LIFE MANAGEMENT CENTER
OF
NORTHWEST FLORIDA, INC.

Panama City, Florida

Independent Auditors' Report
and
Audited Financial Statements

June 30, 2014

CONTENTS

SMITH, MILES & COMPANY, P.A
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Life Management Center of Northwest Florida, Inc.
Panama City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Life Management Center of Northwest Florida, Inc. (a non-profit organization) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 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, the financial statements referred to above present fairly, in all material respects, the financial position of Life Management Center of Northwest Florida, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year 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 financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards on pages 16 and 17 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, State of Florida, is presented for purposes of additional analysis, and is not a required part of the financial statements of the Organization. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Organization's internal control over financial reporting and compliance.

Smith, Miles & Company, P.A.

Panama City, Florida
December 31, 2014

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
Statement of Financial Position
June 30, 2014

ASSETS

Current assets:		
Cash operating accounts	$	3,126,095
Accounts and grants receivable		1,902,243
Prepaid expenses		183,905
Total current assets		5,212,243
Property and equipment:		
Land		511,409
Buildings and improvements		7,941,957
Equipment and furniture		3,589,729
		12,043,095
Less accumulated depreciation		8,835,695
Property and equipment, net		3,207,400
Other assets:		
Utility and security deposits		577
Total assets	$	8,420,220

LIABILITIES AND UNRESTRICTED NET ASSETS

Current liabilities:		
Accounts payable	$	230,447
Accrued expenses		736,668
Unearned income		21,480
Total current liabilities		988,595
Total liabilities		988,595
Unrestricted net assets:		
Undesignated		7,431,625
Total liabilities and unrestricted net assets	$	8,420,220

The accompanying notes are an integral part of these financial statements.

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
Statement of Activities
Year Ended June 30, 2014

Service Revenues:		
Fees	$	1,995,706
Medicaid		4,439,181
		6,434,887
Nonservice Revenues:		
Federal and state funds		9,465,073
In-kind revenue		233,225
Interest		4,107
Miscellaneous		34,990
Donations		58,957
		9,796,352
Total revenues		16,231,239
Expenses:		
Case management		2,206,095
Crisis stabilization		1,924,155
Crisis support		612,492
Medical services		2,634,524
Out patient		1,572,995
Residential 2		268,414
Drop-In center		47,833
FACT		1,004,421
CAT		646,835
Information and referral		225,151
Community Based Care		2,058,301
Non-SAMH		2,414,949
Total functional expenses		15,616,165
Increase in net assets from operations		615,074
Unrestricted net assets July 1		6,816,551
Unrestricted net assets June 30	$	7,431,625

The accompanying notes are an integral part of these financial statements.

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
Statement of Functional Expenses
Year Ended June 30, 2014

	Case Management	Crisis Stabilization	Crisis Support	Medical Services	Outpatient	Residential 2	Drop In Center
Personnel Expenses:							
Salaries	$ 1,197,355	1,142,304	442,137	1,626,026	855,034	135,022	22,874
Fringe Benefits	275,774	208,376	61,057	270,150	158,859	21,285	8,911
Total Personnel Expenses	1,473,129	1,350,680	503,194	1,896,176	1,013,893	156,307	31,785
Operating Expenses:							
Building Occupancy	138,730	206,373	28,997	111,918	106,223	20,514	2,813
Professional Services	44,287	15,588	6,057	56,429	28,809	16,285	1,374
Travel	60,796	7,196	1,509	16,044	22,871	2,847	424
Equipment Costs	37,465	29,829	6,355	51,579	17,942	12,093	870
Food Services	492	48,719	618	9	233	18,663	2,992
Medical and Pharmacy	-	32,290	-	73,821	-	-	-
Subcontracted Services	12,108	49,806	373	6,932	413	-	-
Insurance	36,670	23,662	4,559	18,191	18,171	2,728	451
Interest	951	-	105	352	204	-	-
Operating Supplies & Exp.	63,672	32,498	3,907	106,138	47,634	10,379	2,026
Other	510	194	201	114	1,250	90	166
Donated items	8,939	633	633	64	28,155	391	-
Total Operating Expenses	404,620	446,788	53,314	441,591	271,905	83,990	11,116
Other Expenses:							
Administration	328,346	126,687	55,984	296,757	287,197	28,117	4,932
Total Expenses	$ 2,206,095	1,924,155	612,492	2,634,524	1,572,995	268,414	47,833

