

LifeStream Behavioral Center, Inc.
and Subsidiaries
Consolidated Financial Statements
June 30, 2016 and 2015

LIFESTREAM BEHAVIORAL CENTER, INC.
AND SUBSIDIARIES
JUNE 30, 2016

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AND SUBSIDIARIES
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
LifeStream Behavioral Center, Inc.
Leesburg, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of LifeStream Behavioral Center, Inc. (a nonprofit organization) and Subsidiaries (the Center), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, changes in net assets, 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.

Auditor's 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 auditor's 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 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 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 LifeStream Behavioral Center, Inc. and Subsidiaries as of June 30, 2016, 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

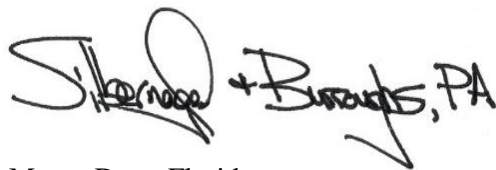
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 23 to 29 is presented for purposes of additional analysis as required by the State of Florida Department of Children and Families, and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650, *Rules of the Auditor General of the State of Florida* is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Prior Period Financial Statements

The financial statements of the prior period were audited by a predecessor auditor, whose report dated October 23, 2015, expressed an unmodified opinion.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, on our consideration of LifeStream Behavioral Center, Inc.'s and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 LifeStream Behavioral Center, Inc.'s and Subsidiaries' internal control over financial reporting and compliance.



Mount Dora, Florida
October 26, 2016

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS	2016	2015
Current Assets:		
Cash and cash equivalents	\$ 6,799,588	\$ 4,302,359
Investments	3,250,818	1,242,030
Accounts receivable from patients, less contractual allowances and allowances for uncollectible accounts of approximately \$1,855,846 in 2016 and \$1,195,989 in 2015	3,778,411	3,851,454
Public support receivables	2,401,868	1,644,151
Notes receivable	277,605	191,109
Prepaid expenses and other current assets	527,420	665,231
Total current assets	17,035,710	11,896,334
Restricted Deposits	55,620	93,766
Property and Equipment, net	20,132,110	21,195,253
Other Assets:		
Intangible assets, net	228,196	239,678
Total Assets	\$ 37,451,636	\$ 33,425,031

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

LIABILITIES AND NET ASSETS	<u>2016</u>	<u>2015</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 653,951	\$ 622,251
Accounts payable	2,722,980	1,362,224
Unearned revenues	402,858	299,432
Accrued salaries and other current liabilities	2,644,202	2,060,455
Total current liabilities	<u>6,423,991</u>	<u>4,344,362</u>
Other Liabilities:		
Long-term debt, less current maturities	7,077,054	7,729,254
Deferred payment loan	26,000	40,000
Interest rate swap	1,138,661	974,089
Total other liabilities	<u>8,241,715</u>	<u>8,743,343</u>
Total liabilities	<u>14,665,706</u>	<u>13,087,705</u>
Net Assets:		
Unrestricted	22,281,913	19,892,264
Temporarily restricted	293,947	234,992
Permanently restricted	210,070	210,070
	<u>22,785,930</u>	<u>20,337,326</u>
Total Liabilities and Net Assets	<u><u>\$ 37,451,636</u></u>	<u><u>\$ 33,425,031</u></u>

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Public Support and Revenue:		
Public Support:		
Federal grants	\$ 11,487,504	\$ 8,806,858
State grants	1,451,700	2,656,055
Local grants	7,402,598	6,327,202
	<u>20,341,802</u>	<u>17,790,115</u>
Other public contributions and in-kind support	4,272,364	4,003,742
Total public support	<u>24,614,166</u>	<u>21,793,857</u>
Revenue:		
Net patient service revenue	15,276,356	14,604,726
Rent revenue - HUD project	29,551	29,394
Investment income	113,038	102,723
Other revenue	1,946,136	1,081,272
Total revenue	<u>17,365,081</u>	<u>15,818,115</u>
Total public support and revenue	<u>41,979,247</u>	<u>37,611,972</u>
Expenses:		
Direct Program Services		
Assessment	25,826	16,098
Case management	1,579,231	1,614,792
Crisis stabilization	2,206,626	1,725,147
Crisis support/emergency	914,423	925,903
Day-night programs	837,813	763,895
In-home and on-site	551,939	2,073,943
Inpatient	6,434,647	6,656,637
Intervention	478,409	475,021
Medical services	5,435,843	4,840,807
Outpatient treatment	3,047,601	1,767,265
Prevention	253,350	269,530
Outreach	-	46,449
Room and board w/ supervision level 1	1,472,371	844,830
Room and board w/ supervision level 2	3,104,715	3,174,538
Room and board w/ supervision level 4	171,761	167,857

(Continued on page 6)

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Expenses (Continued):		
Direct Program Services (Continued):		
Substance abuse detox	654,434	547,898
Supported housing	221,077	81,203
TASC	383,108	212,866
CRF ARF	48,535	-
ACT Team	1,809,796	1,747,442
LAKE Academy	3,709,593	3,793,067
Child Welfare	406,413	276,338
Integrated Primary Care	575,274	491,779
Non SAMH Programs	232,708	310,987
Forensic Diversion	1,019,148	782,441
Lake Region Homes, Inc.	96,783	115,768
Anthony House, Inc.	20,539	19,361
Total direct program services	35,691,963	33,741,862
Support Services:		
Administrative and general	3,628,234	3,319,692
Other support services	3,869	11,869
Total support services	3,632,103	3,331,561
Fund Raising:		
LifeStream Foundation, Inc. events and awards	100,960	231,434
Total expenses	39,425,026	37,304,857
Change in Unrestricted Net Assets	\$ 2,554,221	\$ 307,115

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Unrestricted Net Assets, Beginning of Year	\$ 19,892,264	\$ 19,527,448
Change in Unrestricted Net Assets	2,554,221	307,115
Other		
Change in fair value of interest rate swap liability	(164,572)	57,701
Unrestricted Net Assets, End of Year	<u>\$ 22,281,913</u>	<u>\$ 19,892,264</u>
Temporarily Restricted Net Assets		
Beginning of year	\$ 234,992	\$ 203,912
Contributions	58,955	31,080
Temporarily Restricted Net Assets, End of Year	<u>\$ 293,947</u>	<u>\$ 234,992</u>
Permanently Restricted Net Assets		
Beginning of year	\$ 210,070	\$ 210,070
Contributions	-	-
Permanently Restricted Net Assets, End of Year	<u>\$ 210,070</u>	<u>\$ 210,070</u>

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,448,604	\$ 395,896
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,250,942	1,218,110
Gain on sale of fixed assets	(388,650)	-
Provisions for bad debt	659,857	757,113
Forgiveness of deferred payment loan	(14,000)	(14,000)
Changes in:		
Accounts receivable from patients	(586,814)	(1,235,133)
Public support receivables	(757,717)	(473,886)
Notes receivable	(86,496)	224,481
Prepaid expenses and other current assets	137,811	90,948
Estimated third-party settlement receivable	-	118,448
Accounts payable	1,360,756	339,036
Accrued salaries and other current liabilities	583,747	183,026
Unearned revenue	103,426	-
Net cash provided by operating activities	<u>4,711,466</u>	<u>1,604,039</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(805,940)	(1,186,094)
Sale of property and equipment	1,009,000	-
Restricted deposits - HUD project	38,146	(1,041)
Change in value of interest rate swap	164,572	(74,681)
Purchase of investments	(5,488,149)	(124,155)
Sale of investments	3,460,298	886,758
Net cash used in investing activities	<u>(1,622,073)</u>	<u>(499,213)</u>
Cash Flows from Financing Activities:		
Repayment of debt	(630,310)	(582,932)
Net cash used in financing activities	<u>(630,310)</u>	<u>(582,932)</u>
Net Increase in Cash and Cash Equivalents	2,459,083	521,894
Cash and Cash Equivalents at Beginning of Year	<u>4,396,125</u>	<u>3,874,231</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,855,208</u>	<u>\$ 4,396,125</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 428,232</u>	<u>\$ 456,790</u>

