

CONSOLIDATED FINANCIAL STATEMENTS,
OTHER INFORMATION, SUPPLEMENTARY
INFORMATION, OTHER REPORTS AND SCHEDULE

Lakeview Center, Inc. and Subsidiaries
Years Ended September 30, 2017 and 2016
With Report of Independent Certified Public Accountants

Ernst & Young LLP



Building a better
working world

Lakeview Center, Inc. and Subsidiaries

Consolidated Financial Statements, Other Information,
Supplementary Information, Other Reports and Schedule

Years Ended September 30, 2017 and 2016

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Lakeview Center, Inc. and Subsidiaries

Consolidated Financial Statements, Other Information,
Supplementary Information, Other Reports and Schedule

Years Ended September 30, 2017 and 2016

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Report of Independent Certified Public Accountants

Management and the Board of Directors
Lakeview Center, Inc. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lakeview Center, Inc. and Subsidiaries (the Center), which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Lakeview Center, Inc. and Subsidiaries as of September 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary and Other Information

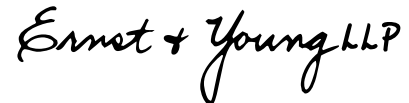
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial statements of Access Behavioral Health (Regulatory Basis) and DUI School are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The accompanying schedule of expenditures of federal awards and state financial assistance as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and by Chapter 10.650, *Rules of the Auditor General*, presented on pages 55 through 64 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The accompanying Schedule of Functional Revenues and Expenses (Regulatory Basis), the Schedule of State Earnings (Regulatory Basis), Schedule of Related-Party Transaction Adjustments (Regulatory Basis) and Schedule of Bed-Day Availability Payments are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and, accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated December 21, 2017, on our consideration of the Center’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center’s internal control over financial reporting and compliance.



December 21, 2017

Lakeview Center, Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30	
	2017	2016
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 55,463	\$ 54,590
Investments	55,429	37,241
Accounts receivable:		
Client accounts receivable, less allowance for doubtful accounts of \$100 and \$506 in 2017 and 2016, respectively	813	902
Governmental funding sources receivable	3,484	2,389
Vocational service contracts receivable	20,384	13,576
Other accounts receivable	1,036	935
Inventories	284	272
Prepaid expenses	1,028	939
Total current assets	<u>137,921</u>	<u>110,844</u>
Investments limited as to use, internally designated for:		
Capital improvements	29,028	27,204
Regulatory requirements	2,983	2,346
Other	15,546	11,589
	<u>47,557</u>	<u>41,139</u>
Property and equipment, net	19,523	20,343
Interest in net assets of related organization	2,513	2,220
Intercompany receivable	15,407	13,640
Other assets	181	184
Total assets	<u>\$ 223,102</u>	<u>\$ 188,370</u>

	September 30	
	2017	2016
	<i>(In Thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 13,274	\$ 12,147
Accrued liabilities	11,386	11,927
Current portion of long-term debt	36	33
Compensated absences	2,983	2,346
Total current liabilities	<u>27,679</u>	<u>26,453</u>
Long-term debt, less current portion	711	746
Total liabilities	<u>28,390</u>	<u>27,199</u>
Net assets:		
Unrestricted:		
Undesignated	145,396	118,485
Designated	47,557	41,139
Total unrestricted	<u>192,953</u>	<u>159,624</u>
Temporarily restricted	1,680	1,475
Permanently restricted	79	72
Total net assets	<u>194,712</u>	<u>161,171</u>
Total liabilities and net assets	<u>\$ 223,102</u>	<u>\$ 188,370</u>

See accompanying notes.

Lakeview Center, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2017	2016
	<i>(In Thousands)</i>	
Unrestricted revenue and support:		
Federal, state, and local financial awards	\$ 68,733	\$ 65,793
Net client service fees	13,929	13,837
Provision for bad debts, net of recoveries	(1)	(197)
Net client service fees less provision for bad debts	<u>13,928</u>	<u>13,640</u>
Vocational service contracts	163,932	145,197
Contract revenue	31,873	29,276
Other fees and support	379	400
In-kind services	1,223	1,223
Management fees	601	592
Contributions	185	454
Other	697	799
Total unrestricted revenue and support	<u>281,551</u>	<u>257,374</u>
Expenses:		
Salaries and wages	94,720	89,301
Fringe benefits	30,537	26,537
Building occupancy	5,358	5,089
Professional fees	12,059	12,520
Contract medical services	19,799	18,055
Travel	2,613	2,151
Equipment costs	1,599	1,311
Food services	1,832	1,858
Medical/pharmacy services	4,460	4,623
Subcontracted services	51,497	48,937
Subsidy payments	19,420	16,711
Personal welfare	1,866	2,221
Insurance	669	717
Interest	71	78
Donated items	1,123	1,123
Depreciation	2,596	2,675
Other operating expenses	4,190	4,265
Total expenses	<u>254,409</u>	<u>238,172</u>
Income from operations	<u>27,142</u>	<u>19,202</u>
Nonoperating gains:		
Investment income	3,513	1,282
Allocated share of Pool's net unrealized gains on trading securities	2,593	2,685
Total nonoperating gains	<u>6,106</u>	<u>3,967</u>
Excess of unrestricted revenue, support, and gains over expenses and losses	<u>33,248</u>	<u>23,169</u>

Lakeview Center, Inc. and Subsidiaries

Consolidated Statements of Operations
and Changes in Net Assets (continued)

	Year Ended September 30	
	2017	2016
	<i>(In Thousands)</i>	
Unrestricted net assets:		
Excess of unrestricted revenue, support, and gains over expenses and losses	\$ 33,248	\$ 23,169
Change in interest in net assets of recipient organization	81	268
Change in unrestricted net assets	<u>33,329</u>	<u>23,437</u>
Temporarily restricted net assets:		
Change in interest in net assets of recipient organization	205	(134)
Change in temporarily restricted net assets	<u>205</u>	<u>(134)</u>
Permanently restricted net assets:		
Change in interest in net assets of recipient organization	7	-
Change in permanently restricted net assets	<u>7</u>	<u>-</u>
Change in net assets	33,541	23,303
Net assets at beginning of year	161,171	137,868
Net assets at end of year	<u>\$ 194,712</u>	<u>\$ 161,171</u>

See accompanying notes.

Lakeview Center, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2017	2016
	<i>(In Thousands)</i>	
Operating activities		
Change in net assets	\$ 33,541	\$ 23,303
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,596	2,675
Provision for bad debts, net of recoveries	1	197
(Gain) loss on sale and retirement of property and equipment	(28)	6
Allocated share of Pool's net unrealized gains on trading securities	(2,593)	(2,684)
Change in interest in net assets of related organization	(293)	(134)
Changes in operating assets and liabilities:		
Client accounts receivable	88	1,234
Governmental funding sources receivable	(1,095)	2,894
Vocational service contracts receivable	(6,808)	(1,013)
Other accounts receivable	(101)	884
Inventories	(12)	(18)
Prepaid expenses	(89)	(51)
Other assets	3	(9)
Accounts payable	1,127	1,171
Accrued liabilities	(541)	(138)
Compensated absences	637	136
Net cash provided by operating activities	<u>26,433</u>	<u>28,453</u>
Investing activities		
Purchases of property and equipment	(1,748)	(2,293)
Purchases of investments	(40,332)	(25,013)
Sales of investments	18,320	10,263
Net cash used in investing activities	<u>(23,760)</u>	<u>(17,043)</u>

Lakeview Center, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended September 30	
	2017	2016
	<i>(In Thousands)</i>	
Financing activities		
Repayments of long-term debt	\$ (32)	\$ (30)
Net repayments to affiliated organization	<u>(1,767)</u>	<u>(2,396)</u>
Net cash used in financing activities	<u>(1,799)</u>	<u>(2,426)</u>
Net change in cash and cash equivalents	873	8,984
Cash and cash equivalents at beginning of year	<u>\$ 54,590</u>	<u>45,606</u>
Cash and cash equivalents at end of year	<u>\$ 55,463</u>	<u>\$ 54,590</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 71</u>	<u>\$ 78</u>

See accompanying notes.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

September 30, 2017

1. Organization and Summary of Significant Accounting Policies

Organization

Lakeview Center, Inc. (the Center), a nonprofit organization, was incorporated in 1954, as Community Mental Health Center of Escambia County, Inc. The mission of the Center is to help people overcome life's challenges by providing behavioral health services, vocational services, and child protective services. The Center is an affiliate of Baptist Health Care Corporation (BHCC) under an affiliation agreement in which BHCC is the sole member of the Center.

Lakeview Place, Inc. and CMHC Hernandez House, Inc. are U.S. Department of Housing and Urban Development (HUD) multi-unit dwellings owned by the Center, that provide housing facilities and services to people diagnosed with mental illness. Lakeview Villa, Inc. is a HUD apartment complex owned by the Center that provides low-cost housing facilities and services to persons with chronic mental illness.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Lakeview Center, Inc. and its related entities: Lakeview Villa, Inc.; Lakeview Place, Inc.; and CMHC Hernandez House, Inc., as those entities are controlled by the same management and share economic interests. All inter-entity transactions have been eliminated in consolidation. See Note 15 for summary financial data for these related entities.

Operating and Nonoperating Activities

The Center's primary mission is to provide a broad range of behavioral health services, vocational services, and child protective services to citizens of the region. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses unrelated to the Center's primary mission are considered nonoperating. Nonoperating gains and losses include income and losses from investments in joint ventures, and earnings on investments other than operating cash on hand.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions. These estimates and assumptions affect certain reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses recognized during the reporting period. Accordingly, actual results may differ from those estimates.

Net Assets

The Center reports information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets are classified based on the existence or absence of donor-imposed restrictions, if any, that may or may not be met by actions of management or by the passage of time.

The three net asset categories reflected in the accompanying consolidated financial statements are as follows:

- *Unrestricted* – Net assets that are free of donor-imposed restrictions, including all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- *Temporarily restricted* – Net assets whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by action of the Center pursuant to those stipulations.
- *Permanently restricted* – Net assets whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions

The Center records contributions received on its behalf by Baptist Health Care Foundation, an affiliated fundraising foundation, as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Cash Equivalents

The Center considers all highly liquid investment instruments with maturities of three months or less when purchased to be cash equivalents. Cash deposits are federally insured in limited amounts.

Investments and Investment Income

Investments consist primarily of the Center's participation in the BHCC investment pool (the Pool), participants in which include certain subsidiaries of BHCC. The Pool's investments in equity securities with readily determinable values and debt securities are stated at fair value. The Center's allocated investment income or loss (including realized and unrealized gains and losses and interest) from the Pool is included in the excess of unrestricted revenue, support, and gains over expenses unless the income is restricted by donor or law. The Center accounts for investment transactions on a settlement-date basis.

