

**DAVID LAWRENCE MENTAL
HEALTH CENTER, INC.**

**FINANCIAL STATEMENTS AND SCHEDULES
REQUIRED BY THE UNIFORM
GUIDANCE TOGETHER WITH
REPORTS OF INDEPENDENT AUDITOR**

**YEARS ENDED
JUNE 30, 2017 AND 2016**

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report.....	1-3
<u>Financial Statements</u>	
Statements of Financial Position.....	4
Statements of Activities.....	5-6
Statements of Functional Expenses.....	7-8
Statements of Cash Flows.....	9-10
Notes to the Financial Statements.....	11-24
<u>Supplementary Information</u>	
Schedule of Revenues by Cost Center.....	25-26
Schedule of Expenses by Cost Center.....	27-29
Schedule of State Earnings.....	30
Schedule of Bed-Day Availability Payments (Unaudited).....	31
Schedule of Related Party Transaction Adjustments (Unaudited).....	32-33
<u>Additional Reports of Independent Auditor</u>	
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	34-35
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.....	36
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 <i>Government Auditing Standards</i>	37-38
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, the Florida Single Audit Act (Florida Statute 215.97) and Chapter 10.650 of the Rules of the Auditor General of the State of Florida.....	39-41
Schedule of Findings and Questioned Costs-Federal Awards and State Financial Assistance.....	42-43
Independent Auditor's Report to Management.....	44-45



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Independent Auditor's Report

Board of Directors
David Lawrence Mental Health Center, Inc.
Naples, Florida

We have audited the accompanying financial statements of David Lawrence Mental Health Center, Inc. (the "Center", a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Center's internal control. Accordingly, we express no such opinion. An audit also includes

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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 David Lawrence Mental Health Center, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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*, the Florida Single Audit Act (Florida Statute 215.97) and Chapter 10.650 of the Rules of the Auditor General of the State of Florida, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Revenues by Cost Center, Schedule of Expenses by Cost Center, Schedule of State Earnings, and Schedule of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounts 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.

The Schedule of Bed-Day Availability Payments and Schedule of Related Party Transaction Adjustments are the responsibility of management, are presented for the purpose of additional analysis, and have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, on our consideration of David Lawrence Mental Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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 David Lawrence Mental Health Center, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Stroemer & Company, LLC". The signature is stylized and cursive, with a large initial "S" and "C".

STROEMER & COMPANY, LLC
Fort Myers, Florida
October 18, 2017

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (including restricted cash of \$0 and \$96,036 at June 30, 2017 and 2016, respectively)	\$ 816,884	\$ 1,663,634
Contracts receivable	783,872	750,481
Promises to give	502,325	165,000
Client fees receivable, net	1,018,016	1,148,376
Contracts and other receivables	933,120	894,602
Prepaid expenses	456,206	470,686
TOTAL CURRENT ASSETS	<u>4,510,423</u>	<u>5,092,779</u>
INTEREST IN NET ASSETS OF THE DAVID LAWRENCE FOUNDATION FOR MENTAL HEALTH, INC.	8,638,515	7,406,828
PROMISES TO GIVE, NONCURRENT	504,000	-
PROPERTY AND EQUIPMENT, NET	9,028,891	8,967,940
DEFERRED COMPENSATION ASSETS	537,655	630,722
OTHER ASSETS	120,515	147,955
TOTAL ASSETS	<u>\$ 23,339,999</u>	<u>\$22,246,224</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Current portion of capital lease	\$ 14,669	\$ 21,239
Current portion of long-term debt	114,481	111,272
Accounts payable	343,317	371,812
Accrued liabilities	546,906	483,123
TOTAL CURRENT LIABILITIES	<u>1,019,373</u>	<u>987,446</u>
CAPITAL LEASE, LONG-TERM	6,940	18,329
DEFERRED COMPENSATION LIABILITIES	537,655	630,722
LONG-TERM DEBT	154,820	416,462
TOTAL LIABILITIES	<u>1,718,788</u>	<u>2,052,959</u>
NET ASSETS		
Unrestricted	15,948,442	15,410,030
Temporarily restricted	3,044,737	2,155,203
Permanently restricted	2,628,032	2,628,032
TOTAL NET ASSETS	<u>21,621,211</u>	<u>20,193,265</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,339,999</u>	<u>\$22,246,224</u>