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

A. Reporting Entity and Related Organizations

Organization and Purpose - Lake/Sumter Community Mental Health Center, Inc. was formed to provide comprehensive alcohol, drug abuse and mental health services to the residents of Lake and Sumter Counties in 1971. Effective November 1, 1993, the name was changed to LifeStream Behavioral Center, Inc. (LifeStream). LifeStream provides acute inpatient psychiatric and substance abuse disorder care in its hospital facilities and a comprehensive array of residential, case management, psychiatric and therapy services, exceptional education schooling and homeless services throughout Lake and Sumter Counties. LifeStream is a not-for-profit corporation licensed in the State of Florida and is accredited by the Commission on Accreditation of Rehabilitation Facilities.

The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of three related entities: Lake Region Homes, Inc. (LRH), LifeStream Behavioral Center Foundation, Inc. (the Foundation), and Anthony House, Inc.

LRH, a nonprofit corporation, was established for the purpose of constructing and operating a living facility used exclusively for clients of LifeStream. The facility was constructed from the proceeds of a Department of Housing and Urban Development (HUD) Section 202 mortgage and is subsidized from HUD Section 8 housing allowances.

LifeStream Behavioral Center Foundation, Inc. was established in 1989. The Foundation is a not-for-profit corporation and was formed for the purpose of providing additional funds for LifeStream's facilities and services. Certain members of the Board of Directors of LifeStream also serve on the Board of the Foundation.

Anthony House, Inc. is a not-for-profit corporation and was formed for the purpose of providing shelter and rehabilitative services for the homeless. Anthony House, Inc. was acquired by LifeStream Behavioral Center, Inc. on June 9, 2010.

B. Summary of Significant Accounting Policies

Basis of Accounting - These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements present the financial position, activities, changes in net assets, and cash flows of LifeStream, the Foundation, LRH, and Anthony House. Significant inter-organizational transactions and balances between the entities have been eliminated.

The costs related to the administration of the Center's programs are summarized in the consolidated statements of activities. Personnel and operating expenses that are associated with a specific program are charged directly to that program. Personnel and operating expenses that benefit more than one program are allocated to the various programs based on the relative benefit provided. Administrative expenses represent indirect costs of administering these programs.

Financial Statement Presentation - The Center presents its financial statements under Accounting Standards Codification (ASC) 958-205. The Center is required to report information regarding its financial position and activities according to three classes of net assets as follows:

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
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- *Unrestricted Net Assets:* Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.
- *Temporarily Restricted Net Assets:* Net assets whose use by the Center is subject to donor imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire by the passage of time.
- *Permanently Restricted Net Assets:* Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the investment return on these assets. Such assets consist of the Anthony House's restricted land. The Center has no endowments funds.

Revenues are reported as increases in unrestricted net assets unless they are restricted by donor-imposed stipulations. Expenses are generally reported as decreases in unrestricted net assets. Satisfactions of donor-imposed stipulations that simultaneously increase unrestricted net assets and decrease temporarily restricted assets are reported as reclassifications. Temporarily restricted revenue received and expended during the same fiscal year is recorded as unrestricted revenue and expense in the statement of activities.

Use of Estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include all investments purchased with an original maturity of ninety days or less which have virtually no risk of loss of value of the principal amount of the investments.

Investments – The Center uses a fair value hierarchy established by GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels in the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the assets or liabilities;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, the inputs are supported by little or no market activity).

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Inventories – Inventories of supplies are stated at the lower of cost or market determined by the first-in, first-out method.

Restricted Deposits - Under regulatory agreement, LRH is required to set aside amounts for the replacement of property and other LRH expenditures approved by HUD. HUD-restricted deposits, which were \$40,105 and \$50,156 at June 30, 2016 and 2015, respectively, are held in separate accounts and generally are not available for operating purposes. The Center and LRH also hold restricted security deposits of \$15,515 and \$1,644, respectively.

Intangible Assets - Intangible assets consist of costs associated with obtaining certificates of need and loan costs that have been capitalized and are being amortized by the straight-line method over the terms of either 10 to 40 years or the related notes payable. Accumulated amortization amounted to \$347,247 and \$326,778 at June 30, 2016 and 2015, respectively.

Property and Equipment - Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated market value on the date of contribution. Expenditures which equal or exceed \$1,000 that materially increase values, change capacities, or extend useful lives are capitalized, as are interest costs during the period of construction for such expenditures.

Interest Rate Swap - The Center has adopted ASC 815, Derivatives and Hedging. This codification establishes accounting and reporting standards requiring that derivative instruments be recorded at fair value and included in the statement of financial position as assets or liabilities. The Center uses interest rate swaps to manage risks related to interest rate movements. Interest rate swap contracts are reported at fair value.

Public Support - Public support revenue from government grants is recorded based upon the terms of the grantor allotment, which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred or the performance of services rendered. Such revenue is subject to audit by the grantor and, if the examination results in a deficiency of allowable expenses, the Center will be required to refund any deficiencies. Management is of the opinion that all monies recognized as public support have been earned as of June 30, 2016 and 2015. These amounts are reflected as unrestricted as the amounts are received and expended in the same year.

Accounts Receivable - Accounts receivable from patients are reduced by contractual allowances and an allowance for uncollectable accounts. In evaluating the collectability of accounts receivable, the Center analyzes historical trends for each of its major payer sources. For accounts receivable associated with services provided to patients who have third-party coverage, the Center analyzes the collectability of the related contractually due amounts as well as analyzes the collectability of co-pays and deductibles due from the specific patients receiving those services. For accounts receivable associated with self-pay patients, LifeStream records significant provisions for bad debts in the period in which the service is performed on both the basis of historical trends as well as specific patient related collectability information. Management regularly reviews data about all payer sources of revenues to estimate the appropriate allowance for doubtful accounts and the provision of bad debts.

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
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Annually the Center reviews its gross charge master and any resulting changes are approved by its Board of Directors. Differences between gross charges and contractual rates as well as the differences between gross charges and negotiated rates are written off at the time of service. Differences between contractual or negotiated accounts receivable along with co-pay, deductible, and self-pay accounts receivable are further written off at the time of service to the estimated amounts collectable as charges against the allowable for uncollectable accounts. Further collectability related adjustments to accounts receivable are also charged against the allowable for uncollectable accounts for bad debts resulting after all reasonable collection efforts have been exhausted.

Net Patient Service Revenue - Net patient service revenue is reported at the net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Patient service revenue for private pay services is recorded on a sliding fee scale. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care – Under the charity care policy, which is based upon federal poverty guidelines, The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, it is not reported as revenue. Unreimbursed charity care provided is excluded from gross patient service revenue. Such unreimbursed charges amounted to \$1,736,198 and \$1,860,805 for the years ended June 30, 2016 and 2015, respectively.

Annually the Center also updates its sliding fee scale in coordination with the annual publication of the Federal Poverty Guidelines and the requirements of Chapter 65e-14 Florida Administrative Code. The resulting sliding fee discounts in co-pays for qualifying patients are recorded at the time of service.

