>	<u>-</u>	<u>-</u>	<u>12,314,084</u>
Revenue:				
Net Client Fee Revenue	6,730,704	-	-	6,730,704
Interest Income	825	51	-	876
Unrealized Loss on Derivative Financial Instrument	(147,809)	-	-	(147,809)
Unrealized Loss on Investments	(18,735)	-	-	(18,735)
Other Income (Loss)	389,807	98,426	(4,495)	483,738
Total Revenue	<u>6,954,792</u>	<u>98,477</u>	<u>(4,495)</u>	<u>7,048,774</u>
Net Assets Released From Restrictions:				
Satisfaction of Program Restrictions	11,236	-	-	11,236
Total Unrestricted Support and Revenue	<u>19,280,112</u>	<u>98,477</u>	<u>(4,495)</u>	<u>19,374,094</u>
Expenses:				
Program Services:				
Adult Mental Health	13,936,935	-	-	13,936,935
Children's Mental Health	2,765,441	-	-	2,765,441
Children and Family Services	340,051	-	-	340,051
Adult Substance Abuse	930,164	-	-	930,164
Children's Substance Abuse	63,125	-	-	63,125
Other Support Services	1,280,410	-	-	1,280,410
Total Program Services	<u>19,316,126</u>	<u>-</u>	<u>-</u>	<u>19,316,126</u>
Support Services:				
Real Estate Holding Company	-	131,907	(4,495)	127,412
Total Support Services	<u>-</u>	<u>131,907</u>	<u>(4,495)</u>	<u>127,412</u>
Total Unrestricted Expenses	<u>19,316,126</u>	<u>131,907</u>	<u>(4,495)</u>	<u>19,443,538</u>
Net Decrease in Unrestricted Net Assets	(36,014)	(33,430)	-	(69,444)
TEMPORARILY RESTRICTED NET ASSETS:				
Contributions	1,500	-	-	1,500
Net Assets Released From Restrictions:				
Satisfaction of Program Restrictions	(11,236)	-	-	(11,236)
Decrease in Temporarily Restricted Net Assets	(9,736)	-	-	(9,736)
Decrease in Net Assets	<u>(45,750)</u>	<u>(33,430)</u>	<u>-</u>	<u>(79,180)</u>
NET ASSETS, Beginning of Year	<u>5,932,362</u>	<u>(488,063)</u>	<u>-</u>	<u>5,444,299</u>
NET ASSETS, End of Year	<u>\$ 5,886,612</u>	<u>\$ (521,493)</u>	<u>\$ -</u>	<u>\$ 5,365,119</u>

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

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



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

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

We have audited the consolidated financial statements of Lee Mental Health Center, Inc. (the "Center") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 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

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

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

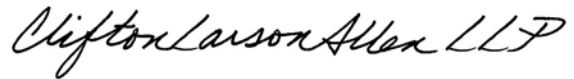
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Board of Directors
Lee Mental Health Center, Inc.

Compliance and Other Matters

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

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



CliftonLarsonAllen LLP

Fort Myers, Florida
October 26, 2012



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM OR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

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

Compliance

We have audited Lee Mental Health Center, Inc.'s (the "Center") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the Florida Department of Financial Services *State Projects Compliance Supplement*, that could have a direct and material effect on each of the Center's major federal programs and state projects for the year ended June 30, 2012. The Center's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

Board of Directors
Lee Mental Health Center, Inc.

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

Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

Fort Myers, Florida
October 26, 2012

**LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012**

FEDERAL / STATE AGENCY <i>Pass-through Entity</i> Federal Program / State Project	CFDA/ CSFA NUMBER	GRANT/ CONTRACT NUMBER	EXPENDITURES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Central Florida Behavioral Health Network</i>			
Block Grants for Community Mental Health Services	93.958	CF2036-1006	\$ 344,206
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CF2036-1006	<u>453,236</u>
Total programs - U.S. Department of Health and Human Services			797,442
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Lee County Board of Commissioners</i>			
Shelter Plus Care	14.238	6049	16,426
Shelter Plus Care		5612	<u>64,086</u>
			80,512
Emergency Solutions Grant Program	14.231	5950	<u>85,794</u>
Total programs - U.S. Department of Housing and Urban Development			166,306
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Lee County Board of Commissioners</i>			
Emergency Food and Shelter National Board Program	97.024	165400-027	<u>11,989</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 975,737</u></u>