The accompanying notes are an integral part of this statement.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS				
SUPPORT AND REVENUE				
Client fee revenue	\$14,490,170	\$ -	\$ -	\$14,490,170
Federal and state grants	8,499,174	-	-	8,499,174
Contributions	1,400,995	1,011,325	-	2,412,320
Local government allocations	1,583,250	-	-	1,583,250
Other grants	813,848	-	-	813,848
Other revenue	224,886	-	-	224,886
Contracted services	13,311	-	-	13,311
Gain on disposal of assets	61	-	-	61
	<u>27,025,695</u>	<u>1,011,325</u>	<u>-</u>	<u>28,037,020</u>
Net assets reclassified	<u>121,791</u>	<u>(121,791)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>27,147,486</u>	<u>889,534</u>	<u>-</u>	<u>28,037,020</u>
EXPENSES				
Program services	23,770,645	-	-	23,770,645
Supporting services	4,070,116	-	-	4,070,116
TOTAL EXPENSES	<u>27,840,761</u>	<u>-</u>	<u>-</u>	<u>27,840,761</u>
CHANGE IN NET ASSETS OF DAVID LAWRENCE MENTAL HEALTH CENTER, INC.	<u>(693,275)</u>	<u>889,534</u>	<u>-</u>	<u>196,259</u>
CHANGE IN INTEREST IN NET ASSETS OF THE DAVID LAWRENCE FOUNDATION FOR MENTAL HEALTH, INC.	<u>1,231,687</u>	<u>-</u>	<u>-</u>	<u>1,231,687</u>
NET ASSETS, BEGINNING OF YEAR	<u>15,410,030</u>	<u>2,155,203</u>	<u>2,628,032</u>	<u>20,193,265</u>
NET ASSETS, END OF YEAR	<u>\$15,948,442</u>	<u>\$3,044,737</u>	<u>\$2,628,032</u>	<u>\$21,621,211</u>

The accompanying notes are an integral part of this statement.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS				
SUPPORT AND REVENUE				
Client fee revenue	\$15,171,930	\$ -	\$ -	\$ 15,171,930
Federal and state grants	8,402,443	-	-	8,402,443
Contributions	1,417,423	91,036	-	1,508,459
Local government allocations	1,038,600	-	-	1,038,600
Other grants	769,055	-	-	769,055
Gain on disposal of assets	431,290	-	-	431,290
Other revenue	332,594	-	-	332,594
Child's path fees	284,333	-	-	284,333
Contracted services	66,773	-	-	66,773
	<u>27,914,441</u>	<u>91,036</u>	<u>-</u>	<u>28,005,477</u>
Net assets reclassified	547,019	(547,019)	-	-
TOTAL SUPPORT AND REVENUE	<u>28,461,460</u>	<u>(455,983)</u>	<u>-</u>	<u>28,005,477</u>
EXPENSES				
Program services	23,924,547	-	-	23,924,547
Supporting services	3,847,324	-	-	3,847,324
TOTAL EXPENSES	<u>27,771,871</u>	<u>-</u>	<u>-</u>	<u>27,771,871</u>
CHANGE IN NET ASSETS OF DAVID LAWRENCE MENTAL HEALTH CENTER, INC.	689,589	(455,983)	-	233,606
CHANGE IN INTEREST IN NET ASSETS OF THE DAVID LAWRENCE FOUNDATION FOR MENTAL HEALTH, INC.	(528,095)	-	-	(528,095)
NET ASSETS, BEGINNING OF YEAR	<u>15,248,536</u>	<u>2,611,186</u>	<u>2,628,032</u>	<u>20,487,754</u>
NET ASSETS, END OF YEAR	<u>\$15,410,030</u>	<u>\$2,155,203</u>	<u>\$2,628,032</u>	<u>\$ 20,193,265</u>

The accompanying notes are an integral part of this statement.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2017