In-Kind Contributions - Revenues from in-kind contributions (primarily donated facilities and donated prescription drugs) are recognized as received based on the fair market value of the contribution. The fair market value of donated facilities was \$51,920 for the years ended June 30, 2016 and 2015. The fair market value of donated prescription drugs was \$3,633,565 and \$3,510,963 for the years ended June 30, 2016 and 2015, respectively.

Income Taxes - LifeStream, the Foundation, LRH, and Anthony House were organized as not-for-profit organizations described under Section 501(c)(3) of the Internal Revenue Code and are exempt from Federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

Advertising Costs - Advertising costs are expensed when incurred.

Subsequent Events - The Center has evaluated subsequent events through October 26, 2016, the date the financial statements were available to be issued. No subsequent events occurred that resulted in adjustments to the financial statements.

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
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JUNE 30, 2016 AND 2015

C. Property and Equipment

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land and improvements	\$ 1,682,191	\$ 1,731,027
Building and improvements	26,966,016	27,430,480
Furniture and equipment	<u>7,895,728</u>	<u>7,710,791</u>
	36,543,935	36,872,298
Less accumulated depreciation	<u>(16,411,825)</u>	<u>(15,677,047)</u>
Net property and equipment	<u>\$ 20,132,110</u>	<u>\$ 21,195,251</u>

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Depreciation expense, including depreciation of assets under capital leases, was \$1,250,154 and \$1,218,110 for the years ended June 30, 2016 and 2015, respectively. Estimated useful lives of property and equipment range as follows:

Building and improvements	3 – 40 years
Furniture and equipment	3 – 20 years

Certain fixed assets of the Center were purchased with Federal, state and local government support. As a result, if such assets are disposed, the granting agency that participated in the funding of the purchase has a contractual right to participate in the proceeds from the disposition. The historical cost and net book value of all such assets are recorded at June 30, 2016 as \$3,293,807 and \$2,448,694 respectively. The historical cost and net book value of all such assets recorded at June 30, 2015 was \$3,293,807 and \$2,562,510, respectively.

D. Investments

The investments are presented in the financial statements at fair value using level 1 fair value measures, except for the Privately Held Common Stock, which uses level 3 fair value measures and is valued based on the equity per share method. At June 30, 2016 and 2015, investments consisted of the following:

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money Markets	\$ 626,013	\$ 626,013	\$ 47,526	\$ 47,526
Certificate of Deposit	50,000	51,149	50,000	51,124
Mutual Funds	58,060	68,553	74,665	84,256
U.S. Treasury Obligations	601,092	605,964
Corporate Bonds	913,562	950,069	280,820	278,938
Common Stock - Public (level 1)	510,972	546,317	358,278	403,704
Common St - Private (level 3)	91,747	360,983	91,747	360,983
Foreign Equities	<u>38,508</u>	<u>41,770</u>	<u>14,854</u>	<u>15,499</u>
Total	<u>\$ 2,889,954</u>	<u>\$ 3,250,818</u>	<u>\$ 917,890</u>	<u>\$ 1,242,030</u>

Investment return consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 40,541	\$ 26,468
Realized gains (losses)	(46,013)	158,067
Unrealized gains (losses)	<u>118,510</u>	<u>(81,812)</u>
Total	<u>\$ 113,038</u>	<u>\$ 102,723</u>

Changes in fair value of level 3 assets consisted of the following:

Balance, June 30, 2014	\$ 360,237
Total gain - unrealized and realized	<u>746</u>
Balance, June 30, 2015	360,983
Total gain - unrealized and realized	<u>-</u>
Balance, June 30, 2016	<u>\$ 360,983</u>

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

E. Restricted Assets

Temporarily restricted net assets and permanently restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Temporarily Restricted Net Assets		
Donor designated	\$ 135,334	\$ 72,319
Adult mental health	40,379	41,409
Child mental health	40,008	41,030
Adult substance abuse disorder	39,113	40,117
Child substance abuse disorder	<u>39,113</u>	<u>40,117</u>
Total	<u>\$ 293,947</u>	<u>\$ 234,992</u>
Permanently Restricted Net Assets		
Anthony House - Land	<u>\$ 210,070</u>	<u>\$ 210,070</u>

F. Accounts Receivable

Accounts receivable consisted of the following:

	<u>2016</u>	<u>2015</u>
Patient accounts receivable	\$ 5,634,257	\$ 5,047,443
Allowance for bad debt	<u>(1,855,846)</u>	<u>(1,195,989)</u>
Net	<u>\$ 3,778,411</u>	<u>\$ 3,851,454</u>

Allowance for bad debts is estimated using the historical average of uncollectible accounts by program and prior knowledge and experience.

G. Notes Receivable

The Center holds a note receivable from Project Health, Inc. secured by membership interest in Integral Health Plan, Inc., due in monthly installments of no less than \$12,000 plus interest at 12% through June 30, 2017.

Principal payments on notes receivable are due as follows:

Year ending June 30, 2017	\$265,726
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LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

H. Long-term Debt

Long-term debt consists of the following:

	<u>2016</u>	<u>2015</u>
Mortgage note payable, collateralized by hospital and administrative buildings and equipment, payable in varying monthly installments, including interest at 63.7% of 30-day LIBOR plus 1.335%, through December 2018	\$ 572,670	\$ 780,175
Mortgage note payable to HUD, collateralized by property and equipment with a net book value of approximately \$210,653, payable in monthly installments of \$2,824, including interest at a fixed rate of 9.25%, through May 2030	264,758	273,704
Mortgage note payable, collateralized by buildings, payable in varying monthly installments, including interest at 30-day LIBOR plus 1.85%, through August 2028	1,206,872	1,278,000
Mortgage note payable, collateralized by hospital and administrative buildings and equipment, payable in varying monthly installments, including interest at 63.7% of 30-day LIBOR plus 1.355%, through July 2028	5,008,325	5,303,224
Mortgage note payable, collateralized by Main Street property, payable in monthly installments of \$6,871, including interest at a fixed rate of 6.25%, through December 2027	<u>678,380</u>	<u>716,402</u>
Total long-term debt	7,731,005	8,351,505
Less current portion	<u>653,951</u>	<u>622,251</u>
Long-term portion	<u><u>\$ 7,077,054</u></u>	<u><u>\$ 7,729,254</u></u>

Scheduled maturities on long-term debt is as follows:

2017	\$ 653,951
2018	686,619
2019	613,515
2020	509,169
2021	536,490
Thereafter	<u>4,731,261</u>
	<u><u>\$ 7,731,005</u></u>

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Interest expense for the years ended June 30, 2016 and 2015 was \$428,232 and \$456,790, respectively.

Debt Covenants - The loan agreements relating to the variable rate and 6.25% mortgages payable to a bank, contain various restrictive covenants related to maintenance of minimum tangible net worth, incurring additional debt, fixed charge ratios, and filing of required documents with the bank.

I. Interest Rate Swap Agreement

The Center used variable-rate debt to finance the construction of the Hospital. The debt obligations expose the Center to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of its interest payments. To meet this objective, management entered into interest rate swap agreements to manage fluctuation in cash flows resulting from interest rate risk. These swaps changed the variable rate cash flows exposure on the debt obligations to fixed-cash flows. Under the terms of the interest rate swaps, the Center receives variable interest rate payments and makes fixed interest payments, thereby creating the equivalent of fixed-rate debt.