	FACT	Total SAMH-ME*	CAT	Total SAMH**	Information & Referral	Total For All State Designated SAMH Cost Centers	Community Based Care	Non SAMH	Administration	Total
Personnel Expenses:										
Salaries	526,152	5,946,904	352,796	6,299,700	163,842	6,463,542	1,326,003	1,145,003	819,578	9,754,126
Fringe Benefits	123,042	1,127,454	73,094	1,200,548	17,006	1,217,554	330,592	241,608	169,605	1,959,359
Total Personnel Expenses	649,194	7,074,358	425,890	7,500,248	180,848	7,681,096	1,656,595	1,386,611	989,183	11,713,485
Operating Expenses:										
Building Occupancy	15,520	631,088	31,505	662,593	6,845	669,438	57,238	123,070	117,658	967,404
Professional Services	10,722	179,551	5,578	185,129	4,725	189,854	29,260	27,367	86,537	333,018
Travel	16,787	128,474	7,333	135,807	-	135,807	49,530	29,398	15,404	230,139
Equipment Costs	19,503	175,636	10,752	186,388	3,239	189,627	13,188	66,590	221,585	490,990
Food Services	25	71,751	-	71,751	-	71,751	32	10,660	-	82,443
Medical and Pharmacy	-	106,111	71	106,182	-	106,182	-	24,682	-	130,864
Subcontracted Services	-	69,632	-	69,632	139	69,771	273	151,485	18,281	239,810
Insurance	10,970	115,402	4,836	120,238	917	121,155	19,764	22,489	27,730	191,138
Interest	-	1,612	-	1,612	-	1,612	80	-	1,822	3,514
Operating Supplies & Exp.	202,451	468,705	106,260	574,965	3,068	578,033	57,710	83,682	192,073	911,498
Other	679	3,204	97	3,301	-	3,301	773	1,576	42,145	47,795
Donated items	-	38,815	32	38,847	-	38,847	45,137	189,937	146	274,067
Total Operating Expenses	276,657	1,989,981	166,464	2,156,445	18,933	2,175,378	272,985	730,936	723,381	3,902,680
Other Expenses:										
Administration	78,570	1,206,590	54,481	1,261,071	25,370	1,286,441	128,721	297,402	(1,712,564)	-
Total Expenses	1,004,421	10,270,929	646,835	10,917,764	225,151	11,142,915	2,058,301	2,414,949	-	15,616,165

*Substance Abuse Mental Health / Managing Entity
**Substance Abuse Mental Health / All

The accompanying notes are an integral part of these financial statements.

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
Statement of Cash Flows
Year Ended June 30, 2014

OPERATING ACTIVITIES:		
Increase in net assets	$	615,074
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation		420,139
Amortization		13,817
Accounts receivable		(140,838)
Prepaid expenses		(64,775)
Accounts payable		101,756
Accrued expenses		111,325
Unearned income		15,537
Security deposits		(15)
Net cash provided by operating activities		1,072,020
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Capital expenditures		(333,166)
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Principal payments on mortgage payable		(388,031)
NET INCREASE IN CASH AND CASH EQUIVALENTS		350,823
CASH AND CASH EQUIVALENTS, JULY 1		2,775,272
CASH AND CASH EQUIVALENTS, JUNE 30	$	3,126,095
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for		
Interest	$	3,514

The accompanying notes are an integral part of these financial statements.

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
Notes to Financial Statements
June 30, 2014

1. **Nature of Operations**

Life Management Center of Northwest Florida, Inc. (Life Management) is a nonprofit organization organized to provide behavioral health care services to residents of Bay, Calhoun, Holmes, Jackson, Washington and Gulf Counties as a community mental health center.

2. **Summary of Significant Accounting Policies**

Basis of Accounting

Life Management follows standards of accounting and financial reporting prescribed for behavioral health care agencies. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, state, local government and public grants are recorded as support when performance occurs under the terms of the grant agreement.

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses. Expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Administrative expenses are allocated to the various programs based on each program's expenditures.

Property and Equipment

Property and equipment is recorded at cost. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. Gains or losses on disposal are credited or charged to operations.

Certain capital expenditures are authorized by the grantors of specific programs. The organization incurs all costs of maintaining and operating the authorized equipment during the period under grant. The equipment so purchased may become the property of the grantors at the end of the grant.

Depreciation

Provisions for depreciation are computed using the straight-line method over the estimated useful life of the property or equipment which varies from 5 to 40 years.

