

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, 2013 AND 2012

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

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lee Mental Health Center, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 5.5% and 0.5%, respectively, as of June 30, 2013; and 5.7% and 0.5%, respectively, as of June 30, 2012, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lee Mental Health Center, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. 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 consolidated financial statements. The schedule of expenditures of federal awards and state financial assistance, 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*, is also presented for purposes of additional analysis and is not a required part of the basic 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements 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.

Board of Directors
Lee Mental Health Center, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of Lee Mental Health Center, Inc.'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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lee Mental Health Center, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Myers, Florida
December 16, 2013

LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,715,332	\$ 556,996
Contracts Receivable, Net	1,163,650	1,304,620
Accounts Receivable, Net	658,388	779,630
Other Current Assets	64,550	166,063
Total Current Assets	3,601,920	2,807,309
INVESTMENTS	113,559	96,000
PROPERTY AND EQUIPMENT, NET	9,378,754	9,843,172
OTHER ASSETS		
Assets Classified as Held for Sale	-	144,792
Restricted Cash Deposits	42,663	44,486
Debt Issuance Costs, Net	59,685	83,423
Other Assets	12,845	1,495
Total Assets	\$ 13,209,426	\$ 13,020,677
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 385,425	\$ 606,879
Deferred Revenue	23,384	3,094
Accrued Expenses	728,225	653,881
Current Portion of Long-Term Debt	191,900	184,200
Total Current Liabilities	1,328,934	1,448,054
LONG-TERM LIABILITIES		
Long-term Debt, Net of Current Portion	5,672,800	5,864,700
Compensated Absences	-	16,908
Derivative Financial Instrument	232,733	325,896
Total Long-Term Liabilities	5,905,533	6,207,504
Total Liabilities	7,234,467	7,655,558
NET ASSETS		
Unrestricted	5,961,713	5,351,873
Temporarily Restricted	13,246	13,246
Total Net Assets	5,974,959	5,365,119
Total Liabilities and Net Assets	\$ 13,209,426	\$ 13,020,677

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
UNRESTRICTED NET ASSETS		
Support and Revenue:		
Support:		
State Grants	\$ 8,486,636	\$ 7,864,220
Other Governmental	2,662,324	3,293,646
Contributions and In-kind Revenue	1,153,344	1,156,218
Total Support	12,302,304	12,314,084
Revenue:		
Net Client Fee Revenue	6,924,469	6,730,704
Interest Income	1,026	876
Unrealized Gain (Loss) on Derivative Financial Instrument	93,163	(147,809)
Unrealized Gain (Loss) on Investments	22,559	(18,735)
Other Income	492,809	483,738
Total Revenue	7,534,026	7,048,774
Net Assets Released From Restrictions:		
Satisfaction of Program Restrictions	-	11,236
Total Unrestricted Support and Revenue	19,836,330	19,374,094
Expenses and Losses:		
Program Services:		
Adult Mental Health	13,619,988	13,936,935
Children's Mental Health	2,605,824	2,765,441
Children and Family Services	374,130	340,051
Adult Substance Abuse	669,726	930,164
Children's Substance Abuse	138,043	63,125
Other Program Services	1,600,435	1,280,410
Total Program Services	19,008,146	19,316,126
Support Services:		
Real Estate Holding Company	125,735	127,412
Total Support Services	125,735	127,412
Total Unrestricted Expenses	19,133,881	19,443,538
Loss on the Disposal of Assets	92,609	-
Total Unrestricted Expenses and Losses	19,226,490	19,443,538
Net Increase (Decrease) in Unrestricted Net Assets	609,840	(69,444)
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	-	1,500
Net Assets Released From Restrictions:		
Satisfaction of Program Restrictions	-	(11,236)
Decrease in Temporarily Restricted Net Assets	-	(9,736)
Increase (Decrease) in Net Assets	609,840	(79,180)
NET ASSETS, Beginning of Year	5,365,119	5,444,299
NET ASSETS, End of Year	\$ 5,974,959	\$ 5,365,119

See accompanying Notes to Consolidated Financial Statements.

LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	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	\$ 6,234,257	\$ 1,300,540	\$ 191,922	\$ 279,476	\$ 48,181	\$ 830,089	\$ 8,884,465	\$ 832,950	\$ 7,751	\$ 9,725,166
Fringe Benefits	1,075,349	256,839	37,474	58,705	9,605	138,994	1,576,966	233,292	-	1,810,258
Total Personnel Expenses	7,309,606	1,557,379	229,396	338,181	57,786	969,083	10,461,431	1,066,242	7,751	11,535,424
OPERATING EXPENSES										
Building Occupancy	479,021	102,968	10,013	71,244	3,459	201,417	868,122	21,309	52,516	941,947
Professional Services	2,277,133	302,287	39,289	63,882	44,462	169,435	2,896,488	169,390	13,485	3,079,363
Travel	62,324	36,414	18,858	902	2,025	1,070	121,593	17,504	-	139,097
Equipment Costs	270,504	63,394	9,580	24,415	3,320	22,946	394,159	9,661	-	403,820
Food Services	67,165	14,734	84	22,155	-	142,630	246,768	1,376	-	248,144
Medicine and Pharmacy	930,768	43,723	57	13,710	23	1,827	990,108	2,189	-	992,297
Insurance	280,303	61,708	10,286	18,014	4,352	28,455	403,118	1,416	13,359	417,893
Interest Paid	-	-	-	-	-	-	-	214,616	-	214,616
Operating Supplies and Expenses	357,436	70,237	9,499	23,734	3,148	30,729	494,783	86,175	37,051	618,009
Bad Debt	464,695	62,460	-	10,562	-	3,981	541,698	-	1,573	543,271
Total Operating Expenses	5,189,349	757,925	97,666	248,618	60,789	602,490	6,956,837	523,636	117,984	7,598,457
Total Direct Expenses	12,498,955	2,315,304	327,062	586,799	118,575	1,571,573	17,418,268	1,589,878	125,735	19,133,881
ALLOCATED EXPENSES										
Administration	1,121,033	290,520	47,068	82,927	19,468	28,862	1,589,878	(1,589,878)	-	-
Total Allocated Expenses	1,121,033	290,520	47,068	82,927	19,468	28,862	1,589,878	(1,589,878)	-	-
Total Expenses	\$ 13,619,988	\$ 2,605,824	\$ 374,130	\$ 669,726	\$ 138,043	\$ 1,600,435	\$ 19,008,146	\$ -	\$ 125,735	\$ 19,133,881