By using a derivative financial instrument to hedge its exposure to changes in interest rates, the Center exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Center, which creates credit risk for the Center. When the fair value of a derivative contract is negative, the Center owes the counterparty and, therefore, it does not possess credit risk. The Center minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing the monitoring parameters that limit the types and degree of market risk that may be undertaken.

On August 20, 2007, the Center entered into a \$7,000,000 U.S. Dollar Rate Swap Transaction with an effective date of January 1, 2008, and a termination date of July 1, 2028. The swap was executed with the purpose of fixing the rate on the bonds issued by the City of Tavares, FL. Under the terms of the agreement, the Center pays a fixed rate of 4.84% to Bank of America on a monthly basis and, in return, Bank of America pays the Center 63.7% of the monthly LIBOR rate plus 1.15%. At June 30, 2016 and 2015, the swap contract had a notional amount of \$5,007,325 and \$5,303,224, respectively. The difference between interest earned and the interest obligation accrued is received or paid the first day of each month and is recorded as interest expense.

On December 29, 2003, the Center entered into a \$2,600,000 U.S. Dollar Rate Swap Transaction with an effective date of December 29, 2003, and a termination date of December 29, 2018. Under the terms of the agreement, the Center pays a fixed rate of 3.185% to Bank of America on a monthly basis and, in return, Bank of America pays the Center 63.7% of the monthly LIBOR rate plus 1.335%. At June 30, 2016 and 2015, the swap contract had a notional amount of \$559,145 and \$716,401, respectively. The difference between interest earned and the interest obligation accrued is received or paid the first day of each month and is recorded as interest expense.

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

On July 17, 2013, the Center entered into a \$1,400,000 U.S. Dollar Rate Swap Transaction with an effective date of July 24, 2013, and a termination date of August 5, 2028. Under the terms of the agreement, the Center pays a fixed rate of 4.86% to Branch Banking and Trust Co. (BB&T) on a monthly basis and, in return, BB&T pays the Center the monthly LIBOR rate plus 1.85%. At June 30, 2016 and 2015, the swap contract had a notional amount of \$1,206,872 and \$1,278,000, respectively. The difference between interest earned and the interest obligation accrued is received or paid the fifth day of each month and is recorded as interest expense.

J. Deferred Payment Loan

In December 2001, the Center entered into an agreement with the Sumter County Board of County Commissioners (the County) under the County’s “Sumter County State Housing Initiative Partnership (SHIP) Program.” Under the SHIP Program, the Center received \$200,000 through a deferred payment loan. This loan has no required principal payments and does not accrue interest, as long as the Center continues to comply with the conditions set by the County, which primarily state that the property purchased with the loan continues to be used in accordance with the SHIP Program requirements. In addition, the principal of the loan will be forgiven at the rate of 7% each year beginning in 2004, provided the aforementioned conditions continue to be met. At June 30, 2016, in compliance with program requirements, the Center reduced outstanding principal by \$14,000, which reduces the deferred payment loan to an outstanding balance of \$26,000.

K. Net Patient Service Revenue

Revenue and Deductions - Gross patient service revenue is recorded on the accrual basis in the period in which services are provided, at the Center’s established rates, except for patient service revenue for private pay patients, which is recorded on a sliding fee scale. Contractual adjustments are recorded as deductions from gross patient service revenue to determine net patient service revenue. Net patient service revenue for the years ended June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Gross patient service revenue	\$ 57,108,966	\$50,528,240
Less provisions for contractual	<u>(41,832,610)</u>	<u>(35,923,514)</u>
Net patient service revenue	<u>\$ 15,276,356</u>	<u>\$14,604,726</u>

The Center contracts with the Department of Children and Families (DCF) for the provision of mental health and substance use disorder services for children and adults on an availability basis and on a per unit basis, as defined in the contract. The gross patient service revenue for patients who receive program benefits under this DCF grant is reflected as gross revenue with corresponding deductions/write-offs necessary to adjust this amount to net realizable value.

Medicare and Medicaid - The Medicare program pays the Center for inpatient services on the “Prospective Payment System,” subject to certain limitations. The Medicare and Medicaid programs reimburse the Center on a per visit basis for outpatient and certain inpatient services. Medicare and

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Medicaid patient service revenue as a percentage of gross patient service revenue approximates 9% and 11% for the years ended June 30, 2016 and 2015, respectively.

Final determination of amounts earned pursuant to the Medicare and Medicaid programs is subject to review by appropriate governmental authorities or their agents. Cost reports through the year ended June 30, 2014, have been audited and final settlement has been determined. The cost reports for the year ended 2015 have not been audited. The provisions for cost report settlements for 2015 are based on management's estimates of allowable costs and fee schedules. In the opinion of management, adequate provision has been made for any adjustments that may result from such reviews.

L. Retirement Plan

The Center sponsors a defined contribution retirement plan covering substantially all employees, which is based on attainment of age 21 and the completion of one year of service. The Center's contribution to the Plan is at the Board's sole discretion and was approximately \$668,379 and \$738,544 for the years ended June 30, 2016 and 2015, respectively.

M. Compensated Absences

Each permanent full time employee earns paid time off for vacation, sickness and holidays based on tenure. Employees may accumulate up to 160 hours of paid time off. Eligible employees who end their employment with the Center are reimbursed for each day of accumulated leave.

N. Related Party Balances and Transactions

The Center purchased supplies from a vendor with a relationship to a board member. The transactions were consummated at arm's length. The Center purchased \$126,545 and \$209,856 worth of supplies and furniture for fiscal years ending 2016 and 2015, respectively and as of year-end owed \$32,034 and \$6,098 to the vendor for fiscal years ending 2016 and 2015, respectively.

The Center leases property to/from a vendor with a relationship to a board member. The transactions were consummated at arm's length. The Center paid rent of \$11,165 and received rent of \$25,950.

The Center purchased a certificate of deposit from a bank with a relationship to a board member. The transaction was consummated at arm's length. The value of the certificate of deposit is \$250,000.

O. Commitments and Contingencies

Litigation - Management is aware of litigation claims or actions pending against the Center arising out of the ordinary course of business. However, these claims are within the professional liability policy limits. Therefore, no accrual for possible losses attributable to these incidents has been made.

P. Concentrations of Credit Risk

The Center grants credit without collateral to its patients. Most are local residents and are insured under third-party payer agreements. The Center has not experienced significant losses related to receivables from individual payers or groups of payers. Due to these factors, management believes no additional

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

credit risk beyond amounts provided for collection losses is inherent in the Center's patient accounts receivable.

The Center maintains cash balances with various financial institutions. Demand deposit and money market accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2016, the Center's uninsured cash balances totaled \$6,381,316.

Q. Leases

The Center leases outpatient facilities and parking space under operating leases. Rental expense for the years ended June 30, 2016 and 2015 was \$172,618 and \$131,164, respectively. Future minimum lease payments under these leases are provided below:

Schedule of Minimum Lease Payments
 Years Ended June 30

2017	\$ 229,189
2018	\$ 183,364
2019	\$ 175,671
2020	\$ 46,712
2021	\$ 17,971

R. Summary Information Relating to Financially Interrelated Entities

Summary financial information of Lake Region Homes, Inc., LifeStream Behavioral Foundation, Inc., and Anthony House, Inc., which has been included in these consolidated financial statements, is shown below. Inter-entity transactions have not been eliminated from this summary data.