	Program Services			Supporting Services			
	Mental Health and Substance Abuse	Other Services	Total Program	Administration and Other Support	Fundraising	Total Supporting	Total
PERSONNEL EXPENSES							
Salaries	\$ 9,884,498	\$ 1,321,311	\$ 11,205,809	\$ 1,907,940	\$ 232,206	\$ 2,140,146	\$ 13,345,955
Fringe benefits	1,889,809	241,890	2,131,699	368,906	40,445	409,351	2,541,050
Total personnel expenses	<u>11,774,307</u>	<u>1,563,201</u>	<u>13,337,508</u>	<u>2,276,846</u>	<u>272,651</u>	<u>2,549,497</u>	<u>15,887,005</u>
OPERATING EXPENSES							
Bad debts	6,528,915	40,399	6,569,314	-	70	70	6,569,384
Building	1,191,649	118,252	1,309,901	165,189	12,378	177,567	1,487,468
Office expense and other	319,264	42,962	362,226	544,787	322,107	866,894	1,229,120
Professional fees	241,246	23,245	264,491	150,239	168,959	319,198	583,689
Food service	500,685	9,374	510,059	8,097	22,187	30,284	540,343
Insurance	296,258	33,820	330,078	50,035	6,914	56,949	387,027
Medicine/pharmacy	349,643	11,942	361,585	-	-	-	361,585
Equipment and software costs	372,590	4,699	377,289	5,712	15,735	21,447	398,736
Travel	122,858	57,043	179,901	27,748	5,941	33,689	213,590
Incidentals	68,005	95,664	163,669	(20,752)	20,752	-	163,669
Interest	4,624	-	4,624	14,521	-	14,521	19,145
Total operating expenses	<u>9,995,737</u>	<u>437,400</u>	<u>10,433,137</u>	<u>945,576</u>	<u>575,043</u>	<u>1,520,619</u>	<u>11,953,756</u>
Total direct expenses	<u>21,770,044</u>	<u>2,000,601</u>	<u>23,770,645</u>	<u>3,222,422</u>	<u>847,694</u>	<u>4,070,116</u>	<u>27,840,761</u>
ALLOCATED EXPENSES							
Administration	948,412	126,215	1,074,627	(1,074,627)	-	(1,074,627)	-
Other support	2,643,670	351,819	2,995,489	(2,147,795)	(847,694)	(2,995,489)	-
Total allocated expenses	<u>3,592,082</u>	<u>478,034</u>	<u>4,070,116</u>	<u>(3,222,422)</u>	<u>(847,694)</u>	<u>(4,070,116)</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 25,362,126</u>	<u>\$ 2,478,635</u>	<u>\$ 27,840,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,840,761</u>

The accompanying notes are an integral part of this statement.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2016

	Program Services			Supporting Services			Total
	Mental Health and Substance Abuse	Other Services	Total Program	Administration and Other Support	Fundraising	Total Supporting	
PERSONNEL EXPENSES							
Salaries	\$ 9,672,353	\$ 1,126,534	\$ 10,798,887	\$ 2,253,950	\$ -	\$ 2,253,950	\$ 13,052,837
Fringe benefits	1,973,107	218,376	2,191,483	504,036	-	504,036	2,695,519
Total personnel expenses	<u>11,645,460</u>	<u>1,344,910</u>	<u>12,990,370</u>	<u>2,757,986</u>	<u>-</u>	<u>2,757,986</u>	<u>15,748,356</u>
OPERATING EXPENSES							
Bad debts	7,042,179	15,227	7,057,406	-	-	-	7,057,406
Building	1,181,781	116,449	1,298,230	240,744	-	240,744	1,538,974
Office expense and other	402,824	44,122	446,946	511,675	-	511,675	958,621
Professional fees	251,300	142,130	393,430	197,640	-	197,640	591,070
Food service	493,483	6,517	500,000	29,625	-	29,625	529,625
Insurance	293,868	38,540	332,408	52,344	-	52,344	384,752
Medicine/pharmacy	324,763	4,752	329,515	912	-	912	330,427
Equipment and software costs	313,769	716	314,485	4,683	-	4,683	319,168
Travel	117,112	52,695	169,807	26,816	-	26,816	196,623
Incidentals	45,602	42,328	87,930	-	-	-	87,930
Interest	4,020	-	4,020	24,899	-	24,899	28,919
Total operating expenses	<u>10,470,701</u>	<u>463,476</u>	<u>10,934,177</u>	<u>1,089,338</u>	<u>-</u>	<u>1,089,338</u>	<u>12,023,515</u>
Total direct expenses	<u>22,116,161</u>	<u>1,808,386</u>	<u>23,924,547</u>	<u>3,847,324</u>	<u>-</u>	<u>3,847,324</u>	<u>27,771,871</u>
ALLOCATED EXPENSES							
Administration	2,099,207	331,203	2,430,410	(2,430,410)	-	(2,430,410)	-
Other support	1,223,825	193,089	1,416,914	(1,416,914)	-	(1,416,914)	-
Total allocated expenses	<u>3,323,032</u>	<u>524,292</u>	<u>3,847,324</u>	<u>(3,847,324)</u>	<u>-</u>	<u>(3,847,324)</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 25,439,193</u>	<u>\$ 2,332,678</u>	<u>\$ 27,771,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,771,871</u>