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	Helpgro, Inc. and 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 STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contracts, Client Fees and Donations	\$ 20,110,554	\$ 18,990,797
Cash Payments for Program and Support Services	(18,333,880)	(18,186,558)
Cash Received for Interest	1,026	876
Cash Payments for Interest	(214,616)	(248,656)
Net Cash Provided by Operating Activities	1,563,084	556,459
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(368,964)	(413,759)
Proceeds From Sale of Property and Equipment	136,741	7,197
Proceeds on Sale of Investments	9,852	-
Net Change in Restricted Cash Deposits	1,823	16,288
Net Cash Used in Investing Activities	(220,548)	(390,274)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Notes Payable	(184,200)	(177,000)
Net Cash Provided by (Used in) Financing Activities	(184,200)	(177,000)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,158,336	(10,815)
 CASH AND CASH EQUIVALENTS, Beginning of Year	556,996	567,811
 CASH AND CASH EQUIVALENTS, End of Year	\$ 1,715,332	\$ 556,996

See accompanying Notes to Consolidated Financial Statements.

LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	<u>\$ 609,840</u>	<u>\$ (79,180)</u>
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	751,849	696,362
Amortization of Debt Issuance Costs	23,738	23,738
Loss on Sale of Equipment	89,584	(4,012)
Unrealized (Gain) Loss on Derivative Financial Instrument	(93,163)	147,809
Net Realized/Unrealized (Gain) Loss on Investments	(27,411)	18,022
(Increase) Decrease in:		
Accounts Receivable, Net	121,242	(288,126)
Contract and Other Receivables	140,970	(270,011)
Other Assets	90,163	35,272
Increase (Decrease) in:		
Accounts Payable	(221,454)	242,153
Deferred Revenue	20,290	(105)
Accrued Liabilities	57,436	34,537
Total Adjustments	<u>953,244</u>	<u>635,639</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,563,084</u>	<u>\$ 556,459</u>

See accompanying Notes to Consolidated Financial Statements.

**LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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.

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.

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.

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.

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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, 2013 AND 2012

**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 and losses on investments amounted to \$22,560 and (\$18,735) for the years ended June 30, 2013 and 2012, respectively. Realized gains on investments are included in other income and totaled \$4,852 and \$713 for the years ended June 30, 2013 and 2012, respectively

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.

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.

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.

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Significant Accounting Policies (Continued)

Debt Issuance Costs

Issuance costs related to long-term debt are capitalized and amortized over the life of the debt using the effective interest method. Issuance costs capitalized total \$118,691 and are shown net of accumulated amortization of \$59,006 and \$35,268 for the years ended June 30, 2013 and 2012, 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 2012, 2011, and 2010 tax years are open for examination by the IRS.

The Center is in compliance with the income tax standard regarding the recognition and measurement of uncertain tax positions. This guidance clarifies the accounting for uncertainty in income taxes recognized in a Center's financial statements. The implementation of this standard had no impact on the Center's financial statements.

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

**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, 2013 AND 2012

**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, 2013 AND 2012**

**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 December 16, 2013, the date the financial statements were available to be issued.

NOTE 2 CONTRACTS RECEIVABLE

Contracts receivable consisted of the following at June 30:

	2013	2012
Lee County	\$ 183,513	\$ 526,590
State of Florida, Department of Children & Families	926,530	720,248
Other	61,607	66,302
	<u>1,171,650</u>	<u>1,313,140</u>
Less Allowance for Doubtful Accounts	(8,000)	(8,520)
	<u>\$ 1,163,650</u>	<u>\$ 1,304,620</u>

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2013	2012
Self-Pay and Insurance	\$ 807,153	\$ 706,383
Medicaid	146,664	147,464
Medicare	84,594	65,477
Other	8,789	207,779
	<u>1,047,200</u>	<u>1,127,103</u>
Less Allowance for Doubtful Accounts	<u>(388,812)</u>	<u>(347,473)</u>
	<u>\$ 658,388</u>	<u>\$ 779,630</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2013	2012
Land	\$ 1,202,398	\$ 1,202,398
Buildings and Improvements	12,283,668	12,636,319
Furniture and Equipment	2,906,268	2,778,695
Vehicles	204,889	203,298
Construction in Progress	201,631	-
	<u>16,798,854</u>	<u>16,820,710</u>
Less Accumulated Depreciation	<u>(7,420,100)</u>	<u>(6,977,538)</u>
	<u>\$ 9,378,754</u>	<u>\$ 9,843,172</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$751,849 and \$696,362, 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:

	2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Common Stocks	\$ 55,340	\$ -	\$ -	\$ 55,340
Investment in Healthcare Company	-	-	5,000	5,000
Pooled Investment with Southwest Florida Community Foundation	-	-	53,219	53,219
Total Assets at Fair Value	<u>\$ 55,340</u>	<u>\$ -</u>	<u>\$ 58,219</u>	<u>\$ 113,559</u>
Liabilities:				
Derivative Instrument - Interest Rate Swap	\$ -	\$ 232,733	\$ -	\$ 232,733
Total Liabilities at Fair Value	<u>\$ -</u>	<u>\$ 232,733</u>	<u>\$ -</u>	<u>\$ 232,733</u>