	<u>2016</u>	<u>2015</u>
Lake Region Homes, Inc.		
Total assets	<u>\$ 134,746</u>	<u>\$ 142,128</u>
Total liabilities	803,796	825,841
Unrestricted net assets (deficit)	<u>(669,050)</u>	<u>(683,713)</u>
Total liabilities and net assets	<u>\$ 134,746</u>	<u>\$ 142,128</u>
Total revenue	\$ 111,446	\$ 110,160
Total expenses	<u>96,783</u>	<u>115,768</u>
Changes in net assets	<u>\$ 14,663</u>	<u>\$ (5,608)</u>

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
LifeStream Behavioral Center Foundation, Inc.		
Total assets	\$ 393,921	\$ 293,468
Unrestricted net assets (deficit)	99,975	58,476
Temporarily restricted net assets	293,946	234,992
Total net assets	\$ 393,921	\$ 293,468
Total revenue	\$ 201,414	\$ 255,437
Total expenses	100,961	231,434
Changes in net assets	\$ 100,453	\$ 24,003

	<u>2016</u>	<u>2015</u>
Anthony House, Inc.		
Total assets	\$ 345,521	\$ 365,360
Total liabilities	27,614	27,614
Unrestricted net assets	107,837	127,676
Permanently restricted net assets	210,070	210,070
Total liabilities and net assets	\$ 345,521	\$ 365,360
Total revenue	\$ 700	\$ 11,767
Total expenses	20,539	19,361
Changes in net assets	\$ (19,839)	\$ (7,954)

S. Dependency on Government Support

The Center receives a substantial amount of support from federal, state and local government agencies. A reduction in the level of future federal, state or local support could have a substantial effect on the Center's programs and activities.

T. Contingencies

LifeStream entered into a capitated contract with Beacon Health Strategies, LLC (BHS) effective January 1, 2015 to provide treatment for mental health and substance use disorder. The contract is for a three-year period with an automatic two-year extension unless terminated with a ninety-day notice. The contract includes various provisions, including a minimum maintenance of effort level, which if not met, requires remedial actions to take place.

LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Under the terms of the contract, patients that are covered by mental health and substance use disorders under a health plan are considered members covered under the contract. If a patient is deemed not covered under the contract, then prior authorization from BHS is required to qualify under the contract, unless it is for emergency services. The contract states that LifeStream shall have the ability to obtain authorization twenty-four hours a day, seven days a week for each day of the calendar year. Under the contract, BHS is not liable for payment of services for those who have not received authorization, unless it is for emergency services.

U. Affiliation with Other Organizations

On January 1, 2015, LifeStream Behavioral Center, Inc. entered into an affiliation agreement with Meridian Behavioral Healthcare, Inc. Each entity is a Florida nonprofit corporation which together with their respective subsidiaries and affiliates will be referred to as Progress Health System. The Board of Directors of Progress Health System consists of an equal number of representatives from each of the affiliate corporations' Boards. The affiliation was organized for the purpose of enhancing the level and quality of services to clients in their respective communities in a cost-effective manner through the sharing of certain administrative functions while also providing a platform for providing a broader range of services on a regional basis.

Supplemental Information

LIFESTREAM BEHAVIORAL CENTER, INC.
PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULES
YEAR ENDED JUNE 30, 2016

	Assessment	Case Management	Crisis Stabilization	Emergency Services	Day - Night	In Home & On Site	Inpatient	Intervention	Medical Services	Outpatient	Prevention	Room & Bed w/ Supervision Level 1
FUNDING SOURCES AND REVENUES:												
NET PATIENT REVENUE	\$ 46,365	\$ 1,296,029	\$ 1,765,340	\$ 63,927	\$ 1,235,145	\$ 383,960	\$ 4,902,098	\$ 4,537	\$ 1,523,862	\$ 2,250,235	\$ 2,268	\$ -
OTHER REVENUE												
Federal and State grants and contracts	-	510,729	1,166,397	1,436,070	102,032	19,271	533,502	446,881	354,537	529,033	225,762	1,560,596
Local government	-	25,000	97,588	-	77,872	67,500	866,803	11,003	390,200	163,358	5,960	-
Other revenue	-	5,466	91,962	2,400	77,365	5,583	900,019	1,500	3,456,677	150,440	792	-
Non-operating revenue	-	-	-	-	66,985	-	-	-	-	-	-	-
TOTAL OTHER REVENUE	-	541,195	1,355,947	1,438,470	324,254	92,354	2,300,324	459,384	4,201,414	842,831	232,514	1,560,596
TOTAL ALL FUNDING AND REVENUES	46,365	1,837,224	3,121,287	1,502,397	1,559,399	476,314	7,202,422	463,921	5,725,276	3,093,066	234,782	1,560,596
EXPENSE CATEGORIES												
Personnel expenses												
Salaries	70	918,951	987,586	597,408	325,924	311,268	2,549,296	299,068	1,500,942	1,651,938	140,661	850,127
Fringe benefits	40	254,722	235,785	155,843	103,743	72,622	591,018	71,385	204,923	439,976	33,352	223,660
Total personnel costs	110	1,173,673	1,223,371	753,251	429,667	383,890	3,140,314	370,453	1,705,865	2,091,914	174,013	1,073,787
Other expenses												
Building occupancy	-	33,613	235,598	55,439	100,260	32,024	438,010	9,131	61,891	207,738	12,293	75,853
Professional services	25,235	191,215	77,313	23,827	112,447	72,559	318,012	22,606	488,672	439,315	6,781	20,532
Travel	-	102,298	2,474	2,000	1,576	13,575	6,064	25,893	25,661	50,411	19,001	1,836
Equipment costs	-	1,959	1,870	1,147	13,880	1,029	3,422	1,401	83	1,074	785	1,112
Food services	-	10	100,492	13,291	70,004	74	252,588	475	19	335	5,776	94,033
Medical and pharmacy	-	801	101,838	1,439	938	318	1,026,924	2,662	3,011,095	9,009	-	87,811
Subcontracted services	-	-	280,400	56	-	-	758,329	-	-	-	-	-
Insurance	469	32,084	57,801	16,616	28,820	11,900	125,733	13,123	71,885	62,484	7,538	27,240
Interest	-	4,118	18,157	8,033	-	2,608	56,644	954	742	7,995	6,959	18,081
Operating supplies and expense	12	23,360	69,293	23,831	22,862	11,050	237,406	25,013	45,473	108,853	14,017	39,064
Depreciation and amortization	-	16,100	38,019	15,493	57,359	22,912	71,201	6,698	24,457	68,473	6,187	33,022
Donated items	-	-	-	-	-	-	-	-	-	-	-	-
Foundation events and awards	-	-	-	-	-	-	-	-	-	-	-	-
Total other direct expenses	25,716	405,558	983,255	161,172	408,146	168,049	3,294,333	107,956	3,729,978	955,687	79,337	398,584
Total direct expenses	25,826	1,579,231	2,206,626	914,423	837,813	551,939	6,434,647	478,409	5,435,843	3,047,601	253,350	1,472,371
Distributed indirect costs												
Administrative overhead	2,680	225,810	315,652	97,275	105,698	121,029	721,263	60,524	520,339	378,220	32,654	157,156
Total indirect expenses	2,680	225,810	315,652	97,275	105,698	121,029	721,263	60,524	520,339	378,220	32,654	157,156
Total operating expenses	\$ 28,506	\$ 1,805,041	\$ 2,522,278	\$ 1,011,698	\$ 943,511	\$ 672,968	\$ 7,155,910	\$ 538,933	\$ 5,956,182	\$ 3,425,821	\$ 286,004	\$ 1,629,527
Unallowable cost	\$ -	\$ 10,753	\$ -	\$ 45	\$ 354	\$ 1,306	\$ 378	\$ 2,828	\$ 1,083	\$ 5,393	\$ 1,488	\$ 172