The Pool invests in alternative investments (primarily hedge funds and a real estate investment fund) through partnership investment trusts. These alternative investments provide the Pool with a proportionate share of investment gains and losses. The partnership investment trusts generally contract with a manager who has full discretionary authority over investment decisions. The Pool accounts for its ownership interests in these alternative investments under the equity method.

Accounts Receivable and Allowance for Doubtful Accounts

The Center grants credit without collateral to its clients, most of whom are local residents and are insured under third-party payor agreements.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Client accounts receivable are stated at the amount of uncollected balances reduced by an allowance for doubtful accounts. The allowance for doubtful accounts is established through a provision for bad debts and is presented on a separate line as a deduction from net client service fees revenue in the accompanying consolidated statements of operations and changes in net assets. Client accounts receivable are charged against the allowance for doubtful accounts when management believes the collectability of the receivable is unlikely.

The provision for bad debts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators. Management regularly reviews collections data by major payor sources in evaluating the sufficiency of the allowance for doubtful accounts. On the basis of historical experience, a significant portion of self-pay clients will be unable or unwilling to pay for the services provided. Thus, the Center records a provision for bad debts in the period services are provided to self-pay clients. The Center's allowance for doubtful accounts for self-pay clients was 60% and 67% of self-pay accounts receivable as of September 30, 2017 and 2016, respectively. For receivables associated with clients who have third-party coverage, the Center analyzes contractually due amounts and provides a provision for bad debts, if necessary. Accounts receivable are written off after the collection effort has been followed in accordance with the Center's policies. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts and subsequent recoveries are added. Monthly, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category. The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible receivables.

The allowance is an amount that management believes will be adequate to absorb possible losses on receivables that may become uncollectible. No allowance is provided for other receivables as they are due from governmental units, grantors, and third-party paying agencies. Those receivables have been adjusted in accordance with the terms of their contractual agreements.

Inventories

Pharmacy and food inventories are valued at the lower of cost or market using the first-in, first-out method.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Investments Limited as to Use

Investments whose use is limited include assets designated by the Board of Directors (the Board) for future capital improvements, including amounts required to be set aside for capital improvements under contracts between the Center's related entities and HUD; amounts as indicated by regulatory requirements, including DUI state-licensed programs, Agency for Health Care Administration (AHCA), Office of Insurance Regulation, and HUD; and amounts for other uses as specified by the Board. With the exception of investments designated due to regulatory requirements, the Board retains control and may, at its discretion, subsequently use these assets for other purposes.

Property and Equipment

Property and equipment acquisitions are recorded at historical cost. Property and equipment donated to the Center are recorded at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Estimated useful lives of depreciable assets are as follows:

Buildings	40 years
Furniture and equipment	3–7 years
Building and land improvements	10–20 years

Compensated Absences

Employees are entitled to accumulate a limited amount of earned but unused annual leave. Accordingly, the Center records an accrual for earned, unused, vested annual leave in accordance with the Center's policy. Upon separation from the Center, employees are entitled to this amount of unused vested leave.

Net Client Service Fees

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per completion of service, reimbursed costs, and discounted charges. Net client

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

service fees are reported at the estimated net realizable amounts from clients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

The Center accepts clients in immediate need of care, regardless of their ability to pay, and serves certain clients whose care costs are not paid at established rates, including those sponsored under government programs such as Medicare and Medicaid, those sponsored under private contractual agreements, charity clients, and other uninsured clients who have limited ability to pay. The Center recognizes client service fee revenue associated with clients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured clients who do not qualify for charity care, revenue is recognized on the basis of discounted rates in accordance with the Center's policy.

A summary of the payment arrangements with major third-party payors follows:

Medicare – Client services rendered to Medicare program beneficiaries are reimbursed under a fee-for-service methodology.

Medicaid – Client mental health and substance abuse services rendered to Medicaid program beneficiaries are reimbursed under a capitated arrangement.

Other – The Center has also entered into payment agreements with certain insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates and discounts from established charges.

Charity Care

Quality care is provided to all persons requiring immediate treatment regardless of their ability to pay. An individual is classified as a charity client by reference to certain established policies of the Center. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a client's ability to pay, the Center utilizes the most recently published federal poverty income guidelines, but also includes certain cases where incurred charges are significant when compared to income. These charges are subtracted in the net client service fees calculation.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

The Center estimates the direct and indirect costs of providing charity care by applying a cost to gross charges ratio to the gross uncompensated charges associated with providing charity care to clients. The cost of providing charity care was \$4,505 and \$3,803 for the years ended September 30, 2017 and 2016, respectively.

Medicaid Managed Medical Assistance Contract Revenue

The Center is licensed as a prepaid limited health services organization pursuant to Chapter 636, *Florida Statutes*. Effective August 1, 2014, the Center, doing business as Access Behavioral Health, was awarded contracts with the Medicaid Managed Medical Assistance Plan (the MMA Plan). The Center receives a per-member per-month rate to provide mental health and substance abuse services to an annual average of 105,705 Medicaid beneficiaries in Escambia, Santa Rosa, Okaloosa, and Walton counties. Amounts received are recognized as contract revenue during the period in which the Center is obligated to provide services to beneficiaries. Approximately \$31,873 and \$29,276 was recognized as revenue under the MMA Plan during the years ended September 30, 2017 and 2016, respectively.

Medicaid Prepaid Mental Health Plan Costs

The Center is directly responsible for providing mental health and substance abuse services to beneficiaries residing in Escambia and Santa Rosa counties, representing approximately 70% of the covered lives under the MMA Plan. The Center has entered into subcontracts with two comprehensive community mental health centers to provide mental health services to the MMA Plan beneficiaries residing in Okaloosa and Walton counties. These subcontracts are on a full-risk capitated basis. The mental health services covered under the MMA Plan are generally the same as those covered under the Medicaid fee-for-service program. Covered services include inpatient psychiatric care, outpatient care, substance abuse, and physician services. The majority of services for which the Center is directly responsible is provided within its own service delivery system; however, some services are contracted for on a fee-for-service basis with local area hospitals and providers. A provision has been made for these services rendered but not reported as of September 30, 2017 and 2016.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Interest in Net Assets of Recipient Organization

Interest in net assets of recipient organization represents contributions received on behalf of the Center by Baptist Health Care Foundation, as well as any gains or losses experienced on the investment of those contributions.

Income Taxes

The Center and its related entities are exempt from federal income taxes under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and are also exempt from state income taxes.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, prescribes the accounting for uncertainty in income tax positions recognized in financial statements. ASC Topic 740 provides guidance for recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There were no material uncertain tax positions as of September 30, 2017 or 2016.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-15, *Statement of Cash Flows* (ASU 2016-15). Current GAAP either is unclear or does not include specific guidance on eight cash flow classification issues. The amendments in ASU 2016-15 provide guidance for these eight issues, reducing the current and potential future diversity in practice. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2016-15 on the Center's consolidated financial statements.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (ASU 2016-14). The amendments in ASU 2016-14 change the presentation of not-for-profit financial statements by requiring two classes of net assets on the statement of financial position rather than for the currently required three classes, and presenting the amount of the change in each of these two classes on the statement of activities. A not-for-profit that uses the direct method of cash flow reporting will no longer be required to present or disclose the indirect method reconciliation, and not-for-profits will continue to have the option to utilize either the direct or indirect method for the statement of cash flows. Not-for-profits will no longer be required to disclose netted expenses when reporting investment returns, and will be required to provide certain enhanced disclosures. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2016-14 on the Center's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02). The amendments in ASU 2016-02 require lessees to recognize the assets and liabilities arising from leases on their balance sheets, but recognize expenses on their income statements similar to current accounting requirements. The amendments also eliminate real estate-specific provisions for all entities. For lessors, the amendments modify classification criteria and the accounting for sales-type and direct financing leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management is currently evaluating the impact of ASU 2016-02 on the Center's consolidated financial statements.

In June 2015, the FASB issued ASU No. 2015-10, *Technical Corrections and Improvements* (ASU 2015-10) to correct differences between original guidance and the Accounting Standards Codification, clarify the guidance, correct references and make minor improvements affecting a variety of topics. The standard was effective immediately upon issuance. Adoption of ASU 2015-10 did not have a significant impact on the Center's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* (ASU 2015-05). The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. ASU 2015-05 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 with early adoption permitted. Management is currently evaluating the impact of ASU 2015-05 on the Center's consolidated financial statements.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

In February 2015, the FASB issued ASU No. 2015-01, *Income Statement – Extraordinary and Unusual Items* (ASU 2015-01). The amendments in ASU 2015-01 simplify income statement presentation by eliminating the need to determine whether to classify an item as an extraordinary item. Current presentation and disclosure requirements for an event and transaction that is of an unusual nature of a type that indicates infrequency of occurrence have been retained. ASU 2015-01 is effective for fiscal years beginning after December 15, 2015, and interim periods within those years. Management has noted no effects of ASU 2015-01 on the Center's consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern* (ASU 2014-15). The amendments in ASU 2014-15 require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term *substantial doubt*, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plan, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plan, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter, with early application permitted. Management has noted no effects of ASU 2014-15 on the Center's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which outlines a single comprehensive revenue recognition principles-based model that replaces most of the existing revenue recognition guidance, including industry-specific guidance. ASU 2014-09 was originally effective for annual periods beginning after December 15, 2016, and can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the change recognized at the date of the initial application. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which defers the effective date of this new revenue recognition standard by one year for both public and nonpublic entities. In 2016, the FASB issued ASU No. 2016-08,

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*, and ASU 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients*. These amendments provide guidance on considerations in recognizing revenue from contracts with customers. Management has evaluated the effects of ASU 2014-09, 2016-08, 2016-10, and 2016-12 noting no effect on the Center's consolidated financial statements and disclosures.