The accompanying notes are an integral part of this statement.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contracts, client fees and donations	\$ 27,253,441	\$ 27,341,294
Cash paid for program and supporting services	(26,884,575)	(26,703,507)
Cash received for interest	28,083	28,048
Cash paid for interest	<u>(19,145)</u>	<u>(28,919)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	377,804	636,916
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(948,162)	(488,824)
Proceeds from the sale of property and equipment	<u>-</u>	<u>612,413</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(948,162)	123,589
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(17,959)	(13,023)
Payments on long-term debt	<u>(258,433)</u>	<u>(98,149)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(276,392)</u>	<u>(111,172)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(846,750)	649,333
Cash and cash equivalents, beginning of year	<u>1,663,634</u>	<u>1,014,301</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 816,884</u>	<u>\$ 1,663,634</u>
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing transactions:		
Capital lease financing	<u>\$ -</u>	<u>\$ 52,591</u>

The accompanying notes are an integral part of this statement.

DAVID LAWRENCE MENTAL HEALTH CENTER, INC.
STATEMENTS OF CASH FLOWS, CONTINUED
Years ended June 30, 2017 and 2016

**RECONCILIATION OF CHANGE IN NET
ASSETS TO NET CASH PROVIDED BY
OPERATING ACTIVITIES**

	<u>2017</u>	<u>2016</u>
Change in net assets	\$ 1,427,946	\$ (294,489)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	887,212	930,367
(Gain) loss on disposal of property and equipment	-	(431,290)
Change in interest in net assets of The David Lawrence Foundation for Mental Health, Inc.	(1,231,687)	528,095
(Increase)/decrease in assets:		
Grant receivables	(33,392)	52,358
Promises to give	(841,325)	452,737
Accounts receivable, net	130,360	(163,776)
Contracts and other receivables	(38,518)	(447,209)
Prepaid expenses	14,480	(113,943)
Other assets	27,440	(98,955)
Increase/(decrease) in liabilities:		
Accounts payable	(28,495)	270,146
Accrued liabilities	<u>63,783</u>	<u>(47,125)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 377,804</u>	<u>\$ 636,916</u>

The accompanying notes are an integral part of this statement.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission and nature of organization

David Lawrence Mental Health Center, Inc. (the "Center"), was established under the laws of Florida on April 13, 1982, as a non-profit Organization, but was originally established as the Collier County Mental Health Clinic in 1968. The mission of the Center is to restore and rebuild lives by providing compassionate, advanced, and exceptional mental health, substance abuse, and integrated healthcare solutions, available to all. The Center provides inpatient, outpatient, residential and community based prevention and treatment services to children and adults who experience mental health and substance abuse challenges. The Center consists of a main campus, located in Naples, Florida and satellite locations in Naples and Immokalee, Florida. The Center's support comes from federal and state grants as well as county support, client fees and donations.

Basis of accounting

The accompanying 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 accounting and reporting policies of the Center are in accordance with the accounting standards issued by the Financial Accounting Standards Board ("FASB") in the Accounting Standards Codification ("ASC").

Financial statement presentation

The Center adheres to the requirements of the "Not-For-Profit Entities" topic of the FASB ASC. The topic requires the Center to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

The Center accounts for its contributions in accordance with the "Not-For-Profit Entities" topic of the FASB ASC. In accordance with this topic, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Statement of cash flows

For purposes of reporting cash flows, the Center considers only highly liquid investments held for operations and purchased with an original maturity of three months or less to be cash equivalents. It does not consider highly liquid cash equivalents held for investment (non-operating) purposes in reporting cash flows.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Concentrations

The Center receives a substantial portion of its support and revenue primarily from federal, state and local grants. If a significant reduction in the level of funding were to occur, it could have an adverse effect on the Center's programs.