LIFESTREAM BEHAVIORAL CENTER, INC.
PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULES
YEAR ENDED JUNE 30, 2016

	Room & Bed w/ Supervision Level 2	Room & Bed w/ Supervision Level 4	Substance Abuse Detox	CRF ARF	Supported Housing	TASC	ACT Teams	TOTAL ADM PROGRAMS	Lake Academy	Child Welfare	Jail Diversion	WIN Clinics
FUNDING SOURCES AND REVENUES:												
NET PATIENT REVENUE	\$ 960,918	\$ 14,874	\$ 320,075	\$ -	\$ 80,471	\$ 35,753	\$ -	\$ 14,885,857	\$ 337,807	\$ 40,145	\$ -	\$ 12,547
OTHER REVENUE												
Federal and State grants and contracts	2,590,854	194,015	501,678	108,001	7,478	336,566	1,899,140	12,522,542	-	-	9,326	325,451
Local government	618,503	20,000	100,000	-	-	50,000	-	2,493,787	3,835,213	350,625	558,803	75,751
Other revenue	353,846	18,835	-	-	105,443	9,249	100	5,179,677	18,000	-	461,412	54,864
Non-operating revenue	8,767	-	-	-	5,233	-	-	80,985	-	-	-	-
TOTAL OTHER REVENUE	3,571,970	232,850	601,678	108,001	118,154	395,815	1,899,240	20,276,991	3,853,213	350,625	1,029,541	456,066
TOTAL ALL FUNDING AND REVENUES	4,532,888	247,724	921,753	108,001	198,625	431,568	1,899,240	35,162,848	4,191,020	390,770	1,029,541	468,613
EXPENSE CATEGORIES												
Personnel expenses												
Salaries	1,243,078	54,983	297,168	-	52,988	175,926	966,827	12,924,209	1,719,138	248,246	349,392	284,811
Fringe benefits	438,224	19,659	71,216	-	11,506	63,824	251,686	3,243,184	460,377	57,311	77,625	59,292
Total personnel costs	1,681,302	74,642	368,384	-	64,494	239,750	1,218,513	16,167,393	2,179,515	305,557	427,017	344,103
Other expenses												
Building occupancy	322,261	29,933	70,323	1,713	56,756	30,425	71,452	1,844,713	245,382	14,179	37,316	48,788
Professional services	92,585	2,235	28,805	-	9,035	54,135	58,911	2,044,220	260,774	15,816	25,371	85,671
Travel	8,949	1,453	744	-	1,454	15,458	28,414	307,261	4,033	37,627	9,396	11,086
Equipment costs	14,098	1,427	1,003	46,822	3,476	490	34,460	129,538	606,812	2,727	2,456	3,940
Food services	502,156	29,481	29,482	-	4,979	177	596	1,103,968	3,033	49	2,490	840
Medical and pharmacy	23,879	390	15,453	-	-	1,562	846	4,284,965	2,134	3,278	18,385	11,161
Subcontracted services	-	-	82,824	-	-	-	-	1,121,609	2,175	-	-	-
Insurance	98,927	7,089	12,983	-	19,020	10,214	62,280	666,206	91,425	6,261	17,245	12,802
Interest	34,011	197	8,368	-	229	1,195	-	168,291	59,069	4,692	-	-
Operating supplies and expense	143,170	8,630	27,471	-	3,336	17,900	299,218	1,119,959	89,319	12,318	475,069	33,711
Depreciation and amortization	150,865	16,284	8,594	-	38,890	11,802	35,106	621,462	165,922	3,909	4,403	23,172
Donated items	32,512	-	-	-	19,408	-	-	51,920	-	-	-	-
Foundation events and awards	-	-	-	-	-	-	-	-	-	-	-	-
Total other direct expenses	1,423,413	97,119	286,050	48,535	156,583	143,358	591,283	13,464,112	1,530,078	100,856	592,131	231,171
Total direct expenses	3,104,715	171,761	654,434	48,535	221,077	383,108	1,809,796	29,631,505	3,709,593	406,413	1,019,148	575,274
Distributed indirect costs												
Administrative overhead	334,177	17,729	77,435	-	27,239	68,143	200,400	3,463,423	427,800	44,623	82,461	46,572
Total indirect expenses	334,177	17,729	77,435	-	27,239	68,143	200,400	3,463,423	427,800	44,623	82,461	46,572
Total operating expenses	\$ 3,438,892	\$ 189,490	\$ 731,869	\$ 48,535	\$ 248,316	\$ 451,251	\$ 2,010,196	\$ 33,094,928	\$ 4,137,393	\$ 451,036	\$ 1,101,609	\$ 621,846
Unallowable cost	\$ 19,605	\$ 12,536	\$ -	\$ 2,887	\$ 134	\$ 1,690	\$ 29	\$ 60,681	\$ -	\$ -	\$ -	\$ 445

LIFESTREAM BEHAVIORAL CENTER, INC.
PROGRAM/COST CENTER ACTUAL EXPENSES AND REVENUES SCHEDULES
YEAR ENDED JUNE 30, 2016

	HOPE Springs Apartments	TOTAL NON ADM PROGRAM	TOTAL PROGRAM SERVICES	Support Services	Administrative Services	Total LifeStream Behavioral Center	LifeStream Behavioral Center Foundation, Inc.	Lake Region Homes, Inc.	Anthony House, Inc.	2016	2015
<u>FUNDING SOURCES AND REVENUES:</u>											
NET PATIENT REVENUE	\$ -	\$ 390,499	\$ 15,276,356	\$ -	\$ -	\$ 15,276,356	\$ -	\$ -	\$ -	\$ 15,276,356	\$ 14,604,725
OTHER REVENUE											
Federal and State grants and contracts	-	334,777	12,857,319	-	-	12,857,319	-	81,885	-	12,939,204	10,853,882
Local government	-	4,820,392	7,314,179	-	88,419	7,402,598	-	-	-	7,402,598	6,903,763
Other revenue	265,057	799,333	5,979,010	3,839	(544,006)	5,438,843	201,414	29,561	700	5,670,518	4,849,062
Non-operating revenue	-	-	80,985	-	668,541	749,526	-	-	-	749,526	414,004
TOTAL OTHER REVENUE	265,057	5,954,502	26,231,493	3,839	212,954	26,448,286	201,414	111,446	700	26,761,846	23,020,711
TOTAL ALL FUNDING AND REVENUES	265,057	6,345,001	41,507,849	3,839	212,954	41,724,642	201,414	111,446	700	42,038,202	37,625,436
<u>EXPENSE CATEGORIES</u>											
Personnel expenses											
Salaries	50,534	2,652,121	15,576,330	803,745	2,900,768	19,280,843	-	-	-	19,280,843	18,555,016
Fringe benefits	9,700	664,305	3,907,489	277,810	501,598	4,686,897	-	-	-	4,686,897	4,619,826
Total personnel costs	60,234	3,316,426	19,483,819	1,081,555	3,402,366	23,967,740	-	-	-	23,967,740	23,174,842
Other expenses											
Building occupancy	53,479	399,144	2,243,857	(1,025,212)	303,611	1,522,256	-	24,736	-	1,546,992	1,480,270
Professional services	2,752	390,384	2,434,604	184	(1,255,005)	1,179,783	600	5,063	1,000	1,186,446	1,243,857
Travel	368	62,510	369,771	7,145	96,443	473,359	-	-	-	473,359	439,460
Equipment costs	69	616,004	745,542	32,902	22,803	801,247	-	-	-	801,247	731,184
Food services	80	6,492	1,110,460	(248,425)	11,350	873,385	-	-	-	873,385	808,229
Medical and pharmacy	63	35,021	4,319,986	1,407	66,787	4,388,180	-	-	-	4,388,180	3,940,383
Subcontracted services	-	2,175	1,123,784	8,800	8,427	1,141,011	-	-	-	1,141,011	590,418
Insurance	26,106	153,839	820,045	37,836	71,835	929,716	-	16,672	-	946,388	913,754
Interest	-	63,761	232,052	20,646	175,534	428,232	-	-	-	428,232	497,487
Operating supplies and expense	2,982	613,399	1,733,358	35,973	429,645	2,198,976	5,759	38,372	15	2,243,122	1,905,177
Depreciation and amortization	86,575	283,981	905,443	51,058	294,438	1,250,939	834	11,940	19,524	1,283,237	1,283,008
Donated items	-	-	51,920	-	-	51,920	-	-	-	51,920	51,920
Foundation events and awards	-	-	-	-	-	-	93,767	-	-	93,767	225,508
Total other direct expenses	172,474	2,626,710	16,090,822	(1,077,686)	225,868	15,239,004	100,960	96,783	20,539	15,457,286	14,110,655
Total direct expenses	232,708	5,943,136	35,574,641	3,869	3,628,234	39,206,744	100,960	96,783	20,539	39,425,026	37,285,497
Distributed indirect costs											
Administrative overhead	18,974	620,430	794,086	-	(794,086)	-	-	-	-	-	-
Total indirect expenses	18,974	620,430	794,086	-	(794,086)	-	-	-	-	-	-
Total operating expenses	\$ 251,682	\$ 6,563,566	\$ 36,368,727	\$ 3,869	\$ 2,834,148	\$ 39,206,744	\$ 100,960	\$ 96,783	\$ 20,539	\$ 39,425,026	\$ 37,285,497
Unallowable cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,402