2. Cash and Investments

The composition of cash and investments is as follows:

	September 30	
	2017	2016
Interest in the Pool	\$ 69,083	\$ 59,539
Cash and cash equivalents	55,463	54,590
U.S. corporate obligations	10,276	10,966
U.S. Treasury and government agencies obligations	8,542	7,790
Other	15,085	85
	\$ 158,449	\$ 132,970

The investments included in the Pool comprised the following:

	September 30	
	2017	2016
Equity securities and mutual funds that invest in equity securities	49%	21%
Mutual funds that invest in fixed-income securities	–	33
Alternative investments	17	14
Cash and cash equivalents	1	13
U.S. Treasury and government agencies obligations	5	5
U.S. corporate obligations	23	11
Mortgages and other asset-backed securities	5	3
	100%	100%

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

2. Cash and Investments (continued)

Investment income comprised the following:

	Year Ended September 30	
	2017	2016
Excess of unrestricted revenue, support, and gains over expenses and losses:		
Investment return included in nonoperating gains (losses):		
Interest and dividend income	\$ 537	\$ 381
Allocated share of Pool's:		
Investment income	1,265	1,110
Realized gains (losses) on sales of securities	1,711	(209)
Net unrealized gains on trading securities	2,593	2,685
	<u>\$ 6,106</u>	<u>\$ 3,967</u>

3. Concentrations of Credit Risk

The Center receives client service fees revenue from three primary sources: Medicaid and Medicare, other third-party payors, and client payments. The following indicates the applicable percentages of accounts receivable from those sources:

	September 30	
	2017	2016
Medicaid and Medicare	39%	27%
Other third-party payors	46	57
Client payments	15	16
	<u>100%</u>	<u>100%</u>

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Property and Equipment

Major classifications of property and equipment are summarized as follows:

	September 30	
	2017	2016
Buildings and improvements	\$ 26,138	\$ 25,587
Furniture and equipment	19,316	18,754
Land	2,461	2,461
Construction-in-progress	1,583	1,653
	<u>49,498</u>	<u>48,455</u>
Less accumulated depreciation	(29,975)	(28,112)
	<u>\$ 19,523</u>	<u>\$ 20,343</u>

5. Long-Term Debt

Long-term debt consists of the following:

	September 30	
	2017	2016
Note payable to HUD, interest at 9.0%, monthly payments of \$5,000 including interest, secured by real property, maturing May 2032	\$ 501	\$ 517
Note payable to HUD, interest at 8.375%, monthly payments of \$2,000 including interest, secured by real property, maturing March 2032	194	200
Note payable to HUD, interest at 9.25%, monthly payments of \$1,000 including interest, secured by real property, maturing October 2021	52	62
	<u>747</u>	<u>779</u>
Less current portion	(36)	(33)
	<u>\$ 711</u>	<u>\$ 746</u>

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Long-Term Debt (continued)

Following are maturities of long-term debt for each of the next five years and thereafter:

	<u>Amount</u>
Year ending September 30:	
2018	\$ 36
2019	39
2020	43
2021	46
2022	35
Thereafter	548
	<u>\$ 747</u>

During fiscal year 2010, Baptist Hospital, Inc. (Baptist), an affiliate of BHCC, issued \$194,000 in bonds (the Bonds) through the Escambia County Health Facilities Authority (the Authority) to extinguish previously issued bonds; to pay or reimburse Baptist for the cost of acquiring, constructing, and equipping certain capital projects; to pay the related cost of issuance; and to fund a debt service reserve and capitalized interest fund. The Bonds are limited obligations of the Authority, payable principally from the receipts of loan agreements between the Authority and Baptist. The Bonds are secured by a gross revenue pledge of Baptist and a mortgage on the Gulf Breeze Hospital (an affiliate of BHCC) campus. Baptist and the Center comprise the Combined Group under a Master Trust Indenture, and the Center, as a restricted affiliate under the Master Trust Indenture, agrees to be bound by its terms but is not directly liable for obligations issued under the Master Trust Indenture. The Master Trust Indenture requires certain covenants and reporting requirements to be met by the Combined Group. The total amount of the Bonds outstanding, net of unamortized issue costs and unamortized bond discount, is \$134,582 at September 30, 2017. None of the Bonds are included in the accompanying consolidated financial statements.

6. Net Client Service Fees

Contractual 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.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Net Client Service Fees (continued)

Net client service fee revenue is not recognized for those clients that qualify for charity under the Center's charity care policies. For all others, service fee revenue, net of contractual adjustments and other deductions before the provision for bad debt, recognized from major payor sources is as follows:

	Year Ended September 30	
	2017	2016
Third-party payors, net of contractual allowances	\$ 10,350	\$ 9,936
Self-pay clients, net of deductions	3,579	3,901
	<u>\$ 13,929</u>	<u>\$ 13,837</u>

The Center has determined, based on an assessment at the reporting-entity level, that client service fee revenue is primarily recorded prior to assessing the client's ability to pay, and as such, the entire provision for bad debts is recorded as a deduction from client service fees revenue in the accompanying consolidated statements of operations and changes in net assets.

Revenues from the Medicare and Medicaid programs accounted for approximately 24% and 21% of the Center's net client service fees for the years ended September 30, 2017 and 2016, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Center.

7. In-Kind Contributions

In-kind contributions and expenses represent the value assigned to instructional services provided by Escambia County School Board educators, as well as donated prescription drugs from the State of Florida. In-kind contributions are recognized if the services or goods received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind contributions for the years ended September 30, 2017 and 2016, amounted to \$1,223, respectively.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

8. Leased Facilities

The Center leases various buildings and equipment under operating leases expiring through 2018. Minimum future lease payments for operating leases having remaining terms in excess of one year as of September 30, 2017, are as follows:

2018	\$	1,043
2019		963
2020		896
2021		530
2022		119
Thereafter		—
	\$	<u>3,551</u>

Rent expense for the years ended September 30, 2017 and 2016, amounted to \$1,582 and \$1,552, respectively.

9. Retirement Plan

The Center provides a tax deferred annuity 403(b) retirement plan (Plan) to all eligible employees. Employees who work a minimum of 20 hours per week are eligible to participate in the Plan after completing one year of employment. Voluntary employee contributions are allowed to the extent permitted by law. The Center contributed a total of 3% of each eligible participant's annual compensation to the Plan with a match of up to 2% of each eligible participant's compensation. In compliance with Internal Revenue Service regulations, employer contributions for eligible participants vest under a six-year graduated vesting schedule. Plan expense for the years ended September 30, 2017 and 2016, amounted to \$2,142 and \$1,516, respectively.

10. Support From the State of Florida Requiring Match

The Center received a substantial portion of its support from the state of Florida under grant contract number AH394 with the Florida Department of Children and Families (DCF) Substance Abuse and Mental Health Program. This contract must be renegotiated annually. The contract requires a 25% local match for certain community mental health services. This local match requirement has been met.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

11. Related-Party Transactions

The Center manages West Florida Community Care Center pursuant to a contract with DCF. For the years ended September 30, 2017 and 2016, the Center received \$526 and \$517, respectively, for the management of that institution.

The Center has several transactions with BHCC and its affiliated entities and had a net intercompany receivable from BHCC in the amount of \$15,407 and \$13,640 at September 30, 2017 and 2016, respectively.

Additionally, the Center received \$75 in management fees from Baptist for the years ended September 30, 2017 and 2016, \$3,807 and \$3,469 for services rendered and \$154 and \$120 in interest payments for the years ended September 30, 2017 and 2016, respectively, and paid \$1,749 and \$1,759 in management fees and other support services provided by BHCC for the years ended September 30, 2017 and 2016, respectively.

12. Restricted Net Assets

Temporarily restricted net assets as of September 30, 2017 and 2016, were \$1,680 and \$1,475, respectively, the majority of which relate to children's services. Permanently restricted net assets are restricted to an endowment fund in accordance with instructions from the donors and were \$79 and \$72 as of September 30, 2017 and 2016, respectively. Earnings on the endowment funds are unrestricted.

13. Commitments and Contingencies

The Center carries general and professional liability insurance from an unrelated commercial insurance carrier with coverage up to \$1,000 per occurrence and \$3,000 in the aggregate, on a claims-made basis, and employee benefits liability insurance with coverage up to \$1,000 per occurrence and \$1,000 in the aggregate. In addition, the Center has excess coverage policies with an unrelated insurance carrier for losses up to \$5,000 per occurrence and in the aggregate.

The Center is involved in various lawsuits and claims incidental to the normal course of its operations. The Center may be liable for losses in excess of the amounts recorded at September 30, 2017; however, in the opinion of management, such potential losses would not be material to the consolidated financial statements.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Commitments and Contingencies (continued)

The Center is self-insured for employees' medical insurance claims. The Center carries stop-loss insurance coverage with annual limits of \$300 per participant and \$8,726 in the aggregate. It is the opinion of management that recorded reserves are adequate for existing and unreported claims.

The Center has established five irrevocable standby letters of credit: three in amounts of \$350, \$150, and \$115 with the Center's three previous administrators for workers' compensation claims as the named beneficiaries; one for \$292 with one of the insurance providers for the ABH managed medical advantage plan; and one for \$1,275 with the Center's current administrator for workers' compensation claims as the named beneficiary. The Center, under its workers' compensation policies, is responsible to pay all individual claims up to \$250 each, as well as certain administration costs to its claims administrators. Should the Center default on any of these payments, the letter of credit guarantees the claims administrators' payment of any outstanding amounts.

Line of Credit Agreements

Baptist has two available line of credit arrangements through March 31, 2018, in the amount of \$2,500, on which borrowings bear interest at LIBOR plus 1.50% to LIBOR plus 1.90%. The Andrews Institute Ambulatory Surgery Center, which is consolidated in the financial statements of Baptist, has available a line of credit arrangement through March 31, 2018, in the amount of \$1,500, on which borrowings bear interest at LIBOR plus 3.15%. The Combined Group has two available line of credit arrangements through July 31, 2018 and May 29, 2019, in the amount of \$5,000 and \$12,000, respectively, on which borrowings bear interest ranging from LIBOR plus 1.40% to LIBOR plus 1.50%. At September 30, 2017 and 2016, amounts outstanding under these line of credit arrangements were \$23,333 and \$14,845, respectively. The Center, as a member of the Combined Group, is a guarantor under these lines of credit, but as of September 30, 2017 and 2016, is not directly obligated for any of the amounts outstanding under these line of credit arrangements. Therefore, none of these amounts outstanding are included in the accompanying consolidated financial statements.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

13. Commitments and Contingencies (continued)

Contingencies

Federal and State Financial Awards – The Center has received numerous federal and state grants. The disbursement of funds received under these programs is subject to review and audit by grantor agencies. Any disbursements disallowed by these agencies could become a liability of the Center. In the opinion of management, such claims, if any, should not have a material adverse effect on the consolidated financial position of the Center.

Unemployment Compensation – The Center reports its wages to various states for unemployment compensation purposes, as a reimbursable employer. Reimbursable employers compensate prior employees only when a claim has been made with these states. In the opinion of management, no material claims were outstanding that had not been reserved for at September 30, 2017.

