

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

Lakeview Center, Inc. and Subsidiaries  
Years Ended September 30, 2018 and 2017  
With Report of Independent Auditors



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, 2018 and 2017

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Lakeview Center, Inc. and Subsidiaries

Consolidated Financial Statements, Other Information,  
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Years Ended September 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 on pages 47 through 54 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 28, 2018, 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 solely 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 the effectiveness of the Center's 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.

*Ernst + Young LLP*

December 28, 2018

Lakeview Center, Inc. and Subsidiaries

Consolidated Balance Sheets

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 59,639	\$ 55,463
Investments	73,675	55,429
Accounts receivable:		
Client accounts receivable, less allowance for doubtful accounts of \$136 and \$100 in 2018 and 2017, respectively	880	813
Governmental funding sources receivable	3,513	3,484
Vocational service contracts receivable	24,116	20,384
Other accounts receivable	2,085	1,036
Inventories	553	284
Prepaid expenses	1,209	1,028
Total current assets	<u>165,670</u>	<u>137,921</u>
Investments limited as to use, designated for:		
Capital improvements	31,194	29,028
Statutorily required cash designation	11,368	11,953
Regulatory requirements	3,672	2,983
Other	5,936	3,593
	<u>52,170</u>	<u>47,557</u>
Property and equipment, net	20,230	19,523
Interest in net assets of related organization	2,687	2,513
Intercompany receivable	16,501	15,407
Other assets	209	181
Total assets	<u>\$ 257,467</u>	<u>\$ 223,102</u>

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
	<i>(In Thousands)</i>	
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 10,174	\$ 13,274
Accrued liabilities	15,112	11,386
Current portion of long-term debt	38	36
Compensated absences	3,673	2,983
Total current liabilities	<u>28,997</u>	<u>27,679</u>
Long-term debt, less current portion	672	711
Total liabilities	<u>29,669</u>	<u>28,390</u>
Net assets:		
Unrestricted:		
Undesignated	173,801	145,396
Designated	52,170	47,557
Total unrestricted	<u>225,971</u>	<u>192,953</u>
Temporarily restricted	1,722	1,680
Permanently restricted	105	79
Total net assets	<u>227,798</u>	<u>194,712</u>
Total liabilities and net assets	<u>\$ 257,467</u>	<u>\$ 223,102</u>

*See accompanying notes.*

Lakeview Center, Inc. and Subsidiaries

Consolidated Statements of Operations  
and Changes in Net Assets

	Year Ended September 30	
	2018	2017
	<i>(In Thousands)</i>	
Unrestricted revenue and support:		
Federal, state, and local financial awards	\$ 70,186	\$ 68,733
Net client service fees	14,596	13,929
Provision for bad debts, net of recoveries	(290)	(1)
Net client service fees less provision for bad debts	<u>14,306</u>	<u>13,928</u>
Vocational service contracts	181,989	163,932
Contract revenue	30,316	31,873
Other fees and support	433	379
In-kind services	1,223	1,223
Management fees	595	601
Contributions	258	185
Other	<u>708</u>	<u>697</u>
Total unrestricted revenue and support	<u>300,014</u>	<u>281,551</u>
Expenses:		
Salaries and wages	103,056	94,720
Fringe benefits	32,521	30,537
Building occupancy	5,533	5,358
Professional fees	12,429	12,059
Contract medical services	16,132	19,799
Travel	2,792	2,613
Equipment costs	2,503	1,599
Food services	2,861	1,832
Medical/pharmacy services	5,580	4,460
Subcontracted services	57,789	51,497
Subsidy payments	20,260	19,420
Personal welfare	1,728	1,866
Insurance	1,048	669
Interest	71	71
Donated items	1,123	1,123
Depreciation	2,431	2,596
Other operating expenses	<u>4,448</u>	<u>4,190</u>
Total expenses	<u>272,305</u>	<u>254,409</u>
Income from operations	<u>27,709</u>	<u>27,142</u>
Nonoperating gains:		
Investment income	3,683	3,513
Allocated share of Pool's net unrealized gains on trading securities	<u>1,521</u>	<u>2,593</u>
Total nonoperating gains	<u>5,204</u>	<u>6,106</u>
Excess of unrestricted revenue, support, and gains over expenses and losses	<u>32,913</u>	<u>33,248</u>