LIFESTREAM BEHAVIORAL CENTER, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES - HOSPITAL ONLY AND ALL OTHER COST CENTERS
YEAR ENDED JUNE 30, 2016

	Hospital Cost Centers				Total Hospital Only	All Other Cost Centers	Consolidated Totals
	Inpatient	Crisis Stabilization	Detoxification	Emergency Services			
Public support	\$ 2,300,324	\$ 1,355,947	\$ 601,678	\$ 1,438,470	\$ 5,696,419	\$ 20,751,866	\$ 26,448,285
Revenue:							
Gross patient revenue	14,400,162	6,552,249	2,233,330	159,662	23,345,403	33,763,563	57,108,966
Contractual allowance and bad debts	(9,498,064)	(4,786,909)	(1,913,255)	(95,735)	(16,293,963)	(25,538,647)	(41,832,610)
Net patient revenue	4,902,098	1,765,340	320,075	63,927	7,051,440	8,224,916	15,276,356
Total public support and revenue	7,202,422	3,121,287	921,753	1,502,397	12,747,859	28,976,782	41,724,641
Personnel expenses:							
Salaries	2,549,296	987,586	297,168	597,408	4,431,458	14,849,385	19,280,843
Fringe benefits	591,018	235,785	71,216	155,843	1,053,862	3,633,033	4,686,895
Total personnel costs	3,140,314	1,223,371	368,384	753,251	5,485,320	18,482,418	23,967,738
Other direct expenses:							
Building occupancy	438,010	235,598	70,323	55,439	799,370	722,887	1,522,257
Professional services	318,012	77,313	28,805	23,827	447,957	731,824	1,179,781
Travel	6,064	2,474	744	2,000	11,282	462,076	473,358
Equipment costs	3,422	1,870	1,003	1,147	7,442	793,804	801,246
Food services	252,588	100,492	29,482	13,291	395,853	477,533	873,386
Medical and pharmacy	1,026,924	101,838	15,453	1,439	1,145,654	3,242,527	4,388,181
Subcontracted services	758,329	280,400	82,824	56	1,121,609	19,402	1,141,011
Insurance	125,733	57,801	12,983	16,616	213,133	716,582	929,715
Interest	56,644	18,157	8,368	8,033	91,202	337,030	428,232
Operating supplies and expense	237,404	69,293	27,471	23,830	357,998	1,840,977	2,198,975
Depreciation	71,201	38,019	8,594	15,493	133,307	1,117,635	1,250,942
Donated items	-	-	-	-	-	51,920	51,920
Total other direct expenses	3,294,331	983,255	286,050	161,171	4,724,807	10,514,197	15,239,004
Total direct expenses	6,434,645	2,206,626	654,434	914,422	10,210,127	28,996,615	39,206,742
Indirect expenses:							
Center administration	721,264	315,651	77,435	97,275	1,211,625	(1,211,625)	-
Total indirect expenses	721,264	315,651	77,435	97,275	1,211,625	(1,211,625)	-
Total expenses	7,155,909	2,522,277	731,869	1,011,697	11,421,752	27,784,990	39,206,742
Changes in unrestricted net assets	\$ 46,513	\$ 599,010	\$ 189,884	\$ 490,700	\$ 1,326,107	\$ 1,191,792	\$ 2,517,899

LIFESTREAM BEHAVIORAL CENTER, INC.
CONSOLIDATED SCHEDULE OF STATE EARNINGS FOR ALCOHOL, DRUG ABUSE AND MENTAL
HEALTH SERVICES
YEAR ENDED JUNE 30, 2016

1	Total SAMH expenditures	\$ 35,223,661
2	Less other state and federal funds	(3,130,616)
3	Less non-match SAMH funds	(4,715,201)
4a	Less unallowable costs per 65E-14, F.A.C.	(62,044)
4b	Less unallowable patient fees	<u>(893,678)</u>
5	Total allowable expenditures (sum of lines 1, 2, 3 and 4)	<u>\$ 26,422,122</u>
6	Maximum available earnings (line 5 multiplied by 75%)	\$ 19,816,592
7	Amount of state funds required match (total of invoices paid by department, less line 3)	<u>4,936,041</u>
8	Excess of available earnings over amount of state funds received (subtract line 7 from line 6. If negative, the amount of the difference is due to the state up to the amount on line 7.)	<u>\$ 14,880,551</u>
	Amount due department	\$ - 0 -

LIFESTREAM BEHAVIORAL CENTER, INC.
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
YEAR ENDING JUNE 30, 2016

Program	Cost Center	State Contracted Rate	Units of Service	Services Paid by Other Sources	Units Eligible for Payment	Amount Paid By DCF	Value of Eligible Units	Amount Owed to DCF
Children's MH	CSU	\$ 342.05	3,650	850	2,800	\$ 286,372	\$ 957,740	\$ -
Adult MH	CSU	\$ 342.05	5,840	2,994	2,846	\$ 813,830	\$ 973,474	\$ -
Adult SA	Detox	\$ 307.94	2,190	360	1,830	\$ 411,678	\$ 563,530	\$ -

LIFESTREAM BEHAVIORAL CENTER, INC.
SCHEDULE OF RELATED PARTY TRANSACTION ADJUSTMENTS
FOR YEAR ENDING JUNE 30, 2016

NONE

This schedule was prepared in accordance with 65E-14.016 Florida Administrative code labeled Transactions Resulting in Additional Cost to the Program.