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

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED JUNE 30, 2012

FEDERAL / STATE AGENCY <i>Pass-through Entity</i> Federal Program / State Project	CFDA/ CSFA NUMBER	GRANT/ CONTRACT NUMBER	<u>EXPENDITURES</u>
STATE OF FLORIDA,			
DEPARTMENT OF CHILDREN AND FAMILIES			
<i>Passed Through Central Florida Behavioral Health Network</i>			
Children's Baker Act Services	60.001	CF2036-1006	\$ 425,305
Baker Act	60.006	CF2036-1006	2,275,059
Substance Abuse Detoxification Services for Children	60.028	CF2036-1006	106,351
Substance Abuse Treatment and Aftercare Services for Children	60.030	CF2036-1006	328,362
Substance Abuse Treatment and Aftercare Services for Adults	60.033	CF2036-1006	146,902
Indigent Psychiatric Medication Program	60.039	CF2036-1006	124,117
Adult Community Mental Health Community Support Services	60.053	CF2036-1006	2,401,836
Adult Community Mental Health Emergency Stabilization	60.054	CF2036-1006	241,627
Children's Mental Health Community Support Services	60.055	CF2036-1006	227,524
Adult Mental Health - Special Projects - Emergency Stabilization	60.061	CF2036-1006	352,306
Community Forensic Beds and Competency Restoration Training	60.114	CF2036-1006	206,323
<i>Passed through Lee County Board of Commissioners</i>			
Homeless Challenge Grant	60.014	5915	<u>47,548</u>
Total Programs - State of Florida, Department of Children and Families			6,883,260
STATE OF FLORIDA, DEPARTMENT OF JUVENILE JUSTICE			
<i>Passed Through Evidence Based Associates</i>			
Contracted Intensive Probation	80.019	VT775	<u>274,638</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>7,157,898</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 8,133,635</u>

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

LEE MENTAL HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 1 PURPOSE OF SCHEDULE

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING

Basis of Presentation

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

The Center's consolidated financial statements include the operations of the Center's controlled housing corporation, which received \$1,039,506 in federal awards that are not included in the Consolidated Schedule of Expenditures of Federal Awards for the year ended June 30, 2012. Our audit did not include the operations of the Center's controlled housing corporations because the U.S. Department of Housing and Urban Development requires separate single audits to be performed on these entities in accordance with OMB Circular A-133.

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

LEE MENTAL HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

Basis of Presentation (Continued)

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

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

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

Type A and Type B Programs

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures to be used in defining Type A and Type B federal financial assistance programs. Type A assistance programs for the Center are those federal programs with expenditures in excess of \$300,000 for the fiscal year ended June 30, 2012.

Each non-state entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in any fiscal year is required to have a state single audit for such fiscal year in accordance with the requirements of the Florida Single Audit Act (Section 215.97, Florida Statutes). Chapter 69I-5 establishes the level of expenditures to be used in defining Type A and Type B state financial assistance projects. Type A assistance projects for the Center are those programs with expenditures in excess of \$300,000, which is the greater of \$300,000, or 3% of total state awards expended for the fiscal year ended June 30, 2012.

Basis of Accounting

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

**LEE MENTAL HEALTH CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)
 YEAR ENDED JUNE 30, 2012**

Section I – Summary of Auditors’ Results (Continued)

Identification of major programs/projects:

CFDA Number	Name of Federal Program or Cluster
93.958	Block Grant for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
CSFA Number	Name of State Project
60.001	Children’s Baker Act Services
60.006	Baker Act
60.030	Substance Abuse Treatment and Aftercare Services for Children
60.061	Adult Mental Health – Special Projects – Emergency Stabilization
60.053	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 X no

**LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)
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 did not disclose any matters required to be reported in accordance with Section 510(a) of OMB Circular A-133.

Section IV – Findings and Questioned Costs – Major State Projects

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

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

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

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.