2. **Summary of Significant Accounting Policies - Continued**

Basis of Presentation

Financial statement presentation follows the recommendation of the ASC 958-205, *Financial Statements of Not-For-Profit*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Life Management. Generally, the donors of such assets permit Life Management to use all or part of the income earned on the assets.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of Life Management pursuant to those stipulations or that expire by the passage of time.
- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. At June 30, 2014, all net assets of Life Management were unrestricted.

Income Taxes

Life Management is a non-profit corporation and is exempt from income taxes under the Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made.

Life Management records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonable estimated. Life Management has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject Life Management to any material income tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefits is not included, nor is there any interest accrued related to unrecognized tax benefits in interest expense and penalties in the statements of activities as there are no unrecognized tax benefits.

We do not believe that there will be any material changes in our unrecognized tax positions over the next twelve months. We continually evaluate expiring statues of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

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. Accordingly, actual results could differ from those estimates.

2. **Summary of Significant Accounting Policies – Continued**

Pension Plan

The organization has a non-contributory Internal Revenue Code Section (IRC) 401(a) pension plan, that covers all employees who have been employed for one year and work over 1,000 hours. Contributions amount to 4% of employee compensation. In addition to the IRC 401(a) plan, the organization maintains an IRC 403(b) plan and matches up to 4% of employee contributions. Employee contributions to the IRC 403(b) plan are limited to Internal Revenue Service limits. Employees become 100% vested in both plans after six years of service. Future contributions will be reduced by any forfeitures. Contributions to the plan amounted to $385,833 for the year ended June 30, 2014. It is the organization's policy to fund pension plan contributions on a current basis.

Accounts Receivable

Accounts receivable are presented net of the provision for uncollectible accounts of $48,461 for the year ended June 30, 2014.

In-kind Revenues

In-kind revenues are recorded based on the nature of the services or item received. In-kind rental revenues are valued based on State of Florida Guidelines for space rentals determined by size and services furnished by the donor. In-kind services received from volunteers are valued at the lowest pay grade for Center employees performing similar tasks with similar educational and experience backgrounds. In-kind donations of equipment are valued at estimated fair market value.

Cash and Cash Equivalents

The organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of a demand deposit account at approximate fair value. The credit risk associated with cash and cash equivalents is considered low due to the quality of the financial institutions in which these assets are held.

Fair Value Measurement

The financial statements are prepared in accordance with ASC 820 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the financial statements or on a recurring basis (at least annually). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 – Quotes market prices in active markets for identical assets or liabilities
Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data
Level 3 – Unobservable inputs that are not corroborated by market data

2. **Summary of Significant Accounting Policies - Continued**

Fair Value of Financial Instruments

Life Management's financial instruments include cash, accounts receivable, notes payable and accounts payable. The following methods and assumptions were used by Life Management in estimating the fair value of its financial instruments:

Cash, Accounts receivable and Accounts payable – the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

Notes payable – The carrying amount and interest rates of these loans are considered to approximate the net realizable value.

3. **Accounts and Grants Receivable**

Accounts and grants receivable at June 30, 2014 are comprised as follows:

State contracts	$	811,568
County and other local funds		157,307
Patient fees – insurance and other		702,375
Patient fees – self pay		58,814
Big Bend Community Based Care		172,179
Total	$	1,902,243

4. **Leases**

Life Management leases certain buildings and equipment used for its programs. These leases are treated as operating leases and expire at various dates within the next year. The leases have options to renew provided the buildings or equipment are not sold by their owners. Rental expense for the operating leases amounted to $104,324 for the year ended June 30, 2014.

5. **Concentration of Risk**

At June 30, 2014, Life Management had concentrations of risk with financial institutions in the form of bank cash in excess of regulatory insurance limits. If the financial institution failed to perform under the terms of the financial instruments, the exposure for credit loss would be the amount of the financial instruments less amounts covered by regulatory insurance.

6. **Line of Credit**

A line of credit in the amount of $350,000 was established at Regions Bank of Florida to assist with cash flow. The note bears interest at the rate of 1 percent over prime as established by Regions Bank. Interest and principal are to be paid monthly. At June 30, 2014, $350,000 of this line of credit was available to borrow.