OTHER REPORTS AND SCHEDULES

LIFESTREAM BEHAVIORAL CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

Federal / State Agency, Pass-through Entity Federal Programs / State Project	CFDA / CSFA Number	Contract Grant Number	Reimbursable Expenditure
United States Department of HUD			
Supportive Housing Program	14.235	FL0082L4H071302	\$ 66,946
Continuum of Care Program	14.267	FL0399L4H201414	59,203
Community Development Block Grant	14.218	N/A	<u>18,279</u>
Total United States Department of HUD			144,428
United States Department of Health and Human Services			
Passed through the State of Florida Department of Children and Families			
Temporary assistance to needy families	93.558	LS028	135,601
Temporary assistance to needy families	93.558	C1516-FBT-LS004	6,579
Temporary assistance to needy families	93.558	C1516-FBT-LS004	<u>149,318</u>
			291,498
Child Welfare Services Program	93.645	C1516-FBT-LS004	8,620
Child Welfare Services Program	93.645	C1516-FBT-LS004	<u>2,873</u>
			11,493
Foster care - Title IV-E	93.658	C1516-FBT-LS004	96,300
Foster care - Title IV-E	93.658	R2015-TGC-D004	11,705
Foster care - Title IV-E	93.658	R2015-TGC-D004	<u>22,196</u>
			130,201
Social Services Block Grant	93.667	R2015-TGC-D004	14,534
Child Abuse and Neglect State Grants	93.669	C1516-FBT-LS004	6,911
Medical Assistance Program	93.778	LS028	253,662
Block Grants for Community Mental Health Services	93.958	LS028	596,944
Block Grants for Community Mental Health Services	93.958	LS028	4,591,075
Block Grants for Community Mental Health Services	93.958	LH277	1,560,596
Block Grants for Community Mental Health Services	93.958	C1516-RAP-M004	<u>72,500</u>
			6,821,115
Block Grants for Prevention and Treatment of Substance Abuse	93.959	LS028	1,878,937
Block Grants for Prevention and Treatment of Substance Abuse	93.959	LS028	1,741,025
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	97,089
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	94,051
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>186,479</u>
			3,997,581
Total United States Department of Health and Human Services			11,526,995
United States Department of Agriculture			
Passed through the State of Florida Department of Elder Affairs			
Adult day care food program	10.555	Y6019	17,948
Adult day care food program	10.558	Y6019	<u>17,948</u>
Total United States Department of Agriculture			<u>35,896</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 11,707,319</u></u>

LIFESTREAM BEHAVIORAL CENTER, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2016

Federal / State Agency, Pass-through Entity Federal Programs / State Project	CFDA / CSFA Number	Contract Grant Number	Reimbursable Expenditure
State of Florida Department of Children and Families			
Community Action Team	60.150	PH5C3	\$ 750,000
Lutheran Services Crisis Stabilization Unit	60.155	LS028	454,000
Lutheran Services Community Forensic Beds	60.114	LS028	<u>43,175</u>
Total State of Florida Department of Children and Families			1,247,175
State Courts System			
Florida Alcohol & Drug Abuse Association - Naltrexone	22.022	N/A	<u>247,700</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 1,494,875</u></u>

LIFESTREAM BEHAVIORAL CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

A. Basis of Accounting

Federal and State assisted programs administered by LifeStream Behavioral Center, Inc. and Subsidiaries (the Center) are accounted for within the Center's operating funds. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance has been prepared on the same basis of accrual accounting as the financial statements of the Center.

B. Indirect Cost Rate

LifeStream Behavioral Center, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S 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
LifeStream Behavioral Center, Inc.
Leesburg, 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 LifeStream Behavioral Center, Inc. (a nonprofit organization) and Subsidiaries (the Center) which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LifeStream Behavioral Center, Inc.'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 LifeStream Behavioral Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of LifeStream Behavioral Center, Inc.'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.

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 LifeStream Behavioral Center, Inc.'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 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 any other purpose.

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Mount Dora, Florida
October 26, 2016

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE AND CHAPTER 10.650 OF THE AUDITOR GENERAL

Board of Directors
LifeStream Behavioral Center, Inc.
Leesburg, Florida

Report on Compliance for Each Major Federal Program

We have audited LifeStream Behavioral Center, Inc.'s compliance with the types of compliance requirements described in the *OMB 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 LifeStream Behavioral Center, Inc.'s major federal programs and state projects for the year ended June 30, 2016. LifeStream Behavioral Center, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LifeStream Behavioral Center, Inc.'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *Chapter 10.650, Rules of the Auditor General*. Those standards, Uniform Guidance, 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 LifeStream Behavioral Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of LifeStream Behavioral Center, Inc.'s compliance.

Opinion on Each Major Program

In our opinion, LifeStream Behavioral Center, Inc. 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 project for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of LifeStream Behavioral Center, Inc. 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 LifeStream Behavioral Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or 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 or state project and to test and report on internal control over compliance in accordance with the Uniform Guidance 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 LifeStream Behavioral Center, Inc.'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. 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 the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Silvano + Burrows, PA". The signature is stylized and includes a checkmark-like flourish at the end.

Mount Dora, Florida
October 26, 2016

LIFESTREAM BEHAVIORAL CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2016

I. Summary of Audit Results

1. The auditor’s report expresses an unmodified opinion on the financial statements of LifeStream Behavioral Center, Inc.
2. A. Material weaknesses identified? – No
 B. Significant deficiencies identified not considered to be material weaknesses? – None reported.
3. No instances of noncompliance material to the financial statements of LifeStream Behavioral Center, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A. Material weaknesses identified? – No
 B. Significant deficiencies identified not considered to be material weaknesses? – None reported
5. The auditor’s report on compliance for the major federal program and state project for LifeStream Behavioral Center, Inc., expresses an unmodified opinion.
6. There are no audit findings relative to the major federal programs or state projects for LifeStream Behavioral Center, Inc.
7. Major federal programs and state projects identified on the Schedule of Expenditures of Federal Awards and State Financial Assistance are as follows:

<u>Programs</u>	<u>CFDA No.</u>	<u>CSFA No.</u>
Block Grants for Community Mental Health	93.958	
Block Grants for Prevention and Treatment	93.959	
Crisis Prevention and Stabilization Services		60.155
Community Action Teams		60.150
Florida Alcohol and Drug Abuse		22.022

8. The threshold for distinguishing Types A and B program/project was \$750,000 for major federal programs and \$300,000 for major state programs.
9. LifeStream Behavioral Center, Inc. qualified as a low-risk auditee under the provisions of the Uniform Guidance.

LIFESTREAM BEHAVIORAL CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

II. Financial Statement Findings

There were no findings or questioned costs relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Findings and Questioned Costs – Major Federal Programs

There were no findings or questioned costs relating to the major Federal programs which are required to be reported in accordance with OMB Compliance Supplement.

IV. Findings and Questioned Costs – Major State Projects

There were no findings or questioned costs relating to the major state projects which are required to be reported in accordance with Chapter 10.650, Rules of the Auditor General. There were no audit findings in the prior year.

**MANAGEMENT LETTER –
LIFESTREAM BEHAVIORAL CENTER, INC. AND SUBSIDIARIES**

Board of Directors
LifeStream Behavioral Center, Inc. and Subsidiaries
Leesburg, Florida

Report on the Financial Statements

We have audited the financial statements of the LifeStream Behavioral Center, Inc. and Subsidiaries (the Center), as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated October 26, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance in accordance with Uniform Guidance, and Chapter 10.650 Rules of the Florida Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 26, 2016, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Silvano + Burroughs, PA". The signature is stylized and cursive.

October 26, 2016