14. Fair Value Measurements

As defined in ASC Topic 820, *Fair Value Measurement*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Certain of the Center's financial assets are measured at fair value on a recurring basis, including money market and fixed income securities. The three levels of the fair value hierarchy defined by ASC Topic 820 and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Center has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on pricing inputs that are either directly observable or that can be derived or supported from observable data as of the reporting date. Level 2 inputs may include quoted prices for similar assets or liabilities in non-active markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

14. Fair Value Measurements (continued)

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value. The Center has no financial assets with Level 3 inputs.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The fair value of the Center’s financial assets measured at fair value on a recurring basis at September 30, 2017, was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 55,463	\$ –	\$ –	\$ 55,463
Investments limited as to use:				
U.S. corporate obligations	2,995	7,281	–	10,276
U.S. Treasury obligations	4,571	–	–	4,571
U.S. government agencies and sponsored entities	–	3,971	–	3,971
Other	15,085	–	–	15,085
Total investments limited as to use	<u>22,651</u>	<u>11,252</u>	<u>–</u>	<u>33,903</u>
	<u>\$ 78,114</u>	<u>\$ 11,252</u>	<u>\$ –</u>	<u>\$ 89,366</u>

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

14. Fair Value Measurements (continued)

The fair value of the Center's financial assets measured at fair value on a recurring basis at September 30, 2016, was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 54,590	\$ —	\$ —	\$ 54,590
Investments limited as to use:				
U.S. corporate obligations	—	10,966	—	10,966
U.S. Treasury obligations	4,062	—	—	4,062
U.S. government agencies and sponsored entities	—	3,728	—	3,728
Other	85	—	—	85
Total investments limited as to use	<u>4,147</u>	<u>14,694</u>	<u>—</u>	<u>18,841</u>
	<u>\$ 58,737</u>	<u>\$ 14,694</u>	<u>\$ —</u>	<u>\$ 73,431</u>

The fair value of the financial assets of the Pool measured at fair value on a recurring basis comprised the following at September 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	1%	—%	—%	1%
U.S. corporate obligations	—	23	—	23
U.S. government agencies and sponsored entities	—	7	—	7
Collateralized debt obligations	—	3	—	3
Domestic equities	24	—	—	24
Foreign equities	25	—	—	25
Other	—	17	—	17
	<u>50%</u>	<u>50%</u>	<u>—%</u>	<u>100%</u>

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

14. Fair Value Measurements (continued)

The fair value of the financial assets of the Pool measured at fair value on a recurring basis comprised the following at September 30, 2016:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	13%	–%	–%	13%
U.S. corporate obligations	–	11	–	11
U.S. government agencies and sponsored entities	–	5	–	5
Collateralized debt obligations	–	3	–	3
Domestic equities	33	–	–	33
Foreign equities	21	–	–	21
Other	–	14	–	14
	67%	33%	–%	100%

Financial assets are reflected in the accompanying consolidated balance sheets as follows:

	September 30	
	2017	2016
Investments, at fair value	\$ –	\$ –
Interest in the Pool	55,429	37,241
Total investments	\$ 55,429	\$ 37,241
Investments limited as to use, at fair value	\$ 33,903	\$ 18,841
Interest in the Pool	13,654	22,298
Total investments limited as to use	\$ 47,557	\$ 41,139

The fair values of the securities included in Level 1 were determined through quoted market prices. The fair values of Level 2 financial assets consisting of U.S. government agencies and sponsored entities were determined through evaluated bid prices provided by third-party pricing services where quoted market values were not available.

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

14. Fair Value Measurements (continued)

The carrying values of accounts receivable, accounts payable, and accrued liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments. The fair value of intercompany payables is not practicable to estimate due to the uncertainty regarding the timing of future repayments.

15. Summary Information Relating to Financially Interrelated Entities

Summary financial information of the wholly owned subsidiaries, which are included in these consolidated financial statements, is shown below. Inter-entity transactions have not been eliminated from this summary data.

	As of and for the Year Ended September 30, 2017		
	CMHC		
	Hernandez House, Inc.	Lakeview Villa, Inc.	Lakeview Place, Inc.
Total assets	<u>\$ 215</u>	<u>\$ 358</u>	<u>\$ 226</u>
Total liabilities	<u>\$ 252</u>	<u>\$ 533</u>	<u>\$ 321</u>
Unrestricted, undesignated net deficit	<u>(37)</u>	<u>(378)</u>	<u>(110)</u>
Designated net assets	<u>—</u>	<u>202</u>	<u>15</u>
Total net deficit	<u>(37)</u>	<u>(176)</u>	<u>(95)</u>
Total liabilities and net deficit	<u>\$ 215</u>	<u>\$ 358</u>	<u>\$ 226</u>
Total revenue and support	<u>\$ 40</u>	<u>\$ 141</u>	<u>\$ 83</u>
Total expenses	<u>(37)</u>	<u>(147)</u>	<u>(91)</u>
Change in net deficit	<u>\$ 3</u>	<u>\$ (6)</u>	<u>\$ (8)</u>

Lakeview Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

15. Summary Information Relating to Financially Interrelated Entities (continued)

	As of and for the Year Ended September 30, 2016		
	CMHC		
	Hernandez House, Inc.	Lakeview Villa, Inc.	Lakeview Place, Inc.
Total assets	\$ 221	\$ 383	\$ 234
Total liabilities	\$ 261	\$ 552	\$ 321
Unrestricted, undesignated net deficit	(40)	(371)	(102)
Designated net assets	–	202	15
Total net deficit	(40)	(169)	(87)
Total liabilities and net deficit	\$ 221	\$ 383	\$ 234
Total revenue and support	\$ 40	\$ 141	\$ 86
Total expenses	(41)	(130)	(78)
Change in net deficit	\$ (1)	\$ 11	\$ 8

16. Subsequent Events

The Center evaluated events and transactions occurring subsequent to September 30, 2017, and through December 21, 2017, the date the accompanying consolidated financial statements were available to be issued. During this period, there were no subsequent events that required recognition or disclosure in the accompanying consolidated financial statements.

Other Information

Lakeview Center, Inc. and Subsidiaries

Schedule of Functional Revenues and Expenses (Regulatory Basis) (Unaudited)

Year Ended June 30, 2017

Funding Sources and Revenues	SAMH Covered Services														
	State Funded														
	Adult Mental Health										Adult Substance Abuse				
	Case Management 2 B1-a	Crisis Stabilization 3 B1-b	Crisis Support/ Emergency 4 B1-c	In-Home and On Site 8 B1-d	Medical Services 12 B1-e	Outpatient- Individual 14 B1-f	Residential Level II 19 B1-g	Residential Level III 20 B1-h	Incidental Expenses IDP 28 B1-i	Incidental Expenses FACT 28 B1-j	Adult Mental Health Total (B1-a+...+B1-i) C1	Day/Night 6 B2-a	Intervention HIV 11 B2-b	Medical Services 12 B2-c	Outpatient- Individual 14 B2-d
IA. State SAMH funding:															
(1) Contract # A0110 - SAMH	\$ 330,541	\$ 1,593,048	\$ 447,680	\$ 430,953	\$ 1,671,871	\$ 327,396	\$ 393,955	\$ 159,221	\$ 27,325	\$ -	\$ 5,381,990	\$ 178,139	\$ 96,759	\$ 131,920	\$ 15,514
(2) Contract # A0160 - BNET	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Contract # A0170 - FACT	-	-	-	-	-	-	-	-	-	1,230,836	1,230,836	-	-	-	-
(4) Contract # A0160 - FITT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Contract # A0160 - CAT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total State SAMH funding	330,541	1,593,048	447,680	430,953	1,671,871	327,396	393,955	159,221	27,325	1,230,836	6,612,826	178,139	96,759	131,920	15,514
IB. Other Govt. funding:															
(1) Other State Agency Funding	15,203	-	-	104,795	-	(693)	-	-	-	-	119,305	4,754	-	-	-
(2) Medicaid	56,626	114,863	36,674	256,887	802,970	465,420	-	12,423	-	-	1,745,863	529,156	149	63,164	83,313
(3) Local Government	41,132	155,997	91,023	-	20,866	356,801	-	42,240	-	-	708,059	563,861	-	1,660	-
(4) Federal Grants and Contracts	71,856	-	-	-	36,307	90,641	-	97,498	-	-	296,302	-	-	2,888	-
(5) In-kind from local govt. only	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other Govt. funding	184,817	270,860	127,697	361,682	860,143	912,169	-	152,161	-	-	2,869,529	1,097,771	149	67,712	83,313
IC. All other revenues:															
(1) 1st and 2nd Party payments	15,602	30,232	3,289	70,299	423,833	298,668	-	99,258	-	1,130	942,311	45,627	203	31,902	7,072
(2) 3rd Party payments (except Medicare)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	88,000	10,000	-	-	-	-	98,000	-	-	7,000	-
(5) Other	1,605	254	-	-	2,651	28,016	-	63,979	-	-	96,505	26	-	211	5
(6) In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total all other revenues	17,207	30,486	3,289	70,299	514,484	336,684	-	163,237	-	1,130	1,136,816	45,653	203	39,113	7,077
Total funding	\$ 532,565	\$ 1,894,394	\$ 578,666	\$ 862,934	\$ 3,046,498	\$ 1,576,249	\$ 393,955	\$ 474,619	\$ 27,325	\$ 1,231,966	\$ 10,619,171	\$ 1,321,563	\$ 97,111	\$ 238,745	\$ 105,904

Funding Sources and Revenues	SAMH Covered Services												
	State Funded												
	Adult Substance Abuse					Children's Mental Health							
	Residential Level II	Substance Abuse Detox (No TANF)	Incidental Expenses STOP	Outpatient Group	Adult Substance Abuse Total	Case Management	Crisis Stabilization	Crisis Support/Emergency	In-Home and On Site	Medical Services (No TANF)	Outpatient-Individual	Incidental Expenses-BNET	Children's Mental Health Total
19	24	28	35	(B2-a+...+B2-h)	2	3	4	8	12	14	14	(B3-a+...+B3-g)	
A	B2-e	B2-f	B2-g	B2-h	C2	B3-a	B3-b	B3-c	B3-d	B3-e	B3-f	B3-g	C3
IA. State SAMH funding:													
(1) Contract # A0110 - SAMH	\$ 1,618,739	\$ 1,306,762	\$ 72,477	\$ 15,922	\$ 3,436,232	\$ 226,216	\$ 132,309	\$ 143,258	\$ 249,709	\$ 94,228	\$ 178,556	\$	\$ 1,024,276
(2) Contract # A0160 - BNET	-	-	-	-	-	-	-	-	-	-	-	84,000	84,000
(3) Contract # A0170 - FACT	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Contract # A0160 - FITT	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Contract # A0160 - CAT	-	-	-	-	-	719,920	-	-	-	-	-	-	719,920
Total State SAMH funding	1,618,739	1,306,762	72,477	15,922	3,436,232	946,136	132,309	143,258	249,709	94,228	178,556	84,000	1,828,196
IB. Other Govt. funding:													
(1) Other State Agency Funding	9,300	-	-	839	14,893	-	-	-	48,571	-	53	-	48,624
(2) Medicaid	112	152,260	-	10,067	838,221	210,869	469,569	11,736	233,826	45,117	91,195	88	1,062,400
(3) Local Government	-	206,787	-	99,505	871,813	-	18,481	29,127	1,220,785	1,186	-	-	1,269,579
(4) Federal Grants and Contracts	-	-	-	-	2,888	-	-	-	-	2,063	-	-	2,063
(5) In-kind from local govt. only	-	-	-	-	-	-	-	-	769,899	-	-	-	769,899
Total other Govt. funding	9,412	359,047	-	110,411	1,727,815	210,869	488,050	40,863	2,273,081	48,366	91,248	88	3,152,565
IC. All other revenues:													
(1) 1st and 2nd Party payments	6,983	40,075	-	980	132,842	39,513	11	1,053	37,066	22,787	41,558	(2,014)	139,974
(2) 3rd Party payments (except Medicare)	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	7,000	-	-	-	2,398	5,000	-	-	7,398
(5) Other	25,993	336	-	-	26,571	90	-	-	13,008	151	14	(1,310)	11,953
(6) In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-
Total all other revenues	32,976	40,411	-	980	166,413	39,603	11	1,053	52,472	27,938	41,572	(3,324)	159,325
Total funding	\$ 1,661,127	\$ 1,706,220	\$ 72,477	\$ 127,313	\$ 5,330,460	\$ 1,196,608	\$ 620,370	\$ 185,174	\$ 2,575,262	\$ 170,532	\$ 311,376	\$ 80,764	\$ 5,140,086