7. **Schedule of Expenditures of Federal Awards and State Financial Assistance**
   The schedule of expenditures of federal awards and state financial assistance presents the activity of all federal and state grant activity of Life Management Center of Northwest Florida, Inc., and is presented on the modified accrual or accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.650, Rules of the Auditor General, State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

8. **Mortgage Payable**
   On December 4, 2006, Life Management secured a new loan with Regions Bank in the amount of $932,249. The proceeds from this loan were used to consolidate their existing debt. This new loan, which was secured by a mortgage on real estate, was payable in monthly installments of $10,215, including principal and interest at 5.71%. Payments began January 4, 2007 with the mortgage maturing on December 4, 2016. On August 28, 2013 the mortgage was paid in full.

9. **Local Match**
   The organization is required by certain grant and contract provisions to meet matching requirements during each applicable contract period. As of June 30, 2014, Life Management has met all grant and contract matching requirements.

10. **Related Party Transactions**
    There were no related party transactions.

11. **Subsequent Events**
    Life Management evaluated its June 30, 2014 financial statements for subsequent events through December 31, 2014, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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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

To the Board of Directors
Life Management Center of Northwest Florida, Inc.
Panama City, 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 financial statements of Life Management Center of Northwest Florida, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2014, and the related 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 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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.

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 Organization'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 the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for an other purpose.

Smith, Miles & Company, P.A.

December 31, 2014
Panama City, Florida

SMITH, MILES & COMPANY, P.A
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.650 RULES OF THE AUDITOR GENERAL, STATE OF FLORIDA

To the Board of Directors
Life Management Center of Northwest Florida, Inc.
Panama City, Florida

Report on Compliance for Each Major Federal Program and Major State Project

We have audited Life Management Center of Northwest Florida, Inc.'s (a non-profit organization), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the requirements described in the Department of Financial Services' State Projects compliance Supplement that could have a direct and material effect on each of the Organization's major Federal programs and major State projects for the year ended June 30, 2014. The Organization's major Federal programs and major 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 Organization's major Federal programs and major 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 10.065, Rules of the Auditor General, State of Florida. Those standards and OMB Circular A-133, and Chapter 10.065, Rules of the Auditor General, State of Florida 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 major State project occurred. An audit includes examining, on a test basis, evidence about the Organization'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 of the Organization's major Federal programs and major State projects. However, our audit does not provide a legal determination of the Organization's compliance.

To the Board of Directors
Life Management Center of Northwest Florida, Inc.
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Opinion on Each Major Federal Program and Major State Project

In our opinion, the Organization 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 major State projects for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each of its major Federal programs and major State projects to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of its major Federal programs and major State projects and to test and report on internal control over compliance in accordance with OMB Circular A-133 and chapter 10.650, Rules of The Auditor General, State of Florida, 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 Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 a 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 a 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. 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.

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 results of that testing based on the requirements of OMB Circular A-133 and chapter 10.650, Rules of The Auditor General, State of Florida. Accordingly, this report is not suitable for any other purpose.

December 31, 2014
Panama City, Florida

Smith Miles & Company, P.A.

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2014

FEDERAL/STATE AGENCY PASS THROUGH ENTITY/PROGRAM TITLE	CFDA NUMBER	STATE CONTRACT GRANT NUMBER	EXPENDITURES
US DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
PASSED THROUGH STATE OF FLORIDA, DEPARTMENT OF CHILDREN AND FAMILIES			
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	BH301	$ 665,400
TOTAL CONTRACT BH301			665,400
TOTAL DEPARTMENT OF CHILDREN AND FAMILIES			665,400
PASSED THROUGH BIG BEND COMMUNITY BASED CARE			
PROMOTING SAFE AND STABLE FAMILIES	93.556	232	127,509
PROMOTING SAFE AND STABLE FAMILIES	93.556	249	55,182
PROMOTING SAFE AND STABLE FAMILIES	93.556	251	2,324
PROMOTING SAFE AND STABLE FAMILIES	93.556	254	122,766
TOTAL CFDA #93.556			307,781
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	C001	155,684
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	232	331,160
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	249	27,429
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	251	145,968
TOTAL CFDA # 93.558			660,241
STEPHANIE TUBBS JONES CHILD WELFARE SERVICES	93.645	232	17,928
STEPHANIE TUBBS JONES CHILD WELFARE SERVICES	93.645	251	17,767
TOTAL 93.645			35,695
FOSTER CARE TITLE IV-E	93.658	249	4,584
FOSTER CARE TITLE IV-E	93.658	251	149,241
TOTAL CFDA # 93.658			153,825
ADOPTION ASSISTANCE	93.659	249	451,285
ADOPTION ASSISTANCE	93.659	251	67,621
TOTAL CFDA # 93.659			518,906
CHILD ABUSE AND NEGLECT STATE GRANTS	93.669	232	13,364
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	BHW03	124,813
MEDICAL ASSISTANCE PROGRAM	93.778	BH201	525,962
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	C001	4,540,577
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	BH201	678,262
TOTAL CFDA # 93.958			5,218,839
TOTAL BIG BEND COMMUNITY BASED CARE			7,559,426
PASSED THROUGH OUNCE OF PREVENTION FUND OF FLORIDA			
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	14-15-8	409,579
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 8,634,405