Recognition of donor restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, or when the purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets or decreases of liabilities depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management uses past collection experience and an analysis of specific promises made to determine if any amounts are uncollectible. Once determined, management provides an estimate for an allowance for doubtful accounts. Promises to give that are expected to be collected within one year of the balance sheet date are classified as current assets, whereas, promises to give that are expected to be collected more than one year beyond the balance sheet date are classified as long-term assets.

Contracts, client fees and other receivables

Accounts, grants, contracts and other receivables are stated at the amounts that management expects to be collected from clients, grantor agencies, and other providers. Management assesses the current status of the receivables and determines if any amounts are uncollectible. Once determined, management provides an estimate for an allowance for doubtful accounts.

Concentration of credit risk

The Center maintains its cash accounts in a financial institution, which, at times, may exceed federally-insured limits. The Center has not experienced any economic losses on such accounts and believes it is not exposed to any significant credit risk regarding its cash and cash equivalent balances.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Property and equipment

Property and equipment is recorded at cost, or if donated, at fair market value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss from disposition is reported on the statement of activities. The Center's capitalization policy provides that any additions and capital improvements with a cost or donated value of \$5,000 or more and computers with a cost or donated value of \$500 or more and a useful life of greater than one year to be capitalized.

Impairment of long-lived assets

The Center adheres to the "Property, Plant and Equipment" topic of the FASB ASC to account for the impairment of long-lived assets. This topic requires, among other things, that entities identify events or changes in circumstances which indicate that the carrying amount of an asset may not be recoverable.

There was no effect on the Center's financial statements resulting from this topic for the years ended June 30, 2017 or 2016.

Functional expenses

The Center allocates its expenses on a functional basis among its various program and supporting services. Expenses that can be identified with a specific program service are allocated directly according to their natural expenditure classification. Other expenses common to several functions are allocated by various statistical bases.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Fair value of financial instruments

The FASB ASC topic "Financial Instruments" clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

The Center's financial instruments consist of cash and cash equivalents, receivables, promises to give, payables, and accrued liabilities. The Center estimates that the fair values of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

Income taxes

The Internal Revenue Services has determined that the Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center is a not-for-profit Florida corporation and therefore is not subject to state income taxes. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Center reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

The Center's tax filings are subject to audit by various taxing authorities. Certain income tax returns filed by the Agency remain open to examination by these government agencies. The Center follows ASC Topic 740, "Income Taxes" in accounting for uncertain tax positions. The Center has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that the Center has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

Management estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 financial statements and the reported

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Management estimates, continued

amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Donated goods and services

The Center has established an objective basis to measure the value of such goods and services. The type of donated items include, volunteer time, equipment, and supplies. Donated goods and services are recorded at the estimated fair value at the date of receipt. If stock or other securities are donated, the Center's policy, upon receipt, is to liquidate and move the funds into operations. During the years ended June 30, 2017 and 2016, the Center has not recognized donated goods or services.

Reclassifications

Certain amounts have been reclassified in the 2016 financial statements to conform with the presentation in the current year financial statements.

NOTE B - CONTRACTS RECEIVABLE

Contracts receivable consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
U.S. Department of Health and Human Services/ State of Florida Department of Children and Families	<u>\$ 783,872</u>	<u>\$ 750,481</u>

Management has not made an allowance for doubtful accounts on contracts receivable since these amounts represent requests for reimbursement and full payment is expected.

NOTE C - PROMISES TO GIVE

Promises to give consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Pledges:		
Receivable in one year	<u>\$ 502,325</u>	<u>\$ 165,000</u>
Receivable in more than one year	<u>\$ 504,000</u>	<u>\$ -</u>

NOTE D - CLIENT FEES RECEIVABLE, NET

Client fees receivable, net consists of the following at June 30, 2017 and 2016:

	2017	2016
Client and insurance related receivables	\$ 9,453,125	\$ 6,879,999
Contracted services related receivables	-	2,737
Total client fees receivable	9,453,125	6,882,736
Less: allowance for doubtful accounts	(8,435,109)	(5,734,360)
	<u>\$ 1,018,016</u>	<u>\$ 1,148,376</u>

Client fees receivable represents amounts management believes it will collect from clients and third party insurance providers. Management has made an allowance for doubtful accounts on client fees receivable that are deemed uncollectible.