SAMH Covered Services															
State Funded															
Adult Mental Health											Adult Substance Abuse				
Expense Categories	Case Management	Crisis Stabilization	Crisis Support/ Emergency	In-Home and On Site	Medical Services (No TANF)	Outpatient- Individual	Residential Level II	Residential Level III	Incidental Expenses IDP	Incidental Expenses FACT	Adult Mental Health Total (B1-a+...+B1-i)	Day/Night	Intervention HIV	Medical Services (No TANF)	Outpatient- Individual
A	2	3	4	8	12	14	19	20	28	28	C1	6	11	12	14
	B1-a	B1-b	B1-c	B1-d	B1-e	B1-f	B1-g	B1-h	B1-i	B1-j		B2-a	B2-b	B2-c	B2-d
IIA. Personnel expenses:															
(1) Salaries	\$ 423,559	\$ 719,852	\$ 423,060	\$ 526,522	\$ 1,490,756	\$ 1,088,490	\$	\$ 581,062	\$	\$ 560,446	\$ 5,813,747	\$ 445,853	\$ 67,180	\$ 115,297	\$ 26,654
(2) Fringe benefits	139,632	182,821	109,885	151,624	250,709	317,651	-	200,916	-	127,730	1,480,968	121,406	9,307	18,801	9,663
Total personal expenses	563,191	902,673	532,945	678,146	1,741,465	1,406,141	-	781,978	-	688,176	7,294,715	567,259	76,487	134,098	36,317
IIB. Other expenses:															
(1) Building occupancy	39,663	106,918	17,196	21,063	86,439	358,871	-	191,919	-	31,809	853,878	160,718	-	6,494	11,260
(2) Professional services	40	67	-	-	-	1,013	-	-	-	-	1,120	-	-	-	-
(3) Travel	8,731	10,700	1,295	21,912	8,763	47,344	-	11,497	-	31,002	141,244	9,340	-	654	231
(4) Equipment	66	1,786	322	225	19,847	5,866	-	1,169	-	268	29,549	199	-	1,579	8
(5) Food services	642	70,352	108	1,244	1,125	3,566	-	194,902	-	1,495	273,434	98,399	-	89	17,315
(6) Medical and pharmacy	1,218	26,634	-	2,112	10,074	9,432	-	5,405	-	619	55,494	39,909	-	731	328
(7) Subcontracted services	-	1,498,860	-	-	24,209	646,435	-	-	-	-	2,169,504	-	-	1,926	-
(8) Insurance	8,346	9,628	4,730	7,659	11,075	22,082	-	15,685	-	7,981	87,186	11,745	-	743	949
(9) Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(10) Operating supplies and expenses	9,195	24,761	2,733	15,658	40,283	66,843	-	25,445	-	225,714	410,632	19,358	-	3,118	949
(11) Other-bad debt	28	5,552	(41)	83	(57,330)	11,359	-	114	-	20	(40,215)	184	-	(4,806)	25
(12) Donated items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other expenses	67,929	1,755,258	26,343	69,956	144,485	1,172,811	-	446,136	-	298,908	3,981,826	339,852	-	10,528	31,065
Total personnel and other expenses	631,120	2,657,931	559,288	748,102	1,885,950	2,578,952	-	1,228,114	-	987,084	11,276,541	907,111	76,487	144,626	67,382
IIC. Distributed indirect costs:															
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Administration	167,954	149,361	205,384	180,947	589,404	500,649	-	248,449	-	129,714	2,171,862	178,000	33,207	43,678	15,486
Total distributed indirect costs	167,954	149,361	205,384	180,947	589,404	500,649	-	248,449	-	129,714	2,171,862	178,000	33,207	43,678	15,486
Total actual oper. expenses	799,074	2,807,292	764,672	929,049	2,475,354	3,079,601	-	1,476,563	-	1,116,798	13,448,403	1,085,111	109,694	188,304	82,868
IID. Unallowable costs															
	(119,975)	(74,420)	(3,423)	(3,106)	(2,114)	(40,473)	-	(198,911)	-	(3,420)	(445,842)	(102,376)	-	(55)	(17,719)
Total allowable oper. expenses	\$ 679,099	\$ 2,732,872	\$ 761,249	\$ 925,943	\$ 2,473,240	\$ 3,039,128	\$ -	\$ 1,277,652	\$ -	\$ 1,113,378	\$ 13,002,561	\$ 982,735	\$ 109,694	\$ 188,249	\$ 65,149
IIE. Capital expenditures															
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SAMH Covered Services													
State Funded													
Adult Substance Abuse						Children's Mental Health							
Expense Categories	Substance Abuse					Children's Mental Health							Children's Mental Health Total
	Residential Level II	Abuse Detox (No TANF)	Incidental Expenses STOP	Outpatient Group	Adult Substance Abuse Total	Case Management	Crisis Stabilization	Crisis Support/Emergency	In-Home and On Site	Medical Services (No TANF)	Outpatient-Individual	Incidental Expenses-BNET	
A	19	24	28	35	(B2-a+...+B2-h)	2	3	4	8	12	14	14	(B3-a+...+B3-g)
	B2-e	B2-f	B2-g	B2-h	C2	B3-a	B3-b	B3-c	B3-d	B3-e	B3-f	B3-g	C3
IIA. Personnel expenses:													
(1) Salaries	\$ 372,453	\$ 954,223	\$ 5,276	\$ 52,026	\$ 2,038,962	\$ 868,658	\$	\$ 135,379	\$ 1,053,524	\$ 82,355	\$ 201,858	\$ 78,271	\$ 2,420,045
(2) Fringe benefits	88,953	242,344	467	11,761	502,702	272,121	-	35,163	278,216	13,429	44,131	17,514	660,574
Total personal expenses	461,406	1,196,567	5,743	63,787	2,541,664	1,140,779	-	170,542	1,331,740	95,784	245,989	95,785	3,080,619
IIB. Other expenses:													
(1) Building occupancy	95,335	141,728	-	17,102	432,637	70,264	-	5,503	379,922	4,639	20,101	59	480,488
(2) Professional services	-	89	-	-	89	-	150,790	-	-	-	-	-	150,790
(3) Travel	2,225	14,184	-	1,418	28,052	29,224	-	414	17,419	467	661	466	48,651
(4) Equipment	233	2,367	-	27	4,413	3,193	-	103	2,651	1,128	-	-	7,075
(5) Food services	132,372	93,257	-	50	341,482	1,721	-	35	1,242	64	155	-	3,217
(6) Medical and pharmacy	8,012	35,306	50	6,715	91,051	871	-	-	-	522	-	1,235	2,628
(7) Subcontracted services	-	579,076	-	-	581,002	410	132,309	-	494,465	1,376	886	2,324	631,770
(8) Insurance	8,264	12,763	-	1,124	35,588	15,576	-	1,514	25,353	531	2,893	555	46,422
(9) Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	-
(10) Operating supplies and expenses	11,229	32,823	188	2,467	70,132	86,102	-	874	31,650	2,227	5,852	3,222	129,927
(11) Other-bad debt	416	7,360	-	8	3,187	65	-	(13)	551	(3,433)	2,968	-	138
(12) Donated items	-	-	-	-	-	-	-	-	769,899	-	-	-	769,899
Total other expenses	258,086	918,953	238	28,911	1,587,633	207,426	283,099	8,430	1,723,152	7,521	33,516	7,861	2,271,005
Total personnel and other expenses	719,492	2,115,520	5,981	92,698	4,129,297	1,348,205	283,099	178,972	3,054,892	103,305	279,505	103,646	5,351,624
IIC. Distributed indirect costs:													
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Administration	142,905	197,990	-	15,925	627,191	367,489	-	65,723	312,394	31,199	93,807	11,292	881,904
Total distributed indirect costs	142,905	197,990	-	15,925	627,191	367,489	-	65,723	312,394	31,199	93,807	11,292	881,904
Total actual oper. expenses	862,397	2,313,510	5,981	108,623	4,756,488	1,715,694	283,099	244,695	3,367,286	134,504	373,312	114,938	6,233,528
IID. Unallowable costs													
	(135,854)	(98,650)	(1,149)	(347)	(356,150)	(12,957)	-	(1,095)	(894,657)	(39)	(1,858)	(375)	(910,981)
Total allowable oper. expenses	\$ 726,543	\$ 2,214,860	\$ 4,832	\$ 108,276	\$ 4,400,338	\$ 1,702,737	\$ 283,099	\$ 243,600	\$ 2,472,629	\$ 134,465	\$ 371,454	\$ 114,563	\$ 5,322,547
IIE. Capital expenditures													
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SAMH Covered Services														
State Funded														
Children's Substance Abuse														
Expense Categories	Case Management	Crisis Support/ Emergency	Intervention- Individual	Outpatient- Individual	Residential Level II	TASC	Children's Substance Abuse Total	Total for State SAMH-Funded Covered Services	Total for Non-State-Funded Covered Services	Total for All Covered Services	Non-SAMH Covered Services	Other Support Costs (Optional)	Administration	Total Expenses
A	2	4	11	14	19	27	(B4-a+...+B4-f)	(C1+...+C4)	E	F	G	H	I	J
B4-a	B4-b	B4-c	B4-d	B4-e	B4-f	C4	D							
IIA. Personnel expenses:														
(1) Salaries	\$ 308,443	\$ 5,641	\$ 131,591	\$ 96,414	\$ 414,016	\$ 23,222	\$ 979,327	\$ 11,252,081	\$ 10,824,295	\$ 22,076,376	\$ 65,968,381	\$	\$ 6,107,957	\$ 94,152,714
(2) Fringe benefits	67,727	1,465	29,669	15,024	108,401	5,236	227,522	2,871,766	2,320,727	5,192,493	22,387,881	\$	1,517,430	29,097,804
Total personal expenses	376,170	7,106	161,260	111,438	522,417	28,458	1,206,849	14,123,847	13,145,022	27,268,869	88,356,262	-	7,625,387	123,250,518
IIB. Other expenses:														
(1) Building occupancy	39,475	229	17,664	3,839	93,950	3,117	158,274	1,925,277	1,558,607	3,483,884	4,093,688	-	971,920	8,549,492
(2) Professional services	517	-	-	-	-	-	517	152,516	2,373,696	2,526,212	5,282,574	-	1,093,447	8,902,233
(3) Travel	24,985	17	457	390	2,708	81	28,638	246,585	242,429	489,014	1,976,646	-	82,709	2,548,369
(4) Equipment	2,954	4	-	-	111	-	3,069	44,106	369,217	413,323	402,052	-	588,544	1,403,919
(5) Food services	388	1	152	25	81,554	27	82,147	700,280	306,025	1,006,305	840,846	-	21,541	1,868,692
(6) Medical and pharmacy	376	-	63	-	5,848	11	6,298	155,471	4,272,700	4,428,171	63,464	-	58,238	4,549,873
(7) Subcontracted services	651	-	323	954	112	57	2,097	3,384,373	5,322,853	8,707,226	83,216,147	-	-	91,923,373
(8) Insurance	3,206	63	2,198	1,097	9,955	388	16,907	186,103	141,674	327,777	363,582	-	25,889	717,248
(9) Interest paid	-	-	-	-	-	-	-	-	-	-	209,010	-	-	209,010
(10) Operating supplies and expenses	141,978	36	1,912	1,526	14,887	337	160,676	771,367	630,409	1,401,776	3,140,982	-	1,026,050	5,568,808
(11) Other-bad debt	1,698	(1)	82	513	-	15	2,307	(34,583)	338,421	303,838	52,755	-	-	356,593
(12) Donated items	-	-	-	-	109,000	-	109,000	878,899	77,019	955,918	167,105	-	-	1,123,023
Total other expenses	216,228	349	22,851	8,344	318,125	4,033	569,930	8,410,394	15,633,050	24,043,444	99,808,851	-	3,868,338	127,720,633
Total personnel and other expenses	592,398	7,455	184,111	119,782	840,542	32,491	1,776,779	22,534,241	28,778,072	51,312,313	188,165,113	-	11,493,725	250,971,151
IIC. Distributed indirect costs:														
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Administration	70,667	2,738	44,159	29,107	150,165	7,793	304,629	3,985,586	665,007	4,650,593	6,843,134	-	(11,493,727)	-
Total distributed indirect costs	70,667	2,738	44,159	29,107	150,165	7,793	304,629	3,985,586	665,007	4,650,593	6,843,134	-	(11,493,727)	-
Total actual oper. expenses	663,065	10,193	228,270	148,889	990,707	40,284	2,081,408	26,519,827	29,443,079	55,962,906	195,008,247	-	(2)	250,971,151
IID. Unallowable costs														
Total allowable oper. expenses	(6,874)	(46)	(858)	(883)	(69,486)	(151)	(78,298)	(1,791,271)	556,922	(1,234,349)	(1,418,262)	-	-	(2,652,611)
\$	656,191	\$ 10,147	\$ 227,412	\$ 148,006	\$ 921,221	\$ 40,133	\$ 2,003,110	\$ 24,728,556	\$ 30,000,001	\$ 54,728,557	\$ 193,589,985	\$	\$ (2)	\$ 248,318,540
IIE. Capital expenditures														
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Lakeview Center, Inc. and Subsidiaries