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2014

STATE AGENCY AND PROGRAM TITLE	CFSA NUMBER	STATE CONTRACT GRANT NUMBER	EXPENDITURES
STATE OF FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES PASSED THROUGH BIG BEND COMMUNITY BASED CARE			
OUT OF HOME	60.074	232	$ 107,159
OUT OF HOME	60.074	249	2,984
OUT OF HOME	60.074	251	73,730
OUT OF HOME	60.074	254	80,698
TOTAL CSFA # 60.074			264,571
IN HOME	60.075	232	196,084
IN HOME	60.075	251	36,744
IN HOME	60.075	254	42,068
TOTAL CSFA # 60.075			274,896
COMMUNITY FORENSIC BEDS AND COMPETENCY RESTORATION TRAINING	60.114	C001	268,828
TOTAL BIG BEND COMMUNITY BASED CARE			808,295
STATE OF FLORIDA, DEPARTMENT OF JUVENILE JUSTICE			
MENTAL HEALTH SERVICES	80.011	X1693	22,373
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			830,668
TOTAL EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE			$ 9,465,073

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
Schedule of Community Based Care Programs
Year Ended June 30, 2014

Supplemental Schedule I

REVENUES:	Visitation	Foster Parent Support	Adoptions	Family Empowerment	Total Community Base Care
Service Revenues					
3 Party Contractual Revenue	$ 245,532	493,394	541,464	793,204	2,073,594
Medicaid	-	-	-	-	-
In-kind Revenue	26,135	1,307	177	12,426	40,045
Interest	-	-	-	-	-
Miscellaneous	25	1,050	-	-	1,075
Donations	4,058	3,040	7,284	5,766	20,148
TOTAL REVENUES	275,750	498,791	548,925	811,396	2,134,862
EXPENSES:					
Personnel Services:					
Salaries	132,103	304,056	369,682	520,162	1,326,003
Fringe Benefits	27,058	73,536	90,645	139,353	330,592
TOTAL PERSONNEL	159,161	377,592	460,327	659,515	1,656,595
Operating Expenses:					
Building Occupancy	38,163	7,537	9,246	2,292	57,238
Professional Services	3,351	6,180	10,158	9,571	29,260
Travel	3,940	9,612	20,558	15,420	49,530
Equipment Costs	3,364	3,231	3,364	3,229	13,188
Food Services	2	15	15	-	32
Medical and Pharmacy	-	-	-	-	-
Subcontracted Services	177	48	48	-	273
Insurance	4,068	5,052	3,743	6,901	19,764
Interest	-	40	40	-	80
Operating Supplies & Expenses	11,398	18,922	15,188	12,202	57,710
Other	426	81	32	234	773
Donated Items	26,135	4,495	1,796	12,711	45,137
TOTAL OPERATING EXPENSES	91,024	55,213	64,188	62,560	272,985
Other Expenses:					
Administrative	18,977	28,497	33,299	47,948	128,721
Total Expenses	269,162	461,302	557,814	770,023	2,058,301
Total Income(Loss)	$ 6,588	37,489	(8,889)	41,373	76,561

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
SCHEDULE OF SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROGRAM – COST CENTER ACTUAL REVENUES AND EXPENSES
Year Ended June 30, 2014