Lakeview Center, Inc. and Subsidiaries

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

	<b>Year Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
	<i>(In Thousands)</i>	
Unrestricted net assets:		
Excess of unrestricted revenue, support, and gains over expenses and losses	\$ 32,913	\$ 33,248
Change in interest in net assets of recipient organization	105	81
Change in unrestricted net assets	<u>33,018</u>	<u>33,329</u>
Temporarily restricted net assets:		
Change in interest in net assets of recipient organization	42	205
Change in temporarily restricted net assets	<u>42</u>	<u>205</u>
Permanently restricted net assets:		
Change in interest in net assets of recipient organization	26	7
Change in permanently restricted net assets	<u>26</u>	<u>7</u>
Change in net assets	33,086	33,541
Net assets at beginning of year	194,712	161,171
Net assets at end of year	<u>\$ 227,798</u>	<u>\$ 194,712</u>

*See accompanying notes.*

Lakeview Center, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	<b>Year Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
Change in net assets	\$ 33,086	\$ 33,541
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,431	2,596
Provision for bad debts, net of recoveries	290	1
(Gain) on sale and retirement of property and equipment	(21)	(28)
Allocated share of Pool's net unrealized gains on trading securities	(1,521)	(2,593)
Change in interest in net assets of related organization	(173)	(293)
Changes in operating assets and liabilities:		
Client accounts receivable	(357)	88
Governmental funding sources receivable	(29)	(1,095)
Vocational service contracts receivable	(3,732)	(6,808)
Other accounts receivable	(1,049)	(101)
Inventories	(269)	(12)
Prepaid expenses	(181)	(89)
Other assets	(28)	3
Accounts payable	(3,100)	1,127
Accrued liabilities	3,726	(541)
Compensated absences	690	637
Net cash provided by operating activities	<u>29,763</u>	<u>26,433</u>
<b>Investing activities</b>		
Purchases of property and equipment	(3,117)	(1,748)
Purchases of investments	(45,860)	(40,332)
Sales of investments	24,522	18,320
Net cash used in investing activities	<u>(24,455)</u>	<u>(23,760)</u>

Lakeview Center, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	<b>Year Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
	<i>(In Thousands)</i>	
<b>Financing activities</b>		
Repayments of long-term debt	\$ (37)	\$ (32)
Net repayments to affiliated organization	(1,095)	(1,767)
Net cash used in financing activities	<u>(1,132)</u>	<u>(1,799)</u>
Net change in cash and cash equivalents	4,176	873
Cash and cash equivalents at beginning of year	\$ 55,463	54,590
Cash and cash equivalents at end of year	<u>\$ 59,639</u>	<u>\$ 55,463</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ 71</u>	<u>\$ 71</u>

*See accompanying notes.*

## Lakeview Center, Inc. and Subsidiaries

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

September 30, 2018

#### **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 and earnings on investments.

## 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 62% and 60% of self-pay accounts receivable as of September 30, 2018 and 2017, 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**

Inventories (primarily pharmaceutical and food) are stated at the lower of cost (average cost method) or net realizable value 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 \$4,860 and \$4,505 for the years ended September 30, 2018 and 2017, 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 \$30,316 and \$31,873 was recognized as revenue under the MMA Plan during the years ended September 30, 2018 and 2017, 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, 2018 and 2017.

## 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, 2018 or 2017.

As a result of the recent federal income tax reform enacted into law under the Tax Cuts and Jobs Act of 2017, certain provisions will impact tax-exempt organizations, including revisions to taxes on unrelated business activities, excise taxes on compensation of certain employees, and various other provisions. The regulations necessary to implement the law have not yet been promulgated, and the ultimate outcome of these regulations and the impact to the Center cannot be determined presently. The Center will continue to review and assess the impact of the legislation to the financial statements, but do not expect that the impact will be material.