Note to Schedule of Functional Revenues and Expenses
(Regulatory Basis) (Unaudited)

June 30, 2017

1. Summary of Significant Accounting Policies

The accompanying unaudited schedule was prepared on the accrual basis of accounting for the contract period in accordance with guidelines established by the State of Florida Department of Children and Families.

Lakeview Center, Inc. and Subsidiaries

Schedule of State Earnings
(Regulatory Basis) (Unaudited)
(Dollars in Thousands)

Year Ended June 30, 2017

1. Total expenditures	\$ 250,971
2. Less other state and federal funds	(233,593)
3. Less non-match SAMH funds	(9,423)
4. Less unallowable costs per 65E-14, F.A.C.	<u>(2,653)</u>
5. Total allowable expenditures (sum lines 1, 2, 3 and 4)	5,302
6. Maximum available earnings (line 5 times 75%)	3,977
7. Amount of state funds requiring match	<u>3,792</u>
8. Amount due to department (subtract line 7 from line 6)	<u><u>\$ 185</u></u>

See accompanying note.

Lakeview Center, Inc. and Subsidiaries

Note to Schedule of State Earnings
(Regulatory Basis) (Unaudited)

June 30, 2017

1. Summary of Significant Accounting Policies

The accompanying unaudited schedule was prepared on the accrual basis of accounting for the contract period. Calculations in the schedule were prepared in accordance with guidelines established by the State of Florida Department of Children and Families.

Lakeview Center, Inc. and Subsidiaries

Schedule of Related-Party Transaction Adjustments (Regulatory Basis)
(Unaudited)

Year Ended June 30, 2017

	<u>Related Passed Through to Subrecipient</u>
Revenues from grantee:	
Rent	\$
Services	2,205,144
Interest	—
Other	—
Total revenue from grantee	<u>2,205,144</u>
Expenses associated with grantee transactions:	
Personnel services	—
Depreciation	—
Interest	—
Other	—
Total associated expenses	<u>—</u>
Related-party transaction adjustment	<u><u>\$ 2,205,144</u></u>
Allocation of related-party transaction adjustment:	
SAMH covered services:	
3	\$ 1,531,654
24	673,490
Total	<u><u>\$ 2,205,144</u></u>

See accompanying note.

Lakeview Center, Inc. and Subsidiaries

Note to Schedule of Related-Party Transaction
Adjustments (Regulatory Basis) (Unaudited)

June 30, 2017

1. Summary of Significant Accounting Policies

The accompanying unaudited schedule was prepared on the accrual basis of accounting for the contract period. Calculations in the schedule were prepared in accordance with guidelines established by the State of Florida Department of Children and Families.

Lakeview Center, Inc. and Subsidiaries

Schedule of Bed-Day Availability Payments (Unaudited)

Year Ended June 30, 2017

Program	Covered Service	Contracted Rate	Total Units of Service Provided	Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies	Passed	Amount Paid for Services by the Department	Maximum \$ Value of Units in Column	Amount Owed to Department	
A	B	C	D	E	F	G	H=FxC	> of G-H or \$0	
Children's MH	Crisis stabilization unit	\$ 328.47	557	2	555	\$ 75,561	\$ 182,301	\$	
Adult MH	Crisis stabilization unit	328.47	5,432	795	4,637	1,464,744	1,523,115	–	
Children's SA	Substance abuse detox	n/a	n/a	n/a	n/a	n/a	n/a	–	
Adult SA	Substance abuse detox	376.89	2,834	170	2,664	1,004,035	1,004,035	–	
Adult MH	Short-term residential treatment	n/a	n/a	n/a	n/a	n/a	n/a	–	
Total amount owed to department								<u>\$</u>	<u>–</u>

See accompanying note.

Lakeview Center, Inc. and Subsidiaries

Note to Schedule of Bed-Day Availability Payments (Unaudited)

June 30, 2017

1. Summary of Significant Accounting Policies

The accompanying unaudited schedule was prepared on the accrual basis of accounting for the contract period. Calculations in the schedule were prepared in accordance with guidelines established by the State of Florida Department of Children and Families.

Supplementary Information

Lakeview Center, Inc. and Subsidiaries

DUI School

Balance Sheets (Unaudited)

	September 30	
	2017	2016
Assets		
Current assets:		
Cash	\$ -	\$ -
Other accounts receivable	-	-
Property and equipment, less accumulated depreciation of \$30,105 and \$29,456 in 2017 and 2016, respectively	6,573	3,772
Total assets	\$ 6,573	\$ 3,772
Liabilities and net deficit		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,958	\$ 789
Due to Lakeview Center, Inc.	189,784	199,358
Compensated absences	3,909	265
Total current liabilities	201,651	200,412
Net deficit:		
Unrestricted, designated	(195,078)	(196,640)
Total liabilities and net deficit	\$ 6,573	\$ 3,772

See accompanying notes.

Lakeview Center, Inc. and Subsidiaries

DUI School

Statements of Operations and Changes in Net Deficit
With Special Supervision Services (SSS) (Unaudited)

	Year Ended September 30	
	2017	2016
Changes in unrestricted net assets		
Revenue:		
Net client fees	\$ 355,667	\$ 275,762
Net client fees – SSS	88,154	86,310
	<u>443,821</u>	<u>362,072</u>
Fees remitted to State of Florida	(25,259)	(15,298)
Fees remitted to State of Florida – SSS	(6,260)	(4,788)
	<u>(31,519)</u>	<u>(20,086)</u>
Total client fees	412,302	341,986
Total revenue	<u>412,302</u>	<u>341,986</u>
Expenses:		
DUI – other:		
Salaries	178,549	166,196
Fringe benefits	40,048	28,580
Building maintenance and operations	31,701	21,951
Conference and conventions	2,709	72
Other program costs	29,019	27,003
Testing and assessment	3,981	4,040
Printing and production	506	1,664
Promotion and publicity	289	360
Data processing	4,790	5,795
Administrative	19,089	22,345
	<u>310,681</u>	<u>278,006</u>

Lakeview Center, Inc. and Subsidiaries

DUI School

Statements of Operations and Changes in Net Deficit
With Special Supervision Services (SSS) (Unaudited) (continued)

	Year Ended September 30	
	2017	2016
Expenses (continued):		
DUI – SSS:		
Salaries	\$ 44,255	\$ 52,017
Fringe benefits	9,926	8,945
Building maintenance and operations	15,794	11,740
Conference and conventions	1,350	39
Other program costs	14,458	14,441
Testing and assessment	1,983	2,161
Printing and production	252	890
Promotion and publicity	144	193
Data processing	2,386	3,099
Administrative	9,511	11,950
	<u>100,059</u>	<u>105,475</u>
Total expenses	<u>410,740</u>	<u>383,481</u>
Change in unrestricted net deficit	1,562	(41,495)
Net deficit at beginning of year	(196,640)	(155,145)
Net deficit at end of year	<u>\$ (195,078)</u>	<u>\$ (196,640)</u>

See accompanying notes.