Supplemental Schedule II

FUNDING SOURCES & REVENUES	Case Manage	Outpatient	Group	Medical	Residential 2	Rm Board w/ Supervision	Emergency Services	Crisis Stabilization	Forensic/ CCST	General/ CCST
Total state SAMH funding:										
From the district funding this Contract Contract BHW02	$ 8,183	133,135	1,957	1,164,437	88,215	68,832	517,233	1,182,276	407,855	1,253,377
From other districts	-	-	-	-	-	-	-	-	-	-
Total state SAMH funding	8,183	133,135	1,957	1,164,437	88,215	68,832	517,233	1,182,276	407,855	1,253,377
Other government funding:										
Other state agency funding	-	63	-	68,307	-	-	-	11,466	-	-
Medicaid	-	1,123,849	-	947,138	-	2,084	-	106,895	73,732	389,236
Local government	-	22,420	-	55,696	-	-	148,508	334,435	41,746	7,361
Federal grants and contracts	-	-	-	-	-	-	-	-	-	-
In-Kind from local govt only	-	-	-	-	-	-	-	-	-	-
Total other government funding	-	1,146,332	-	1,071,141	-	2,084	148,508	452,796	115,478	396,597
All other revenues:										
1st & 2nd party payments	-	59,747	-	153,324	32,464	25,330	3,645	20,927	50	14,077
3rdparty payments(exceptMedicare)	-	95,245	-	156,932	-	-	500	11,417	-	32,164
Medicare	-	35,441	-	223,600	-	-	-	-	-	27,777
Contributions and donations	-	339	-	335	204	160	4,698	-	-	400
Other	-	63,715	-	81	-	-	-	25,977	66	3,302
In-kind	-	2,679	-	64	-	-	633	633	-	8,816
Total all other revenues	-	257,166	-	534,336	32,668	25,490	9,476	58,954	116	86,536
Total Projected Funding	8,183	1,536,633	1,957	2,769,914	120,883	96,406	675,217	1,694,026	523,449	1,736,510
EXPENSE CATEGORIES										
Personnel expenses:										
Salaries	3,684	877,467	881	1,626,026	75,843	59,179	442,137	1,142,304	260,993	865,953
Fringe benefits	846	164,013	202	270,150	11,956	9,329	61,057	208,376	58,160	201,438
Total personnel expenses	4,530	1,041,480	1,083	1,896,176	87,799	68,508	503,194	1,350,680	319,153	1,067,391
Operating expenses:										
Building occupancy	333	108,251	80	111,918	11,523	8,991	28,997	206,373	35,787	96,577
Professional services	158	29,772	38	56,429	9,147	7,138	6,057	15,588	6,974	34,291
Travel	183	23,988	44	16,044	1,599	1,248	1,509	7,196	15,892	41,399
Equipment costs	117	18,654	28	51,579	6,793	5,300	6,355	29,829	4,984	30,246
Food services	2	248	1	9	10,483	8,180	618	48,719	-	445
Medical and Pharmacy	-	-	-	73,821	-	-	-	32,290	-	-
Subcontracted services	57	758	14	6,932	-	-	373	49,806	84	10,940
Insurance	118	18,891	28	18,191	1,532	1,196	4,559	23,662	6,586	27,825
Interest	4	230	1	352	-	-	105	-	-	870
Operating supplies & expenses	170	48,671	41	106,138	5,830	4,549	3,907	32,498	12,487	47,931
Other	2	1,260	-	114	51	39	201	194	155	324
Donated items	43	28,418	11	64	220	171	633	633	-	8,112
Total operating expenses	1,187	279,141	286	441,591	47,178	36,812	53,314	446,788	82,949	298,960
Distributed indirect costs:										
Administration	880	292,558	211	296,757	15,794	12,323	55,984	126,687	80,452	231,069
Total distributed indirect costs	880	292,558	211	296,757	15,794	12,323	55,984	126,687	80,452	231,069
Total actual operating expenses	6,597	1,613,179	1,580	2,634,524	150,771	117,643	612,492	1,924,155	482,554	1,597,420
Unallowable costs:	-	-	-	-	-	-	-	-	-	-
Total allowable oper. expenses	6,597	1,613,179	1,580	2,634,524	150,771	117,643	612,492	1,924,155	482,554	1,597,420
Capital expenditures:	-	-	-	-	-	-	-	-	-	-
Excluding SAMH credit equivalent	$ 6,597	1,613,179	1,580	2,634,524	150,771	117,643	612,492	1,924,155	482,554	1,597,420