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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:

	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><u>\$ 37,514</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 58,486</u></u>	<u><u>\$ 96,000</u></u>
Liabilities:				
Derivative Instrument - Interest Rate Swap	\$ -	\$ 325,896	\$ -	\$ 325,896
Total Liabilities at Fair Value	<u><u>\$ -</u></u>	<u><u>\$ 325,896</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 325,896</u></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:

	2013	2012
Balance, Beginning of Year	\$ 58,486	\$ 61,389
Total Gains or Losses Relating to Instruments Still Held at the Reporting Date	(267)	(2,903)
Balance, End of Year	<u><u>\$ 58,219</u></u>	<u><u>\$ 58,486</u></u>

NOTE 6 ACCRUED EXPENSES

Accrued expenses consist of the following at June 30:

	2013	2012
Payroll and Payroll Taxes	\$ 424,902	\$ 462,240
Health Insurance Claims Payable and Reserves	41,900	-
Other Accrued Expenses	261,423	191,641
	<u><u>\$ 728,225</u></u>	<u><u>\$ 653,881</u></u>

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 7 LONG-TERM OBLIGATIONS

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

	2013	2012
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 8 for more information.	\$ 4,866,300	\$ 5,050,500
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
	5,864,700	6,048,900
Less: current portion	(191,900)	(184,200)
	\$ 5,672,800	\$ 5,864,700

Scheduled principal maturities of debt payable are approximately as follows:

2014	\$ 191,900
2015	199,800
2016	4,474,600
	\$ 4,866,300

The Center had available an \$800,000 revolving line of credit with Fifth Third Bank at June 30, 2013 and 2012. The line of credit has a current maturity date of February 28, 2014. 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, 2013 and 2012, respectively. The line is collateralized by all business assets of Lee Mental Health Center, Inc., other than real estate and non-titled vehicles.

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

As of June 30, 2013 and 2012, 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, 2013, the Center was in compliance with these covenants.

NOTE 8 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 7. 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, 2013 and 2012.

The Center uses fair value measurements to record the fair value adjustment of the derivative instrument. The fair value of this agreement is \$232,733 and \$325,896 for the years ended June 30, 2013 and 2012, 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.

NOTE 9 NET ASSETS

Net asset components consist of the following at June 30:

	2013	2012
<u>Unrestricted Net Assets</u>		
Lee Mental Health Center, Inc.	\$ 6,512,013	\$ 5,873,366
LMHC Properties, Inc.	(550,300)	(521,493)
Total Unrestricted Net Assets	5,961,713	5,351,873
<u>Temporarily Restricted Net Assets</u>		
Special Purpose Funds	13,246	13,246
Total Net Assets	\$ 5,974,959	\$ 5,365,119

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 10 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, 2013 and 2012, were \$141,388 and \$152,896, respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

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

<u>Year Ending June 30,</u>	
2014	\$ 56,597
2015	22,539
2016	1,109
	<u>\$ 80,245</u>

Rent expense was and \$81,377 and \$73,218 for the years ended June 30, 2013 and 2012, 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.

On April 1, 2013 the Center began a self-insurance program for its employees' health care costs. The Center is liable for losses on claims up to \$50,000 per claim and \$1,000,000 in total for the year. The Center has third-party insurance coverage for any losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the statement of financial position date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$41,900 as of June 30, 2013.

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 12 SUPPORT FROM THE STATE OF FLORIDA WHICH REQUIRES MATCH

During the years ended June 30, 2013 and 2012, 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 \$2,034,932 and \$1,874,130 in 2013 and 2012, 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, 2013 and 2012.

NOTE 13 SUPPORT FROM LEE COUNTY

Financial support of \$2,547,231 and \$3,152,940 was received from Lee County for the years ended June 30, 2013 and 2012, respectively, as part of its annual award to the Center.

NOTE 14 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 15 SUBSEQUENT EVENTS

The board of directors has entered into a plan of merger with Southwest Florida Addiction Services, Inc. (SWFAS). In accordance with the provisions of the Florida Not For Profit Corporation Act, SWFAS, will merge with and into Lee Mental Health Center, Inc. (LMH), the separate existence of SWFAS shall cease, and LMH shall continue to exist as the surviving entity. The merger was effective on July 1, 2013. The surviving corporation will change its name to SalusCare, Inc. The new board of directors for SalusCare will be comprised of 6 members from LMH, 6 members from SWFAS and 3 from the community.

LEE MENTAL HEALTH CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 15 SUBSEQUENT EVENTS (CONTINUED)

As a result of the merger, the Center was in violation of its debt covenants not to merge with another organization without prior approval of the lender. After the merger the lender would not recognize the new organization. On October 1, 2013 SalusCare obtained a \$5,085,000 term loan maturing on October 1, 2013 and \$1,000,000 line of credit from another financial institution to refund the existing debt. As part of the new term loan SalusCare entered into an interest rate swap agreement with a fixed rate of 5.85% and a variable rate equal to the LIBOR rate plus 2.75%. The swap agreement has an effective date of October 1, 2014.