Lakeview Center, Inc. and Subsidiaries

DUI School

Notes to Financial Statements (Unaudited)

September 30, 2017

1. Summary of Significant Accounting Policies

The DUI School financial statements are prepared on the accrual basis of accounting. Significant accounting policies for the DUI School are the same as those described in Note 1 to the accompanying consolidated financial statements of Lakeview Center, Inc. and Subsidiaries.

2. State Assessment Fee

As required by Section 322.293, *Florida Statutes*, each DUI program collects a \$15 assessment fee on every client enrolling in its DUI program and remits the fee to the State of Florida. These and other fees collected and distributed to the State are summarized as follows:

	Year Ended September 30	
	2017	2016
Fees collected during current year	\$ 31,519	\$ 20,086
Fees remitted during current year	31,519	20,086
Fees due to the state of Florida	\$ —	\$ —

Procedures have been established and maintained that adequately account for all fees received for the DUI program and for all receipts created and/or issued by the DUI program.

Lakeview Center, Inc. and Subsidiaries

DUI School

Notes to Financial Statements (Unaudited) (continued)

3. Other Program Costs for DUI (Non-SSS Expenses)

Other program costs for the DUI program, not including SSS, consist of the following:

	Year Ended September 30	
	2017	2016
Copier costs	\$ 995	\$ 687
Florida association of DUI program membership dues	3,020	1,805
Office supplies	2,896	2,612
Telephone	2,857	3,793
Other	10,232	5,944
Program admin allocations	9,019	12,162
Total other program costs	<u>\$ 29,019</u>	<u>\$ 27,003</u>

4. Indirect Cost Allocations

Lakeview Center, Inc. allocates administrative costs to its programs using a step-down allocation methodology. The allocation basis varies depending upon the nature of the indirect cost pool being allocated. The following are examples of the allocation processes employed (this list is not intended to be all-inclusive): the human resources allocation is based on adjusted active staff and maintenance service costs are allocated based on the square footage maintained. The methodologies used allow for the allocation of indirect costs across all appropriate components of operations, and are in accordance with Florida Administrative Code 15A-10.014.

Lakeview Center, Inc. and Subsidiaries

Access Behavioral Health

Balance Sheets (Regulatory Basis) (Unaudited)

	September 30	
	2017	2016
	<i>(In Thousands)</i>	
Assets		
Cash and invested assets:		
Cash and cash equivalents	\$ 47,272	\$ 53,094
Real estate	14,746	15,336
Other invested assets	66,429	39,500
Internally designated investments	44,739	40,376
Total cash and invested assets	<u>173,186</u>	148,306
Electronic data processing equipment and software	49	62
Health care and other amounts receivable	3,484	2,389
Accounts receivable on service industry contracts (non-health)	20,384	13,576
Accounts receivable – other (non-health)	12,083	8,650
Inventories	265	272
Total assets	<u>\$ 209,451</u>	<u>\$ 173,255</u>
Liabilities and net assets		
Liabilities:		
Claims unpaid	\$ 901	\$ 709
General expenses due or accrued	15,493	15,539
Amounts withheld or retained for the account of others	2,286	2,274
Amounts due to parent, subsidiaries, and affiliates	(291)	(463)
Deferred revenue	2,133	1,929
Accrued wages	3,844	3,625
Accrued compensated absences	2,983	2,346
Total liabilities	<u>27,349</u>	25,959
Net assets:		
Net assets	194,713	161,171
Less non-admitted assets	(12,611)	(13,875)
Total net assets	<u>182,102</u>	147,296
Total liabilities and net assets	<u>\$ 209,451</u>	<u>\$ 173,255</u>

See accompanying note.

Lakeview Center, Inc. and Subsidiaries

Access Behavioral Health

Statements of Operations (Regulatory Basis) (Unaudited)

	Year Ended September 30	
	2017	2016
	<i>(In Thousands)</i>	
Revenue:		
Capitation revenue	\$ 32,724	\$ 30,276
Total revenue	32,724	30,276
Expenses:		
Sub-capitation expense	28,534	26,292
Taxes and insurance	19	66
Personnel	1,171	1,094
Printing/production and shipping	1	1
Other	–	526
Total expenses	29,725	27,979
Excess of revenue over expenses	\$ 2,999	\$ 2,297

See accompanying note.

Lakeview Center, Inc. and Subsidiaries

Access Behavioral Health

Note to Financial Statements (Regulatory Basis) (Unaudited)

September 30, 2017

1. Summary of Significant Accounting Policies

The Access Behavioral Health (ABH) financial statements are prepared on a regulatory basis of accounting in accordance with guidelines established by the State of Florida Office of Insurance Regulation. Significant accounting policies for ABH are the same as those described in Note 1 to the accompanying consolidated financial statements of Lakeview Center, Inc. and Subsidiaries.

Lakeview Center, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Project Title /Program Title	Grant Period	Federal CFDA Number	Grantor's Number	Program/ Award Amount	Federal Expenditures	Passed Through to Subrecipients
Federal awards						
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Direct from Substance Abuse and Mental Health Services Administration						
Project S.H.A.P.E.:						
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	9/30/15-9/29/20	93.243	1H79SP021270-02	\$ 1,194,375	\$ 276,921	\$
P.H.A.S.E. II:						
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	9/30/12-9/29/17	93.243	5H79TI024458-05	2,472,117	<u>522,039</u>	-
Total CFDA No. 93.243					798,960	-
Medicaid Cluster						
Passed through from The State of Florida Department of Children and Families (DCF)						
Community Based Care – Child Welfare:						
Medical Assistance Program	7/1/07-6/30/17	93.778	DCF – AJ481	354,842,984	77,372	-
	7/1/17-6/30/18	93.778	DCF – AJ495	47,547,959	13,099	-
Passed through from Big Bend Community Based Care (BB)						
Florida Assertive Community Treatment (FACT):						
Medical Assistance Program	7/1/16-6/30/18	93.778	BB – A0170	1,196,592	<u>271,695</u>	-
Total CFDA No. 93.778 and Medicaid Cluster					362,166	-

Lakeview Center, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

Federal Grantor/Pass-Through Grantor/Project Title /Program Title	Grant Period	Federal CFDA Number	Grantor's Number	Program/ Award Amount	Federal Expenditures	Passed Through to Subrecipients
Federal awards (continued)						
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)						
Passed through from the State of Florida Department of Children and Families (DCF)						
Community Based Care – Child Welfare:						
Promoting Safe and Stable Families	7/1/07–6/30/17	93.556	DCF – AJ481	\$	\$ 861,077	\$ 806,327
	7/1/17-6/30/18	93.556	DCF – AJ495		664,141	630,465
Grants to States for Access and Visitation Programs	7/1/07–6/30/17	93.597	DCF – AJ481		68,112	68,112
	7/1/17-6/30/18	93.597	DCF – AJ495		22,704	26,752
Chafee Education and Training Vouchers Program (ETV)	7/1/07–6/30/17	93.599	DCF – AJ481		88,655	–
	7/1/17-6/30/18	93.599	DCF – AJ495		20,454	–
Adoption Incentive Payments	7/1/07–6/30/17	93.603	DCF – AJ481		111,070	–
	7/1/17-6/30/18	93.603	DCF – AJ495		11,314	–
Child Welfare Services - State Grants	7/1/07–6/30/17	93.645	DCF – AJ481		456,596	84,189
	7/1/17-6/30/18	93.645	DCF – AJ495		295,678	19,270
Foster Care – Title IV-E	7/1/07–6/30/17	93.658	DCF – AJ481		6,987,109	814,327
	7/1/17-6/30/18	93.658	DCF – AJ495		2,251,016	294,285
Adoption Assistance	7/1/07–6/30/17	93.659	DCF – AJ481		5,223,357	72,927
	7/1/17-6/30/18	93.659	DCF – AJ495		1,944,086	14,843
Administration for Children, Youth, and Families - Child Abuse	7/1/07–6/30/17	93.669	DCF – AJ481		57,725	57,709
	7/1/17-6/30/18	93.669	DCF – AJ495		–	–
Independent Living	7/1/07–6/30/17	93.674	DCF – AJ481		187,475	–
	7/1/17-6/30/18	93.674	DCF – AJ495		48,662	–
Community Based Care – Child Welfare (Parent Café):						
Community-Based Child Abuse Prevention Grants	2/1/16–6/30/18	93.590	DCF – AJ492	371,000	118,720	103,053

Lakeview Center, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

Federal Grantor/Pass-Through Grantor/Project Title /Program Title	Grant Period	Federal CFDA Number	Grantor's Number	Program/ Award Amount	Federal Expenditures	Passed Through to Subrecipients
Federal awards (continued)						
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)						
TANF Cluster:						
Passed through from Big Bend Community Based Care (BB)						
Substance Abuse and Mental Health Managing Entity:						
Temporary Assistance for Needy Families Block Grant	7/1/16–6/30/18	93.558	BB – A0110	\$ 10,497,136	\$ 357,713	\$
Passed through from The State of Florida Department of Children and Families (DCF)						
Community Based Care – Child Welfare:						
TANF Cluster						
Temporary Assistance for Needy Families Block Grant	7/1/07–6/30/17	93.558	DCF – AJ481		3,314,515	149,585
	7/1/17–6/30/18	93.558	DCF – AJ495		912,531	67,411
Total CFDA No. 93.558 and TANF Cluster					4,584,759	216,996
Passed through from Big Bend Community Based Care (BB)						
Substance Abuse and Mental Health Managing Entity:						
Block Grants for Community Mental Health Services	7/1/16–6/30/18	93.958	BB – A0110		579,224	–
Florida Assertive Community Treatment (FACT):						
Block Grants for Community Mental Health Services	7/1/16–6/30/18	93.958	BB – A0170		143,332	–
Total CFDA No. 93.958					722,556	–