##### **Recent Accounting Pronouncements**

In August 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans* (ASU 2018-14). The amendments in ASU 2018-14 modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. ASU 2018-14 is effective for fiscal years ending after December 15, 2020. Management is currently evaluating the impact of ASU 2018-14 on BHCC'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 June 2018, the FASB issued ASU No. 2018-08, *Not-Profit Entities* (ASU 2018-08). The amendments in ASU 2018-08 clarify accounting guidance for contributions received and contributions made. The amendments will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions, and (2) determining whether a contribution is conditional. For contributions received, ASU 2018-08 is effective for annual periods beginning after June 15, 2018, and interim periods within those annual periods. For contributions made, ASU 2018-08 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Management is currently evaluating the impact of ASU 2018-08 on the Hospital's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation-Retirement Benefits* (ASU 2017-07). The amendments in ASU 2017-07 require that an employer report the service cost component of the net periodic benefit cost in the same line item as other employee compensation costs. The other components of net benefit cost will be required to be presented in the income statement separately from the service cost component and outside of any subtotal of operating income (i.e., in non-operating income). ASU 2017-07 is effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2017-05 on BHCC's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of 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 BHCC'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 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. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, which affects narrow aspects of the guidance issued in ASU 2016-02. The FASB also issued ASU 2018-11, *Targeted Improvements*, which provides entities with an additional transition method to adopt the leases standard, and provides lessors with a practical expedient to not separate nonlease components from the associated lease. ASU 2016-02, 2018-10 and 2018-11 are 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, 2018-10, and 2018-11 on BHCC's consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). The FASB codified ASU 2014-09 in the FASB Accounting Standards Codification (ASC) as topic 606 (ASC 606). The standard outlines a single comprehensive revenue recognition principles-based model that replaces most of the existing revenue recognition guidance, including industry-specific guidance. The standard will be effective for LCI effective in fiscal year 2019. Management is continuing to evaluate the effects the adoption of this standard will have on the financial statements and disclosures. The standard will change the presentation of revenue related to uninsured or underinsured patients, which is a significant portion of the allowance for doubtful accounts. After adopting this standard, these amounts will be recognized as a direct reduction to revenue in the form of a price concession compared to the current presentation as a separate line item reducing patient service revenue.

Lakeview Center, Inc. and Subsidiaries

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

**2. Cash and Investments**

The composition of cash, investments, and investments limited to use is as follows:

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
Interest in the Pool	\$ 91,431	\$ 69,083
Cash and cash equivalents	59,639	55,463
U.S. corporate obligations	13,170	10,276
U.S. Treasury and government agencies obligations	17,378	8,542
Other	3,866	15,085
	<b>\$ 185,484</b>	<b>\$ 158,449</b>

The investments included in the Pool comprised the following:

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
Equity securities and mutual funds that invest in equity securities	23%	25%
Mutual funds that invest in fixed-income securities	27	24
Alternative investments	18	17
Cash and cash equivalents	2	1
U.S. Treasury and government agencies obligations	5	7
U.S. corporate obligations	21	23
Mortgages and other asset-backed securities	4	3
	<b>100%</b>	<b>100%</b>

Lakeview Center, Inc. and Subsidiaries

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

**2. Cash and Investments (continued)**

Investment income comprised the following:

	<b>Year Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
Excess of unrestricted revenue, support, and gains over expenses and losses:		
Investment return included in nonoperating gains:		
Interest and dividend income	\$ 789	\$ 537
Allocated share of Pool's:		
Investment income	1,605	1,265
Realized gains (losses) on sales of securities	1,289	1,711
Net unrealized gains on trading securities	1,521	2,593
	<u>\$ 5,204</u>	<u>\$ 6,106</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:

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
Medicaid and Medicare	33%	39%
Other third-party payors	58	46
Client payments	9	15
	<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:

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
Buildings and improvements	\$ 26,704	\$ 26,138
Furniture and equipment	20,286	19,316
Land	2,461	2,461
Construction-in-progress	2,958	1,583
	<u>52,409</u>	<u>49,498</u>
Less accumulated depreciation	(32,179)	(29,975)
	<u>\$ 20,230</u>	<u>\$ 19,523</u>

**5. Long-Term Debt**

Long-term debt consists of the following:

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
Note payable to HUD, interest at 9.0%, monthly payments of \$5,000 including interest, secured by real property, maturing May 2032	\$ 482	\$ 501
Note payable to HUD, interest at 8.375%, monthly payments of \$2,000 including interest, secured by real property, maturing March 2032	187	194
Note payable to HUD, interest at 9.25%, monthly payments of \$1,000 including interest, secured by real property, maturing October 2021	41	52
	<u>710</u>	<u>747</u>
Less current portion	(38)	(36)
	<u>\$ 672</u>	<u>\$ 711</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:	
2019	\$ 38
2020	43
2021	46
2022	35
2023	38
Thereafter	510
	<u>\$ 710</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 \$131,374 at September 30, 2018. 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	
	2018	2017
Third-party payors, net of contractual allowances	\$ 11,169	\$ 10,350
Self-pay clients, net of deductions	3,427	3,579
	<u>\$ 14,596</u>	<u>\$ 13,929</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 19% and 24% of the Center's net client service fees for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, 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 2019. Minimum future lease payments for operating leases having remaining terms in excess of one year as of September 30, 2018, are as follows:

2019	\$	982
2020		928
2021		574
2022		119
Thereafter		—
		<u>\$2,603</u>

Rent expense for the years ended September 30, 2018 and 2017, amounted to \$1,617 and \$1,582, 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, 2018 and 2017, amounted to \$2,284 and \$2,142, 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, 2018 and 2017, the Center received \$521 and \$526, 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 \$16,501 and \$15,407 at September 30, 2018 and 2017, respectively.