NOTE E - INTEREST IN NET ASSETS OF THE DAVID LAWRENCE FOUNDATION FOR MENTAL HEALTH, INC.

The Center has recorded its interest in the net assets of The David Lawrence Foundation for Mental Health, Inc. (the "Foundation") in an amount equal to 100% of the net assets of the Foundation as reported in the audited financial statements of the Foundation as of June 30, 2017 and 2016, respectively.

The Foundation's purpose is to support the Center through fundraising. Since its inception, the Foundation has raised millions of dollars for the benefit of the Center for operational support and facility expansion.

The Center received \$0 and \$1,179,778 during the years ended June 30, 2017 and 2016, respectively, as cash donations from the Foundation. At June 30, 2017 and 2016, these cash donations, from the Foundation, are recorded in the Center's financial statements as contributions to the Center.

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at June 30, 2017 and 2016:

	2017	2016
Building and improvements	\$ 14,655,833	\$ 13,676,927
Furniture and equipment	2,714,843	2,701,311
Land	397,034	397,034

NOTE F - PROPERTY AND EQUIPMENT, NET, CONTINUED

	<u>2017</u>	<u>2016</u>
Vehicles	391,499	377,535
Construction in progress	194,417	351,534
Equipment under capital lease	<u>52,591</u>	<u>52,591</u>
Total property and equipment	18,406,217	17,556,932
Less: accumulated depreciation	<u>(9,377,326)</u>	<u>(8,588,992)</u>
	<u>\$ 9,028,891</u>	<u>\$ 8,967,940</u>

Accumulated depreciation for equipment under capital lease for the years ended June 30, 2017 and 2016 was \$11,687 and \$3,506, respectively.

Depreciation expense for the years ended June 30, 2017 and 2016 was \$887,212 and \$930,367, respectively.

NOTE G - OTHER ASSETS

Other assets consists of \$120,515 and \$147,955 as of June 30, 2017 and 2016, respectively, and represents deposits held with third party insurance networks, deposits for self insurance claims, and deposits held with staffing agencies.

NOTE H - ACCRUED LIABILITIES

Accrued liabilities consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Salaries and wages	\$ 502,966	\$ 331,968
Payroll taxes	43,378	129,748
Other	<u>562</u>	<u>21,407</u>
	<u>\$ 546,906</u>	<u>\$ 483,123</u>

NOTE I - CAPITAL LEASE

Capital lease consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Capital lease payable to a finance company, collateralized by telephone equipment, monthly interest and principal payments of \$1,770 with interest at 13.20%. Final payment due October, 2018.	\$ 21,609	\$ 39,568
Less: current portion of capital lease	<u>(14,669)</u>	<u>(21,239)</u>
Long-term portion of capital lease	<u>\$ 6,940</u>	<u>\$ 18,329</u>

The future minimum capital lease payments under this lease is as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2018	\$ 21,239
2019	<u>7,080</u>
Total minimum lease payments	28,319
Less: amount representing interest	<u>(6,710)</u>
Present value of minimum lease payments	<u>\$ 21,609</u>

NOTE J - LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Note payable to a financial institution, collateralized by equipment, inventory and receivables, monthly interest and principal payments of \$10,331 with interest at 4.37%. Final payment due April, 2021.	\$ 269,301	\$ 527,734
Less: current portion of long-term debt	<u>(114,481)</u>	<u>(111,272)</u>
Long-term debt	<u>\$ 154,820</u>	<u>\$ 416,462</u>

NOTE J - LONG-TERM DEBT, CONTINUED

Total annual principal payments for outstanding long-term debt are as follows:

Year Ending June 30,	Amount
2018	\$ 114,481
2019	119,585
2020	35,235
Total principal payments	<u>\$ 269,301</u>

Interest expense on long-term debt was \$19,145 and \$28,919 for the years ended June 30, 2017 and 2016, respectively.