FUNDING SOURCES & REVENUES	Outreach Prevent.	In-Home On-Site	Supported Employment	Drop In Center	FACT	Total for Program 1	CAT	Total for State SAMH Funded Cost Centers	Total for Non-State-Funded SAMH Cost Centers	Tot. for All State-Designated SAMH Cost Centers	Non-SAMH Cost Center	Total Funding	Admin	Total Expenses
Total state SAMH funding:														
From the district funding this Contract Contract BHW02	46,180	47,060	3,179	43,170	-	4,965,089	-	4,965,089	-	4,965,089	-	4,965,089	-	
From other districts	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total state SAMH funding	46,180	47,060	3,179	43,170	-	4,965,089	-	4,965,089	-	4,965,089	-	4,965,089	-	
Other government funding:														
Other state agency funding	-	-	-	-	1,204,225	1,284,061	665,400	1,949,461	-	1,949,461	556,766	2,506,227	-	
Medicaid	-	-	-	-	-	2,642,934	17,399	2,660,333	201,330	2,861,663	1,578,500	4,440,163	-	
Local government	-	-	-	-	-	610,166	-	610,166	-	610,166	52,693	662,859	-	
Federal grants and contracts	-	-	-	-	-	-	-	-	-	-	20,161	20,161	-	
In-Kind from local govt only	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total other government funding	-	-	-	-	1,204,225	4,537,161	682,799	5,219,960	201,330	5,421,290	2,208,120	7,629,410	-	
All other revenues:														
1st & 2nd party payments	-	-	-	-	-	309,564	-	309,564	-	309,564	77,492	387,056	-	
3rdparty payments(exceptMedicare)	-	-	-	-	-	296,258	51	296,309	-	296,309	2,162,503	2,458,812	-	
Medicare	-	-	-	-	-	286,818	-	286,818	-	286,818	13,800	300,618	-	
Contributions and donations	-	-	-	-	-	6,136	-	6,136	-	6,136	52,822	58,958	-	
Other	-	-	-	-	-	93,141	-	93,141	-	93,141	104,930	198,071	-	
In-kind	-	-	-	-	-	12,825	-	12,825	-	12,825	220,400	233,225	-	
Total all other revenues	-	-	-	-	-	1,004,742	51	1,004,793	-	1,004,793	2,631,947	3,636,740	-	
Total Projected Funding	46,180	47,060	3,179	43,170	1,204,225	10,506,992	682,850	11,189,842	201,330	11,391,172	4,840,067	16,231,239	-	
EXPENSE CATEGORIES														
Personnel expenses:														
Salaries	20,792	21,188	1,431	22,874	526,152	5,946,904	352,796	6,299,700	163,842	6,463,542	2,471,006	8,934,548	819,578	9,754,126
Fringe benefits	4,777	4,868	329	8,911	123,042	1,127,454	73,094	1,200,548	17,006	1,217,554	572,200	1,789,754	169,605	1,959,359
Total personnel expenses	25,569	26,056	1,760	31,785	649,194	7,074,358	425,890	7,500,248	180,848	7,681,096	3,043,206	10,724,302	989,183	11,713,485
Operating expenses:														
Building occupancy	1,880	1,916	129	2,813	15,520	631,088	31,505	662,593	6,845	669,438	180,308	849,746	117,658	967,404
Professional services	892	910	61	1,374	10,722	179,551	5,578	185,129	4,725	189,854	56,627	246,481	86,537	333,018
Travel	1,035	1,055	71	424	16,787	128,474	7,333	135,807	-	135,807	78,928	214,735	15,404	230,139
Equipment costs	660	673	45	870	19,503	175,636	10,752	186,388	3,239	189,627	79,778	269,405	221,585	490,990
Food services	14	14	1	2,992	25	71,751	-	71,751	-	71,751	10,692	82,443	-	82,443
Medical and Pharmacy	-	-	-	-	-	106,111	71	106,182	-	106,182	24,682	130,864	-	130,864
Subcontracted services	320	326	22	-	-	69,632	-	69,632	139	69,771	151,758	221,529	18,281	239,810
Insurance	667	680	46	451	10,970	115,402	4,836	120,238	917	121,155	42,253	163,408	27,730	191,138
Interest	24	24	2	-	-	1,612	-	1,612	-	1,612	80	1,692	1,822	3,514
Operating supplies & expenses	961	979	66	2,026	202,451	468,705	106,260	574,965	3,068	578,033	141,392	719,425	192,073	911,498
Other	9	9	1	166	679	3,204	97	3,301	-	3,301	2,349	5,650	42,145	47,795
Donated items	244	249	17	-	-	38,815	32	38,847	-	38,847	235,074	273,921	146	274,067
Total operating expenses	6,706	6,835	461	11,116	276,657	1,989,981	166,464	2,156,445	18,933	2,175,378	1,003,921	3,179,299	723,381	3,902,680
Distributed indirect costs:														
Administration	4,968	5,063	342	4,932	78,570	1,206,590	54,481	1,261,071	25,370	1,286,441	426,123	1,712,564	(1,712,564)	-
Total distributed indirect costs	4,968	5,063	342	4,932	78,570	1,206,590	54,481	1,261,071	25,370	1,286,441	426,123	1,712,564	(1,712,564)	-
Total actual operating expenses	37,243	37,954	2,563	47,833	1,004,421	10,270,929	646,835	10,917,764	225,151	11,142,915	4,473,250	15,616,165	-	15,616,165
Unallowable costs:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total allowable oper. expenses	37,243	37,954	2,563	47,833	1,004,421	10,270,929	646,835	10,917,764	225,151	11,142,915	4,473,250	-	-	-
Capital expenditures:	-	-	-	-	-	-	24,282	24,282	-	24,282	-	24,282	-	-
Excluding SAMH credit equivalent	37,243	37,954	2,563	47,833	1,004,421	10,270,929	671,117	10,942,046	225,151	11,167,197	4,473,250	15,640,447	-	-