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SUPPLEMENTARY INFORMATION

**LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF REVENUES BY COST CENTER
YEAR ENDED JUNE 30, 2013**

	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	\$ 2,393,529	\$ 709,557	\$ 3,103,086	\$ 145,937	\$ 373,918	\$ 519,855	\$ 1,339,482	\$ 1,913,862
State IDP Credit	-	-	-	-	-	-	-	62,222
Total State SAMH Funding	<u>2,393,529</u>	<u>709,557</u>	<u>3,103,086</u>	<u>145,937</u>	<u>373,918</u>	<u>519,855</u>	<u>1,339,482</u>	<u>1,976,084</u>
OTHER GOVERNMENT FUNDING								
Other State Agency Funding	-	-	-	-	-	-	-	-
Medicaid	724,539	623,845	1,348,384	(1,941)	742	(1,199)	4,206	1,776,115
Local Government	623,812	152,719	776,531	46,231	257,055	303,286	280,023	168,913
Federal Grants and Contracts	-	-	-	-	-	-	-	-
Total Other Government Funding	<u>1,348,351</u>	<u>776,564</u>	<u>2,124,915</u>	<u>44,290</u>	<u>257,797</u>	<u>302,087</u>	<u>284,229</u>	<u>1,945,028</u>
ALL OTHER FUNDING & REVENUE								
First and Second Party Payments	286,765	79,763	366,528	35	32,047	32,082	1,749	327,774
Third Party Payments (Except Medic	477,605	271,570	749,175	-	(6,500)	(6,500)	556	137,469
Medicare	26,044	-	26,044	(836)	-	(836)	(66)	97,554
Contributions and Donations	-	-	-	-	-	-	-	-
Other	-	10,960	10,960	(2)	(5)	(7)	-	9,900
In-kind Revenue	-	-	-	-	-	-	-	614,551
Total Nongovernmental Funding	<u>790,414</u>	<u>362,293</u>	<u>1,152,707</u>	<u>(803)</u>	<u>25,542</u>	<u>24,739</u>	<u>2,239</u>	<u>1,187,248</u>
Total All Funding and Revenue	<u>\$ 4,532,294</u>	<u>\$ 1,848,414</u>	<u>\$ 6,380,708</u>	<u>\$ 189,424</u>	<u>\$ 657,257</u>	<u>\$ 846,681</u>	<u>\$ 1,625,950</u>	<u>\$ 5,108,360</u>

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF REVENUES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2013

	Community Services						Total
	Adult Case Management	Independent Living Team	Supported Housing/ Employment	Forensic Case Management	Child Case Management	Child TBOS	
STATE SAMH FUNDING							
SAMH	\$ 363,470	\$ 270,265	\$ 147,505	\$ 438,778	\$ 65,146	\$ 62,943	\$ 1,348,107
State IDP Credit	-	-	-	-	-	-	-
Total State SAMH Funding	<u>363,470</u>	<u>270,265</u>	<u>147,505</u>	<u>438,778</u>	<u>65,146</u>	<u>62,943</u>	<u>1,348,107</u>
OTHER GOVERNMENT FUNDING							
Other State Agency Funding	-	-	31,573	-	-	-	31,573
Medicaid	130,539	29,549	8,647	25,401	267,978	557,641	1,019,755
Local Government	4,383	-	-	77,072	41,250	101,250	223,955
Federal Grants and Contracts	-	-	-	-	-	-	-
Total Other Government Funding	<u>134,922</u>	<u>29,549</u>	<u>40,220</u>	<u>102,473</u>	<u>309,228</u>	<u>658,891</u>	<u>1,275,283</u>
ALL OTHER FUNDING & REVENUE							
First and Second Party Payments	1,854	314	931	479	1,163	4,213	8,954
Third Party Payments (Except Medicare)	-	-	-	-	-	10,613	10,613
Medicare	-	-	-	-	-	-	-
Contributions and Donations	-	-	-	-	-	-	-
Other	-	-	12,500	-	-	-	12,500
In-kind Revenue	-	-	-	-	-	-	-
Total Nongovernmental Funding	<u>1,854</u>	<u>314</u>	<u>13,431</u>	<u>479</u>	<u>1,163</u>	<u>14,826</u>	<u>32,067</u>
Total All Funding and Revenue	<u>\$ 500,246</u>	<u>\$ 300,128</u>	<u>\$ 201,156</u>	<u>\$ 541,730</u>	<u>\$ 375,537</u>	<u>\$ 736,660</u>	<u>\$ 2,655,457</u>

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF REVENUES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2013

	Recovery Support Services	Total for State SAMH-Funded Cost Centers	Non State SAMH Funded Cost Centers	Total for All State Designated SAMH Cost Centers	Non SAMH Cost Centers	Direct Support Cost Centers
STATE SAMH FUNDING						
SAMH	\$ 78,237	\$ 8,302,629	\$ -	\$ 8,302,629	\$ -	\$ -
State IDP Credit	-	62,222	-	62,222	-	-
Total State SAMH Funding	<u>78,237</u>	<u>8,364,851</u>	<u>-</u>	<u>8,364,851</u>	<u>-</u>	<u>-</u>
OTHER GOVERNMENT FUNDING						
Other State Agency Funding	-	31,573	-	31,573	265,347	-
Medicaid	-	4,147,261	676,161	4,823,422	6,064	4,206
Local Government	-	1,752,708	285,482	2,038,190	83,520	509,041
Federal Grants and Contracts	-	-	-	-	-	-
Total Other Government Funding	<u>-</u>	<u>5,931,542</u>	<u>961,643</u>	<u>6,893,185</u>	<u>354,931</u>	<u>513,247</u>
ALL OTHER FUNDING & REVENUE						
First and Second Party Payments	-	737,087	63,592	800,679	17,265	1,749
Third Party Payments (Except Medicare)	-	891,313	57,777	949,090	-	556
Medicare	-	122,696	44,278	166,974	9,484	(66)
Contributions and Donations	-	-	246,392	246,392	-	20,000
Other	-	33,353	17,000	50,353	928	71,416
In-kind Revenue	-	614,551	-	614,551	-	-
Total Nongovernmental Funding	<u>-</u>	<u>2,399,000</u>	<u>429,039</u>	<u>2,828,039</u>	<u>27,677</u>	<u>93,655</u>
Total All Funding and Revenue	<u>\$ 78,237</u>	<u>\$ 16,695,393</u>	<u>\$ 1,390,682</u>	<u>\$ 18,086,075</u>	<u>\$ 382,608</u>	<u>\$ 606,902</u>