The Center is in compliance or has obtained a waiver for all covenants associated with the note payable as of June 30, 2017 and 2016, respectively.

NOTE K - LINE OF CREDIT

The Center has entered in line of credit agreement with a financial institution for \$1,000,000, collateralized by all assets. The line carries an interest rate of one month LIBOR, plus 2.05% and is payable monthly. The interest rate at June 30, 2017 and 2016 was 3.22% and 2.52%, respectively. The line of credit matures on March 11, 2018. The outstanding balance on the line of credit as of June 30, 2017 and 2016 was \$0.

NOTE L - NET ASSETS

Net assets consists of the following at June 30, 2017 and 2016:

<u>Unrestricted</u>	<u>2017</u>	<u>2016</u>
David Lawrence Mental Health Center, Inc.	\$ 11,971,371	\$ 12,525,401
Interest in net assets of The David Lawrence Foundation for Mental Health, Inc.	<u>3,977,071</u>	<u>2,884,629</u>
Total unrestricted net assets	<u>15,948,442</u>	<u>15,410,030</u>

NOTE L - NET ASSETS, CONTINUED

<u>Temporarily restricted</u>	2017	2016
Purchase of medicine	-	5,000
Strategic plan	-	91,036
Supportive employment	5,000	-
Unconditional promises to give	1,006,325	165,000
Interest in net assets of The David Lawrence Foundation for Mental Health, Inc.	<u>2,033,412</u>	<u>1,894,167</u>
Total temporarily restricted net assets	<u>3,044,737</u>	<u>2,155,203</u>
<u>Permanently restricted</u>		
Interest in net assets of The David Lawrence Foundation for Mental Health, Inc.	<u>2,628,032</u>	<u>2,628,032</u>
Total permanently restricted net assets	<u>2,628,032</u>	<u>2,628,032</u>
Total net assets	<u>\$21,621,211</u>	<u>\$20,193,265</u>

NOTE M - PENSION AND DEFERRED COMPENSATION PLANS

Pension plan

The Center has a defined contribution pension plan covering all eligible employees. Under the plan, the Center matches employee monthly contributions of up to 5%, 6% or 7%, based on employee's qualified compensation and length of service of 1, 5, and 10 years, respectively.

For the years ended June 30, 2017 and 2016, the Center's contributions, including administrative costs, to the plan were \$309,921 and \$274,047, respectively.

Deferred compensation plan

The Center has a deferred compensation plan for its key employees. Under the plan, an employee may defer up to the maximum specified in IRC Sections 457(b)(2)(A) and 457(e)(15). The deferred compensation plan assets and the related liabilities as of June 30, 2017 and 2016 were \$537,655 and 630,722, respectively, and are recorded on the accompanying statements of financial position.

For the years ended June 30, 2017 and 2016, the employees' deferrals to the deferred compensation plan were \$32,958 and \$41,599, respectively.

NOTE N - OPERATING LEASE COMMITMENTS

The Center has entered into leases for equipment and vehicles under non-cancelable lease agreements. These leases require monthly payments ranging from \$95 to \$463 with terms ending between August, 2019 and July, 2020.

Rental expense incurred under all leases for the years ended June 30, 2017 and 2016 were \$71,027 and \$64,440, respectively.

Future minimum lease payments on these leases are as follows:

Year Ending June 30,	Amount
2018	\$ 71,027
2019	59,864
2020	4,662
Total future minimum lease payments	<u>\$ 135,553</u>

NOTE O - OTHER COMMITMENTS AND CONTINGENCIES

Grant reimbursements

The Center receives funding from grants and other reimbursements from federal, state and local agencies. These grant funds and reimbursements are subject to special compliance audits by the grantor agencies and other third party agencies that provide these grants and reimbursements. These audits may result in disallowed expense amounts. Disallowed amounts, if any, constitute a contingent liability of the Center. The Center does not believe any contingent liabilities that may exist are material and accordingly, such liabilities are not reflected within the financial statements.

Self-insurance program

The Center has a self-insurance program for its employees' health care costs. The Center is liable for losses on claims up to \$100,000 per claim and \$1,000,000 in total for the year. The Center has contracted with a third party insurer for coverage on any losses in excess of the aforementioned amounts. Costs for insurance are accrued based on claims reported as of the statement of financial position date as well as claims incurred but not reported as of that date. The total amount of the costs that were incurred and accrued as of June 30, 2017 and June 30, 2016 were \$145,590 and \$66,773, respectively.