Due to lack of activity Assessment, Residential Level III and Other Support Costs were omitted

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
Schedule of Bed-Day Availability Payments
Year Ended June 30, 2014

Program	Cost Center	State Contracted Rate	Total Units of Service Provided	Total Units of Service Paid for by 3rd Party Contracts, Local Govt or Other State Agencies	Maximum Number of Units Eligible for Payment By Department	Amount Paid for Services by the Department	Maximum $ Value of Units Eligible for Payment By Department	Amount Owed To Department
Adult Mental Health	Crisis Stabilization Unit	$ 291.24	5,840	176	5,664.00	983,082	1,649,583	-
Adult Mental Health	Room & Board w/Supervision Lev II	66.07	1,321	279	1,041.804	68,832	68,832	-
Adult Mental Health	Residential Level II	68.38	1,693	403	1,290.070	88,215	88,215	-
Children's Mental Health	Crisis Stabilization Unit	291.24	1,460	46	1,414.00	203,261	411,813	-
	Total Amount Owed to Department	$						-

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
Schedule of State Earnings
Year Ended June 30, 2014

Line 1	TOTAL EXPENDITURES	$	15,616,165
Line 2	LESS OTHER STATE AND FEDERAL FUNDS		4,721,852
Line 3	LESS NON MATCH SAMH FUNDS		6,914,550
Line 4	LESS UNALLOWABLE COSTS PER 65-E14, FAC		38,071
Line 5	TOTAL ALLOWABLE EXPENDITURES		3,941,692
Line 6	MAXIMUM AVAILABLE EARNINGS LINE 5 TIMES 75%		2,956,269
Line 7	AMOUNT OF STATE FUNDS REQUIRING MATCH		1,028,270
Line 8	AMOUNT DUE TO DEPARTMENT IF NEGATIVE Line 6 Less Line 7	$	1,927,999

LIFE MANAGEMENT CENTER OF NORTHWEST FLORIDA, INC.
Schedule of Findings and Questioned Costs – Federal Awards Programs and State Financial Assistance Projects
Year Ended June 30, 2014

1. Summary of the auditors' results:

    i) The type of report the auditor issued on the financial statements of the auditee: Unqualified opinion

    ii) Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses: None

    iii) A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee: None

    iv) Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses: None

    v) The type of report the auditor issued on compliance for major federal and state projects: Unqualified opinion

    vi) A statement as to whether the audit disclosed any audit findings which the auditor is required to report under §133.510(a), or chapter 10.650 Rules of the Auditor General, State of Florida: None

    vii) Identification of major programs: CFDA #93.558 Temporary Assistance for Needy Families, CFDA #93.659 Adoption Assistance and CFDA #93.958 Block Grants for Community Mental Health Services.

    viii) The dollar threshold used to distinguish between Type A and Type B programs: $300,000 for major federal awards programs and major state financial assistance projects.

    ix) A statement as to whether the auditee qualified as a low risk auditee under §133.530: Yes

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS: None

3. Findings and questioned costs for federal awards which shall include audit findings as defined in §133.510: None

4. Findings and questioned costs relating to state awards: None - As a result, we have not included a management letter, summary schedule of prior audit findings, or a corrective action plan.