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF REVENUES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2013

	Administrative Cost Centers	Behavior Health Fee	LMHC Properties, Inc.	Total Funding
STATE SAMH FUNDING				
SAMH	\$ -	\$ (109,959)	\$ -	\$ 8,192,670
State IDP Credit	-	-	-	62,222
Total State SAMH Funding	<u>-</u>	<u>(109,959)</u>	<u>-</u>	<u>8,254,892</u>
OTHER GOVERNMENT FUNDING				
Other State Agency Funding	-	-	-	296,920
Medicaid	145,047	-	-	4,978,739
Local Government	-	-	-	2,630,751
Federal Grants and Contracts	-	-	47,195	47,195
Total Other Government Funding	<u>145,047</u>	<u>-</u>	<u>47,195</u>	<u>7,953,605</u>
ALL OTHER FUNDING & REVENUE				
First and Second Party Payments	-	-	-	819,693
Third Party Payments (Except Medicare)	-	-	-	949,646
Medicare	-	-	-	176,392
Contributions and Donations	189,395	-	-	455,787
Other	434,582	-	54,485	611,764
In-kind Revenue	-	-	-	614,551
Total Nongovernmental Funding	<u>623,977</u>	<u>-</u>	<u>54,485</u>	<u>3,627,833</u>
Total All Funding and Revenue	<u>\$ 769,024</u>	<u>\$ (109,959)</u>	<u>\$ 101,680</u>	<u>\$ 19,836,330</u>

**LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENSES BY COST CENTER
YEAR ENDED JUNE 30, 2013**

	Adult Crisis Stabilization	Children's Crisis Stabilization	Total	Adult Mental Health Residential	Adult Substance Abuse	Total	Crisis Support Emergency Services	Adult & Child Medical Services
PERSONNEL EXPENSES								
Salaries	\$ 2,324,535	\$ 736,363	\$ 3,060,898	\$ 172,889	\$ 279,476	\$ 452,365	\$ 526,054	\$ 1,619,726
Fringe Benefits	390,464	133,357	523,820	40,506	58,705	\$ 99,211	84,361	221,746
Total Personnel Expenses	<u>2,714,999</u>	<u>869,720</u>	<u>3,584,718</u>	<u>213,395</u>	<u>338,181</u>	<u>551,576</u>	<u>610,415</u>	<u>1,841,472</u>
OPERATING EXPENSES								
Building Occupancy	171,181	73,088	244,269	21,912	71,244	93,156	27,252	74,023
Professional Services	513,280	288,797	802,077	7,399	63,882	71,281	104,658	1,582,122
Travel	3,805	759	4,564	880	902	1,782	637	5,174
Equipment Costs	105,867	33,672	139,539	9,151	24,415	33,566	5,687	43,818
Food Services	57,661	14,732	72,393	6,091	22,155	28,246	3,404	3
Medicine and Pharmacy	215,593	43,544	259,137	5,762	13,710	19,472	33,631	675,257
Insurance	89,918	31,036	120,954	6,568	18,014	24,582	18,343	79,027
Interest Paid	-	-	-	-	-	-	-	-
Operating Supplies and Expenses	141,872	37,924	179,796	9,213	23,734	32,947	16,456	50,394
Bad Debt	150,594	50,140	200,734	688	10,562	11,250	932	259,493
Total Operating Expenses	<u>1,449,771</u>	<u>573,692</u>	<u>2,023,463</u>	<u>67,664</u>	<u>248,618</u>	<u>316,282</u>	<u>211,000</u>	<u>2,769,311</u>
Total Direct Expenses	<u>4,164,770</u>	<u>1,443,412</u>	<u>5,608,181</u>	<u>281,059</u>	<u>586,799</u>	<u>867,858</u>	<u>821,415</u>	<u>4,610,783</u>
DISTRIBUTED INDIRECT COSTS								
Administration	459,076	144,306	603,382	47,298	82,927	130,225	-	189,227
Total Distributed Indirect Costs	<u>459,076</u>	<u>144,306</u>	<u>603,382</u>	<u>47,298</u>	<u>82,927</u>	<u>130,225</u>	<u>-</u>	<u>189,227</u>
Total Actual Operating Expenses	<u>4,623,846</u>	<u>1,587,718</u>	<u>6,211,563</u>	<u>328,357</u>	<u>669,726</u>	<u>998,083</u>	<u>821,415</u>	<u>4,800,010</u>
State Excluded Costs	<u>150,594</u>	<u>50,140</u>	<u>200,734</u>	<u>688</u>	<u>10,562</u>	<u>11,250</u>	<u>932</u>	<u>259,493</u>
Total Allowable Operating Expenses	<u>\$ 4,473,252</u>	<u>\$ 1,537,578</u>	<u>\$ 6,010,829</u>	<u>\$ 327,669</u>	<u>\$ 659,164</u>	<u>\$ 986,833</u>	<u>\$ 820,483</u>	<u>\$ 4,540,517</u>

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENSES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2013