Additionally, the Center received \$75 in management fees from Baptist for the years ended September 30, 2018 and 2017, \$5,057 and \$3,807 for services rendered and \$203 and \$154 in interest payments for the years ended September 30, 2018 and 2017, respectively, and paid \$1,921 and \$1,749 in management fees and other support services provided by BHCC for the years ended September 30, 2018 and 2017, respectively.

#### **12. Restricted Net Assets**

Temporarily restricted net assets as of September 30, 2018 and 2017, were \$1,722 and \$1,680, 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 \$105 and \$79 as of September 30, 2018 and 2017, 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, 2018; 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 Access Behavioral Health (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 October 30, 2018 (subsequently extended to October 30, 2019) and January 31, 2020, in the amount of \$15,000 and \$10,000, on which borrowings bear interest at LIBOR plus 1.30% to LIBOR plus 1.50%. The Combined Group has three available line of credit arrangements through May 29, 2019, July 31, 2019, and October 30, 2019, in the amount of \$12,500, \$5,000, and \$5,000, on which borrowings bear interest ranging from LIBOR plus 1.40% to LIBOR plus 1.50%. The Andrews Institute Ambulatory Surgery Center has available a line of credit arrangement through March 31, 2020 in the amount of \$1,500, on which borrowings bear interest at LIBOR plus 3.15%. Interest rates ranged from 3.40% to 3.81% at September 30, 2018, and 2.64% to 2.74% at September 30, 2017. At September 30, 2018 and 2017, amounts outstanding under these line of credit arrangements were \$47,500 and \$22,333, respectively. The Center, as a member of the Combined Group, is a guarantor under these lines of credit, but as of September 30, 2018 and 2017, 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, results of operations, or cash flows 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, 2018.

#### 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, 2018, was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 59,639	\$ –	\$ –	\$ 59,639
Investments limited as to use:				
U.S. corporate obligations	–	13,170	–	13,170
U.S. Treasury obligations	11,477	–	–	11,477
U.S. government agencies and sponsored entities	–	5,902	–	5,902
Other	75	3,790	–	3,865
Total investments limited as to use	<u>11,552</u>	<u>22,862</u>	–	<u>34,414</u>
	<u>\$ 71,191</u>	<u>\$ 22,862</u>	<u>\$ –</u>	<u>\$ 94,053</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, 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>

The fair value of the financial assets of the Pool measured at fair value on a recurring basis comprised the following at September 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	<b>2%</b>	<b>—%</b>	<b>—%</b>	<b>2%</b>
U.S. corporate obligations	<b>—</b>	<b>21</b>	<b>—</b>	<b>21</b>
U.S. government agencies and sponsored entities	<b>—</b>	<b>5</b>	<b>—</b>	<b>5</b>
Collateralized debt obligations	<b>—</b>	<b>4</b>	<b>—</b>	<b>4</b>
Domestic equities	<b>27</b>	<b>—</b>	<b>—</b>	<b>27</b>
Foreign equities	<b>23</b>	<b>—</b>	<b>—</b>	<b>23</b>
Other	<b>—</b>	<b>18</b>	<b>—</b>	<b>18</b>
	<u><b>52%</b></u>	<u><b>48%</b></u>	<u><b>—%</b></u>	<u><b>100%</b></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, 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>

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

	<u>September 30</u>	
	<u>2018</u>	<u>2017</u>
Investments, at fair value	\$ –	\$ –
Interest in the Pool	<u>73,675</u>	<u>55,429</u>
Total investments	<u>\$ 73,675</u>	<u>\$ 55,429</u>
Investments limited as to use, at fair value	\$ 34,414	\$ 33,903
Interest in the Pool	<u>17,756</u>	<u>13,654</u>
Total investments limited as to use	<u>\$ 52,170</u>	<u>\$ 47,557</u>

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.