NOTE O - OTHER COMMITMENTS AND CONTINGENCIES, CONTINUED

Litigation

The Center was subject to a few lawsuits by former employees and clients at June 30, 2017. The Center feels these lawsuits are without merit and the outcomes are presently undeterminable. Accordingly, the Center has not recorded any liabilities associated with these lawsuits at June 30, 2017.

NOTE P - RELATED PARTY TRANSACTIONS

The David Lawrence Foundation for Mental Health, Inc.

The David Lawrence Foundation for Mental Health, Inc.'s (the "Foundation") purpose is to provide financial support to the Center. The Center received donations from the Foundation in the amount of \$0 and \$1,179,778 during the years ended June 30, 2017 and 2016, respectively. These donations from the Foundation to the Center included pass-through grants of \$0 and \$250,394 for the years ended June 30, 2017 and 2016, respectively.

During the year ended June 30, 2016, the Foundation had contracted with the Center for the Center to provide employee services. Contractually, the Center provided the Foundation with personnel, employee benefits, and administrative services and in return for those services, the Center was reimbursed by the Foundation all costs associated with those services. For the year ended June 30, 2016, the Foundation had reimbursed the Center for all costs associated with the contract totaling \$68,656.

During the year ended June 30, 2017, the above referenced contractual agreement ceased and as a result no costs were incurred by the Foundation.

As of June 30, 2017 and 2016, the Center had a receivable from the Foundation of \$0 and \$194,938, respectively and is included in contracts and other receivables on the statement of financial position.

NOTE Q - MATCHING REQUIREMENTS

The Center must meet certain contractual matching requirements as part of its State of Florida grant contracts with the Department of Children and Families, Alcohol, Drug Abuse, and Mental Health Programs. These contracts required a local match amount of \$1,389,347 and \$1,265,820 in 2017 and 2016, respectively. As of June 30, 2017 and 2016, the Center has met or exceeded its required matching amounts under the contracts.

NOTE R - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy 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 of the fair value, under FASB ASC 820, hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access

Level 2 - Inputs to the valuation methodology include:

- * Quoted prices for similar assets or liabilities in active markets
- * Quoted prices for identical or similar assets or liabilities in inactive markets
- * Inputs other than quoted prices that are observable for the asset or liability
- * Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs

The following is a description of the valuation methodologies used for assets for the Center measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Mutual Funds - The investments in the deferred compensation plan are valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by Plan are deemed to be actively traded.

NOTE R - FAIR VALUE MEASUREMENTS, CONTINUED

	Assets at Fair Value as of June 30, 2017			
	(Level 1)	(Level 2)	(Level 3)	Total
Mutual Funds	\$ 537,655	\$ -	\$ -	\$ 537,655
	<u>\$ 537,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 537,655</u>

	Assets at Fair Value as of June 30, 2016			
	(Level 1)	(Level 2)	(Level 3)	Total
Mutual Funds	\$ 630,722	\$ -	\$ -	\$ 630,722
	<u>\$ 630,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630,722</u>

NOTE S - FUNDRAISING

Fundraising revenue and expenses consisted of the following for the year ended June 30, 2017:

Event	Revenue Recognized	Cost of Event	Excess Revenues
Chip in for DLC Golf Event	\$ 70,841	\$ (63,919)	\$ 6,922
Sound Minds Event	52,474	(38,657)	13,817
Magical Musical Tour - "Dancing Through the Decades" Gala Event	486,472	(290,154)	196,318
Other Fundraising	<u>1,010,965</u>	<u>(454,964)</u>	<u>556,001</u>
	<u>\$ 1,620,752</u>	<u>\$ (847,694)</u>	<u>\$ 773,058</u>

Other fundraising includes amounts allocated to fundraising not associated with a specific event.

During the year ended June 30, 2016, the Center did not engage in fundraising activities. All of the fundraising activities were performed by The David Lawrence Foundation for Mental Health, Inc. and were recorded on their financial statements as of June 30, 2016.

NOTE T - SUBSEQUENT EVENTS

Management has assessed subsequent events through October 18, 2017, the date on which the financial statements were available to be issued.