	Adult Case Management	Independent Living Team	Supported Housing/ Employment	Forensic Case Management	Child Case Management	Child TBOS	Total	Recovery Support Services
PERSONNEL EXPENSES								
Salaries	\$ 337,305	\$ 200,646	\$ 243,490	\$ 299,624	\$ 220,824	\$ 343,353	\$ 1,645,242	\$ 48,181
Fringe Benefits	71,590	44,544	43,880	69,781	36,784	86,698	353,277	9,605
Total Personnel Expenses	<u>408,895</u>	<u>245,190</u>	<u>287,370</u>	<u>369,405</u>	<u>257,608</u>	<u>430,051</u>	<u>1,998,519</u>	<u>57,786</u>
OPERATING EXPENSES								
Building Occupancy	23,711	54,451	18,764	21,774	17,247	12,632	148,579	3,459
Professional Services	9,322	17,021	7,770	8,682	6,783	6,707	56,285	44,462
Travel	9,852	9,686	9,459	20,265	7,895	27,761	84,918	2,025
Equipment Costs	19,496	21,044	16,864	19,341	13,629	16,093	106,467	3,320
Food Services	1	1	1	1	1	1	6	-
Medicine and Pharmacy	108	82	95	106	80	99	570	23
Insurance	18,154	16,411	9,912	14,900	13,278	17,393	90,048	4,352
Interest Paid	-	-	-	-	-	-	-	-
Operating Supplies and Expenses	56,192	17,494	18,508	22,441	16,614	15,699	146,948	3,148
Bad Debt	3,889	501	965	1,501	3,629	8,691	19,176	-
Total Operating Expenses	<u>140,725</u>	<u>136,691</u>	<u>82,338</u>	<u>109,010</u>	<u>79,156</u>	<u>105,076</u>	<u>652,997</u>	<u>60,789</u>
Total Direct Expenses	<u>549,620</u>	<u>381,881</u>	<u>369,708</u>	<u>478,415</u>	<u>336,764</u>	<u>535,127</u>	<u>2,651,516</u>	<u>118,575</u>
ALLOCATED EXPENSES								
Administration	88,253	63,594	77,520	86,424	65,355	80,859	462,005	19,468
Total Allocated Expenses	<u>88,253</u>	<u>63,594</u>	<u>77,520</u>	<u>86,424</u>	<u>65,355</u>	<u>80,859</u>	<u>462,005</u>	<u>19,468</u>
Total expenses	<u>637,873</u>	<u>445,475</u>	<u>447,228</u>	<u>564,839</u>	<u>402,119</u>	<u>615,986</u>	<u>3,113,521</u>	<u>138,043</u>
State Excluded Costs	3,889	501	965	1,501	3,629	8,691	19,176	-
Total Allowable Operating Expenses	<u>\$ 633,985</u>	<u>\$ 444,974</u>	<u>\$ 446,263</u>	<u>\$ 563,338</u>	<u>\$ 398,490</u>	<u>\$ 607,295</u>	<u>\$ 3,094,345</u>	<u>\$ 138,043</u>

**LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENSES BY COST CENTER (CONTINUED)
YEAR ENDED JUNE 30, 2013**

	Total for State SAMH-Funded Cost Centers	Non State SAMH Funded Cost Centers	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	\$ 7,352,466	\$ 502,211	\$ 7,854,677	\$ 405,394	\$ 624,394	\$ 832,950	\$ 7,751	\$ 9,725,166
Fringe Benefits	1,292,020	103,898	1,395,918	72,888	108,160	233,292	-	1,810,258
Total Personnel Expenses	<u>8,644,486</u>	<u>606,109</u>	<u>9,250,595</u>	<u>478,282</u>	<u>732,554</u>	<u>1,066,242</u>	<u>7,751</u>	<u>11,535,424</u>
OPERATING EXPENSES								
Building Occupancy	590,738	38,164	628,902	51,814	187,406	21,309	52,516	941,947
Professional Services	2,660,885	43,433	2,704,318	69,279	122,891	169,390	13,485	3,079,363
Travel	99,100	4,222	103,322	17,503	768	17,504	-	139,097
Equipment Costs	332,397	25,190	357,587	20,777	15,795	9,661	-	403,820
Food Services	104,052	2	104,054	84	142,630	1,376	-	248,144
Medicine and Pharmacy	988,090	133	988,223	1,885	-	2,189	-	992,297
Insurance	337,306	26,094	363,400	14,837	24,881	1,416	13,359	417,893
Interest Paid	-	-	-	-	-	214,616	-	214,616
Operating Supplies and Expenses	429,689	23,520	453,209	17,223	24,351	86,175	37,051	618,009
Bad Debt	491,585	46,066	537,651	3,115	932	-	1,573	543,271
Total Operating Expenses	<u>6,033,842</u>	<u>206,824</u>	<u>6,240,666</u>	<u>196,517</u>	<u>519,654</u>	<u>523,636</u>	<u>117,984</u>	<u>7,598,457</u>
Total Direct Expenses	<u>14,678,328</u>	<u>812,933</u>	<u>15,491,261</u>	<u>674,799</u>	<u>1,252,208</u>	<u>1,589,878</u>	<u>125,735</u>	<u>19,133,881</u>
ALLOCATED EXPENSES								
Administration	1,404,307	108,447	1,512,754	77,124	-	(1,589,878)	-	-
Total Allocated Expenses	<u>1,404,307</u>	<u>108,447</u>	<u>1,512,754</u>	<u>77,124</u>	<u>-</u>	<u>(1,589,878)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>16,082,635</u>	<u>921,379</u>	<u>17,004,015</u>	<u>751,923</u>	<u>1,252,208</u>	<u>-</u>	<u>125,735</u>	<u>19,133,881</u>
State Excluded Costs	<u>491,585</u>	<u>46,066</u>	<u>537,651</u>	<u>3,115</u>	<u>932</u>	<u>-</u>	<u>1,573</u>	<u>543,271</u>
Total Allowable Operating Expenses	<u>\$15,591,050</u>	<u>\$ 875,313</u>	<u>\$16,466,364</u>	<u>\$ 748,808</u>	<u>\$ 1,251,276</u>	<u>\$ -</u>	<u>\$ 124,162</u>	<u>\$18,590,610</u>

**LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF STATE EARNINGS
YEAR ENDED JUNE 30, 2013**

1.	Total Expenditures	\$ 19,133,881
2.	Less Other State and Federal Funds	(6,095,352)
3.	Less Non-Match SAMH Funds	(1,903,818)
4.	Less Unallowable Costs per 65E-14, FAC	<u>(543,271)</u>
5.	Total Allowable Expenditures	<u>\$ 10,591,440</u>
6.	Total Amount of State Earnings (Line 5 times 75%)	\$ 7,943,580
7.	Amount of State Funds Required Match	<u>6,104,796</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>\$ 1,838,784</u>

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
YEAR ENDED JUNE 30, 2013
(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	2,321	657	1,664	\$ 376,381	\$ 651,023	\$ -
Adult MH	Crisis Stabilization Unit	\$ 391.24	10,950	2,378	8,572	\$ 2,257,324	\$ 3,353,709	\$ -
Children's SA	Substance Abuse Detox	\$ 391.24	2,059	163	1,896	\$ 333,176	\$ 741,791	\$ -
Adult SA	Residential	\$ 197.47	2,876	1,095	1,781	\$ 335,929	\$ 351,694	\$ -
Adult MH	Residential	\$ 258.93	706	202	504	\$ 130,268	\$ 130,501	\$ -
Adult MH	Room & Board	\$ 258.93	121	22	99	\$ 15,669	\$ 25,634	\$ -
Total Amount Owed to Department								<u><u>\$ -</u></u>

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS
JUNE 30, 2013
(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, 2013.

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS (CONTINUED)
JUNE 30, 2013
(UNAUDITED)

	Comprehensive Community Service Team							Total
	Child Medical Services	Adult Case Managemen	Independent Living Team	Supported Housing/ Employment	Forensic Case Management	Child Case Management	Child TBOS	
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, 2013.

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS (CONTINUED)
JUNE 30, 2013
(UNAUDITED)

	Misc SAMH Programs	State SAMH-Funded Cost Centers	Non State SAMH Funded Cost Centers	Total for All State Designated SAMH Cost Centers	Non SAMH Cost Centers	Direct Support Cost Centers	Administrative Cost Centers
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, 2013.

LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS (CONTINUED)
JUNE 30, 2013
(UNAUDITED)

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

There were no related party transaction adjustments for the year ended June 30, 2013.

LEE MENTAL HEALTH CENTER, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2013

	Lee Mental Health, Inc.	LMHC Properties, Inc.	Eliminations	Totals
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,714,080	\$ 1,252	\$ -	\$ 1,715,332
Contracts Receivable, Net	1,163,650	-	-	1,163,650
Accounts Receivable, Net	879,980	664	(222,256)	658,388
Other Current Assets	64,550	-	-	64,550
Total Current Assets	<u>3,822,260</u>	<u>1,916</u>	<u>(222,256)</u>	<u>3,601,920</u>
INVESTMENTS	113,559	-	-	113,559
PROPERTY AND EQUIPMENT, net	8,678,637	700,117	-	9,378,754
OTHER ASSETS				
Restricted Cash Deposits	19,183	23,480	-	42,663
Debt Issuance Costs, net	59,685	-	-	59,685
Other Assets	10,710	2,135	-	12,845
Total Assets	<u>\$ 12,704,034</u>	<u>\$ 727,648</u>	<u>\$ (222,256)</u>	<u>\$ 13,209,426</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 355,815	\$ 251,866	\$ (222,256)	\$ 385,425
Deferred Revenue	21,704	1,680	-	23,384
Accrued expenses	702,223	26,002	-	728,225
Current Portion of Long-Term Debt	191,900	-	-	191,900
Total Current Liabilities	<u>1,271,642</u>	<u>279,548</u>	<u>(222,256)</u>	<u>1,328,934</u>
LONG-TERM LIABILITIES				
Long-Term Debt, Net of Current Portion	4,674,400	998,400	-	5,672,800
Derivative Financial Instrument	232,733	-	-	232,733
Total Long-Term Liabilities	<u>4,907,133</u>	<u>998,400</u>	<u>-</u>	<u>5,905,533</u>
Total Liabilities	<u>6,178,775</u>	<u>1,277,948</u>	<u>(222,256)</u>	<u>7,234,467</u>
NET ASSETS				
Unrestricted	6,512,013	(550,300)	-	5,961,713
Temporarily Restricted	13,246	-	-	13,246
Total Net Assets	<u>6,525,259</u>	<u>(550,300)</u>	<u>-</u>	<u>5,974,959</u>
Total Liabilities and Net Assets	<u>\$ 12,704,034</u>	<u>\$ 727,648</u>	<u>\$ (222,256)</u>	<u>\$ 13,209,426</u>