Lakeview Center, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

Federal Grantor/Pass-Through Grantor/Project Title /Program Title	Grant Period	Federal CFDA Number	Grantor's Number	Program/ Award Amount	Federal Expenditures	Passed Through to Subrecipients
Federal awards (continued)						
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)						
Passed through from the State of Florida Department of Children and Families (DCF)						
Community Based Care – Child Welfare:						
Social Services Block Grant	7/1/07–6/30/17	93.667	DCF – AJ481	\$	\$ 1,717,833	\$ 167,979
	7/1/17–6/30/18	93.667	DCF – AJ495	–	550,265	58,601
Passed through from Agencies for Persons with Disabilities						
Agencies for Persons with Disabilities						
D/S Court Liaison – Miami:						
Social Services Block Grant	7/1/15–6/30/18	93.667	APD – KCF12	746,724	243,335	–
D/S Court Liaison – Escambia:						
Social Services Block Grant	1/1/15–6/30/19	93.667	APD – ACR02	811,500	188,000	–
Total CFDA No. 93.667					2,699,433	226,580
Passed through from Big Bend Community Based Care (BB)						
Children's Mental Health Behavioral Services (BNET):						
Children's Health Insurance Program						
Title XXI - State Children's Health Insurance Program	7/1/16–6/30/18	93.767	BB – A0160	83,000	91,842	–

Lakeview Center, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

Federal Grantor/Pass-Through Grantor/Project Title /Program Title	Grant Period	Federal CFDA Number	Grantor's Number	Program/ Award Amount	Federal Expenditures	Passed Through to Subrecipients
Federal awards (continued)						
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)						
Passed through from Big Bend Community Based Care (BB)						
Substance Abuse and Mental Health Managing Entity:						
Block Grants for Prevention and Treatment of Substance Abuse Community Drug and Alcohol Council, Inc. (CDAC):	7/1/16-6/30/18	93.959	BB – A0110	\$	\$ 2,129,841	\$
Block Grants for Prevention and Treatment of Substance Abuse	7/1/17-6/30/18	93.959	LCI17-18	150,000	31,384	–
Block Grants for Prevention and Treatment of Substance Abuse	7/1/16-6/30/17	93.959	LCI16-17	200,000	115,557	–
Total CFDA No. 93.959					2,276,782	–
Substance Abuse and Mental Health Managing Entity:						
State Targeted Response to the Opioid Crisis Grants	7/1/16-6/30/18	93.788	BB – A0110	–	151,519	–
Total U.S. Department of Health and Human Services					31,105,968	3,435,835

Lakeview Center, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

Federal Grantor/Pass-Through Grantor/Project Title /Program Title	Grant Period	Federal CFDA Number	Grantor's Number	Program/ Award Amount	Federal Expenditures	Passed Through to Subrecipients
Federal awards (continued)						
U.S. DEPARTMENT OF EDUCATION						
Passed through the State of Florida Department of Labor and Employment Security						
Vocational Rehab and Supported Employment:						
Rehabilitation Services – Vocational Rehabilitation Grants to States	4/1/15–3/31/18	84.126	VR5096	R/A	\$ 640,484	\$ –
Total U.S. Department of Education					<u>640,484</u>	<u>–</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Transitional Housing:						
Continuum of Care Program	7/1/16–6/30/17	14.267	FL0142L4H111509	139,341	104,505	–
Housing First:						
Continuum of Care Program	7/1/17–6/30/18	14.267	FL0142L4H111600	118,440	29,610	–
Independent Living:						
Continuum of Care Program	7/1/17–6/30/18	14.267	FL0139L4H111609	273,341	68,334	–
Continuum of Care Program	7/1/16–6/30/17	14.267	FL0139L4H111508	273,341	205,007	–
Total CFDA No. 14.267					<u>407,456</u>	<u>–</u>
Total U.S. Department of Housing and Urban Development					<u>407,456</u>	<u>–</u>

Lakeview Center, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

Federal Grantor/Pass-Through Grantor/Project Title /Program Title	Grant Period	Federal CFDA Number	Grantor's Number	Program/ Award Amount	Federal Expenditures	Passed Through to Subrecipients
Federal awards (continued)						
U.S. DEPARTMENT OF JUSTICE						
Passed through the State of Florida Office of the Attorney General						
Victims of Crime Act Program Services (VOCA):						
Crime Victim Assistance	10/1/16-9/30/17	16.575	V084-15159	\$ 263,906	\$ 222,394	\$
Total U.S. Department of Justice					<u>222,394</u>	<u>—</u>
Total expenditures of federal awards					<u>\$32,376,302</u>	<u>\$ 3,435,835</u>

Lakeview Center, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

State Grantor/Pass-Through Grantor/Project Title /Program Title	Grant Period	State CSFA Number	Grantor's Number	Program/ Award Amount	State Expenditures	Passed Through to Subrecipients
State financial assistance						
State of Florida Department of Children and Families (DCF)						
Community Based Care – Child Welfare:						
Out-of-Home Supports	7/1/07–6/30/17	60.074	DCF – AJ481		\$ 733,015	\$ 603,333
	7/1/17-6/30/18	60.074	DCF – AJ495		50,629	142,159
In-Home Supports	7/1/07–6/30/17	60.075	DCF – AJ481		227,017	–
	7/1/17-6/30/18	60.075	DCF – AJ495		48,594	–
Independent Living Program	7/1/07–6/30/17	60.112	DCF – AJ481		213,202	–
	7/1/17-6/30/18	60.112	DCF – AJ495		63,550	–
Sexually Exploited Children	7/1/07–6/30/17	60.138	DCF – AJ481		185,203	–
	7/1/17-6/30/18	60.138	DCF – AJ495		49,254	–
Adoption Service	7/1/07–6/30/17	60.076	DCF – AJ481		10,385	–
	7/1/17-6/30/18	60.076	DCF – AJ495		3,899	–
Extended Foster Care Program	7/1/07–6/30/17	60.141	DCF – AJ481		541,296	–
	7/1/17-6/30/18	60.141	DCF – AJ495		205,108	–
Passed through from Big Bend Community Based Care (BB)						
Substance Abuse and Mental Health Managing Entity:						
SAMH - Community Services	7/1/15–6/30/17	60.153	BB – A0110		476,599	–
Total State of Florida Department of Children and Families					2,807,751	745,492

Lakeview Center, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

State Grantor/Pass-Through Grantor/Project Title /Program Title	Grant Period	State CSFA Number	Grantor's Number	Program/ Award Amount	State Expenditures	Passed Through to Subrecipients
State financial assistance (continued)						
Florida Counsel Against Sexual Violence						
Rape Crisis Trust Fund – Sexual Battery Victims’ Access to Services Act Total CFDA No. 64.061	7/1/16–6/30/18	64.061	16TFGR03	\$ 37,566	\$ 36,815	\$ –
Rape Crisis Center Total CFDA No. 64.069	7/1/16–6/30/18	64.069	16TFGR03	62,978	62,978	–
Rape Crisis Program: Florida Council Against Sexual Violence	7/1/17–6/30/18	41.010	17OAG03	12,596	3,149	
Florida Council Against Sexual Violence Total CFDA No. 41.010	7/1/16–6/30/17	41.010	16OAG03	14,003	9,447	–
Total Florida Council Against Sexual Violence					112,389	–
State Courts System						
Adult Post-Adjudicatory Drug Court Program	7/1/16–6/30/18	22.021	010074Z	695,500	641,879	
Naltrexone Program (Vivitrol)	3/30/16-3/29/18	22.022	SC00679	452,439	302,224	
Total State Courts System					944,103	–
Total expenditures of state financial assistance					\$ 3,864,243	\$ 745,492

See accompanying notes.

Lakeview Center, Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

September 30, 2017

1. Presentation and Basis of Accounting

The schedule of expenditures of federal awards and state financial assistance is prepared on the accrual basis in accordance with accounting principles generally accepted in the United States. It includes all the state and federal expenditures of Lakeview Center, Inc.

2. Contingencies

The Center has received numerous federal and state grants. The disbursement of funds received under these programs is subject to review and audit by grantor agencies. Any disbursements disallowed by these agencies could become a liability of the Center. In the opinion of management, any such claims will not have a material adverse effect of the financial position of the Center.

3. Subrecipients

In order to fulfill contractual requirements for child protective services, behavioral health services, and vocational services, the Center subcontracts with various community agencies. The Center is responsible for compliance for the funds expended, but all regulatory and contractual obligations are passed to the subrecipients in their contracts.

The Center allocates administrative costs to its programs using a step-down allocation methodology. The methodologies used allow for the allocation of indirect costs across all appropriate components of operations, and are in accordance with Florida Administrative Code 15A-10.014. The Center has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance and instead adheres to an approved federal indirect rate or approved contract indirect rate.

Other Reports and Schedules



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Report of Independent Certified Public Accountants 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*

President/Chief Executive Officer
Chief Financial Officer
The Board of Directors
Lakeview Center, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States 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 Lakeview Center, Inc. and Subsidiaries (the Center), which comprise the consolidated balance sheet as of September 30, 2017, and the related consolidated statements of operations and 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 December 21, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Ernst + Young LLP

December 21, 2017



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Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and State Financial Assistance Project and Report on Internal Control Over Compliance Required by the Uniform Guidance, Section 215.97 *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*

President/Chief Executive Officer
Chief Financial Officer
The Board of Directors
Lakeview Center, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited Lakeview Center, Inc. and Subsidiaries' (the Center) compliance with the types of compliance requirements described in the US Office of Management and Budget (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 the Center's major federal programs and state financial assistance projects for the year ended September 30, 2017. The Center's major federal programs and state financial assistance 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 financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs and state financial assistance 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; 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 for Federal Awards* (Uniform Guidance); Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General*. Those standards; the Uniform Guidance; Section 215.97, *Florida Statutes*; 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 financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Financial Assistance Project

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program and state financial assistance 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 and state financial assistance 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 and state financial assistance 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; Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Ernst + Young LLP

December 21, 2017

Lakeview Center, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP (unmodified, qualified, adverse or disclaimer): Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported
Noncompliance material to financial statements noted? Yes X No

Federal Awards and State Financial Assistance Projects

Internal control over major federal or state programs:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Type of auditor’s report issued on compliance for major programs (unmodified, qualified, adverse or disclaimer): Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a), Section 215.97, *Florida Statutes* and Chapter 10.650, *Rules of the Auditor General*? Yes X No

Lakeview Center, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs (continued)

Section I – Summary of Auditor’s Results (continued)

Identification of major programs:

CFDA Number	Name of Federal Program
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93.558	Temporary Assistance for Needy Families Block Grant
93.667	Social Services Block Grant

CSDA Number	Name of State Project
--------------------	------------------------------

22.021	Post-Adjudicatory Drug Court Program
22.022	Naltrexone Program (Vivitrol)
60.141	Extended Foster Care Program
60.153	Substance Abuse and Mental Health – Community Services

Lakeview Center, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award and State Financial Assistance Findings and Questioned Costs (continued)

Major State Financial Assistance Projects

The *Rules of the Auditor General*, Section 10.654(1)(e), require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failure to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed no matters required to be disclosed by *Rules of the Auditor General*, Section 10.654(1)(e). In accordance with Rule 10.656(3)(d)(4-5) of the Auditor General, there were no audit findings for major state financial assistance projects in the current or prior year.

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