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 Liabilities	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 ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Lee Mental Health, Inc.	LMHC Properties, Inc.	Eliminations	Totals
UNRESTRICTED NET ASSETS				
Support and Revenue:				
Support:				
State Grants	\$ 8,486,636	\$ -	\$ -	\$ 8,486,636
Other Governmental	2,662,324	-	-	2,662,324
Contributions and In-kind Revenue	1,153,344	-	-	1,153,344
Total Support	<u>12,302,304</u>	<u>-</u>	<u>-</u>	<u>12,302,304</u>
Revenue:				
Net Client Fee Revenue	6,924,469	-	-	6,924,469
Interest Income	1,008	18	-	1,026
Unrealized Gain on Derivative Financial Instrument	93,163	-	-	93,163
Unrealized Gain on Investments	22,559	-	-	22,559
Other Income (Loss)	395,899	101,662	(4,752)	492,809
Total Revenue	<u>7,437,098</u>	<u>101,680</u>	<u>(4,752)</u>	<u>7,534,026</u>
Net Assets Released From Restrictions:				
Satisfaction of Program Restrictions	-	-	-	-
Total Unrestricted Support and Revenue	<u>19,739,402</u>	<u>101,680</u>	<u>(4,752)</u>	<u>19,836,330</u>
Expenses and Losses:				
Program Services:				
Adult Mental Health	13,619,988	-	-	13,619,988
Children's Mental Health	2,605,824	-	-	2,605,824
Children and Family Services	374,130	-	-	374,130
Adult Substance Abuse	669,726	-	-	669,726
Children's Substance Abuse	138,043	-	-	138,043
Other Support Services	1,600,435	-	-	1,600,435
Total Program Services	<u>19,008,146</u>	<u>-</u>	<u>-</u>	<u>19,008,146</u>
Support Services:				
Administrative	-	-	-	-
Real Estate Holding Company	-	130,487	(4,752)	125,735
Total Support Services	<u>-</u>	<u>130,487</u>	<u>(4,752)</u>	<u>125,735</u>
Total Unrestricted Expenses	<u>19,008,146</u>	<u>130,487</u>	<u>(4,752)</u>	<u>19,133,881</u>
Loss on the Disposal of Assets	92,609	-	-	92,609
Total Unrestricted Expenses and Losses	<u>19,100,755</u>	<u>130,487</u>	<u>(4,752)</u>	<u>19,226,490</u>
Net Decrease in Unrestricted Net Assets	<u>638,647</u>	<u>(28,807)</u>	<u>-</u>	<u>609,840</u>
Increase (Decrease) in Net Assets	638,647	(28,807)	-	609,840
NET ASSETS, Beginning of Year	<u>5,886,612</u>	<u>(521,493)</u>	<u>-</u>	<u>5,365,119</u>
NET ASSETS, End of Year	<u>\$ 6,525,259</u>	<u>\$ (550,300)</u>	<u>\$ -</u>	<u>\$ 5,974,959</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
Gain on Acquisition of Related Party	-	-	-	-
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:				
Administrative	-	-	-	-
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 Increase (Decrease) in Unrestricted Net Assets	(36,014)	(33,430)	-	(69,444)
TEMPORARILY RESTRICTED NET ASSETS:				
Contributions	1,500	-	-	1,500
Interest	-	-	-	-
Net Assets Released From Restrictions:				
Satisfaction of Program Restrictions	(11,236)	-	-	(11,236)
Decrease in Temporarily Restricted Net Assets	(9,736)	-	-	(9,736)
Increase (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>



**INDEPENDENT AUDITORS' 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, in accordance with the 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, the consolidated financial statements of Lee Mental Health Center, Inc. (the "Center"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2013. Our report includes a reference to other auditors who audited the financial statements of LMHC Properties, Inc., as described in our report on the Center's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
Lee Mental Health Center, Inc.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Fort Myers, Florida
December 16, 2013



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

Report on Compliance for Each Major Federal Program and State Project

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditors' Responsibility

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

Opinion on Each Major Federal Program and State Project

In our opinion, the Center complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Lee Mental Health Center, Inc.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Fort Myers, Florida
December 16, 2013

**LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2013**

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>			
Temporary Assistance for Needy Families	93.558	CF2036-1206	\$ 85,307
Social Services Block Grant	93.667	CF2036-1206	100,013
Block Grants for Community Mental Health Services	93.958	CF2036-1206	299,341
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CF2036-1206	<u>509,577</u>
Total programs - U.S. Department of Health and Human Services			994,238
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Lee County Board of Commissioners</i>			
Shelter Plus Care	14.238	6049	73,228
Shelter Plus Care	14.238	5612	<u>17,219</u>
			90,447
Emergency Solutions Grant Program	14.231	5950/6287	<u>89,423</u>
Total programs - U.S. Department of Housing and Urban Development			179,870
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>11,416</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,185,524</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, 2013**

FEDERAL / STATE AGENCY <i>Pass-through Entity</i> Federal Program / State Project	CFDA/ CSFA NUMBER	GRANT/ CONTRACT NUMBER	EXPENDITURES
STATE OF FLORIDA,			
DEPARTMENT OF CHILDREN AND FAMILIES			
<i>Passed Through Central Florida Behavioral Health Network</i>			
Children's Baker Act Services	60.001	CF2036-1206	\$ 339,958
Baker Act	60.006	CF2036-1206	2,262,202
Adult Mental Health - Special Projects - Emergency Stabilization	60.061	CF2036-1206	350,315
Community Forensic Beds and Competency Restoration Training	60.114	CF2036-1206	205,157
Public Safety, Mental Health, and Substance Abuse Local Matchin	60.115	CF2036-1211	<u>250,000</u>
Total Programs - State of Florida, Department of Children and Families			3,407,632
STATE OF FLORIDA, DEPARTMENT OF JUVENILE JUSTICE			
<i>Passed Through Evidence Based Associates</i>			
Contracted Intensive Probation	80.018/ 80.019	VT775	<u>274,638</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>3,682,270</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u><u>\$ 4,867,794</u></u>

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

LEE MENTAL HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2013

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*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance 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 \$1,045,595 in federal awards that are not included in the Schedule of Expenditures of Federal Awards and State Financial Assistance for the year ended June 30, 2013. 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.

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.

**LEE MENTAL HEALTH CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

Basis of Presentation (Continued)

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

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.

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 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 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.

**LEE MENTAL HEALTH CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)
 YEAR ENDED JUNE 30, 2013**

Section I – Summary of Auditors’ Results (Continued)

Identification of major programs/projects:

CFDA Number	Name of Federal Program or Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse
 CSFA Number	 Name of State Project
60.006	Baker Act

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?

 X yes no

**LEE MENTAL HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

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.