	<b>As of and for the Year Ended September 30, 2018</b>		
	<b>CMHC</b>		
	<b>Hernandez House, Inc.</b>	<b>Lakeview Villa, Inc.</b>	<b>Lakeview Place, Inc.</b>
Total assets	<u>\$ 209</u>	<u>\$ 341</u>	<u>\$ 228</u>
Total liabilities	\$ 246	\$ 513	\$ 319
Unrestricted, undesignated net deficit	(37)	(172)	(91)
Designated net assets	—	—	—
Total net deficit	<u>(37)</u>	<u>(172)</u>	<u>(91)</u>
Total liabilities and net deficit	<u>\$ 209</u>	<u>\$ 341</u>	<u>\$ 228</u>
Total revenue and support	\$ 42	\$ 145	\$ 86
Total expenses	(42)	(142)	(82)
Change in net deficit	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ 4</u>

Lakeview Center, Inc. and Subsidiaries

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

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

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

**16. Subsequent Events**

The Center evaluated events and transactions occurring subsequent to September 30, 2018, and through, December 28, 2018, 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, 2018

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	\$ 190,079	\$ 1,651,329	\$ 421,755	\$ 405,996	\$ 2,030,160	\$ 297,437	\$ 329,203	\$ 322,934	\$ 27,399	\$ -	\$ 5,676,292	\$ 188,128	\$ 88,754	\$ 159,983	\$ 15,311
(2) Contract # A0160 - BNET	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Contract # A0170 - FACT	-	-	-	-	-	-	-	-	-	1,210,725	1,210,725	-	-	-	-
(4) Contract # A0160 - FITT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Contract # A0160 - CAT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total State SAMH funding	190,079	1,651,329	421,755	405,996	2,030,160	297,437	329,203	322,934	27,399	1,210,725	6,887,017	188,128	88,754	159,983	15,311
IB. Other Govt. funding:															
(1) Other State Agency Funding	11,105	-	-	-	8,577	2,788	-	-	-	-	22,470	827	-	-	-
(2) Medicaid	62,348	182,766	33,456	214,928	1,515,222	556,170	-	27,509	-	240	2,592,639	633,272	18	119,708	103,631
(3) Local Government	32,581	142,096	48,123	-	185,441	511,537	-	42,240	-	-	962,018	565,497	-	13,126	-
(4) Federal Grants and Contracts	12,738	-	-	-	6,900	258,859	-	-	-	-	278,497	-	-	549	-
(5) In-kind from local govt. only	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other Govt. funding	118,772	324,862	81,579	214,928	1,716,140	1,329,354	-	69,749	-	240	3,855,624	1,199,596	18	133,383	103,631
IC. All other revenues:															
(1) 1st and 2nd Party payments	4,832	30,825	3,611	86,083	940,769	188,723	-	120,283	-	297	1,375,423	46,869	327	73,491	4,886
(2) 3rd Party payments (except Medicare)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	88,000	10,000	-	-	-	-	98,000	-	-	7,000	-
(5) Other	205	257	-	-	5,594	58,732	-	119	-	-	64,907	54	-	445	7
(6) In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total all other revenues	5,037	31,082	3,611	86,083	1,034,363	257,455	-	120,402	-	297	1,538,330	46,923	327	80,936	4,893
Total funding	\$ 313,888	\$ 2,007,273	\$ 506,945	\$ 707,007	\$ 4,780,663	\$ 1,884,246	\$ 329,203	\$ 513,085	\$ 27,399	\$ 1,211,262	\$ 12,280,971	\$ 1,434,647	\$ 89,099	\$ 374,302	\$ 123,835

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 B2-e	24 B2-f	28 B2-g	35 B2-h	(B2-a+...+B2-h) C2	2 B3-a	3 B3-b	4 B3-c	8 B3-d	12 B3-e	14 B3-f	14 B3-g	(B3-a+...+B3-g) C3	
IA. State SAMH funding:													
(1) Contract # A0110 - SAMH	\$ 1,720,488	\$ 774,602	\$ 29,227	\$ 17,888	\$ 2,994,381	\$ 214,538	\$ 132,309	\$ 134,962	\$ 236,063	\$ 114,274	\$ 168,404	\$ -	\$ 1,000,550
(2) Contract # A0160 - BNET	-	-	-	-	-	-	-	-	-	-	-	194,154	194,154
(3) Contract # A0170 - FACT	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Contract # A0160 - FITT	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Contract # A0160 - CAT	-	-	-	-	-	720,896	-	-	-	-	-	-	720,896
Total State SAMH funding	1,720,488	774,602	29,227	17,888	2,994,381	935,434	132,309	134,962	236,063	114,274	168,404	194,154	1,915,600
IB. Other Govt. funding:													
(1) Other State Agency Funding	3,150	-	-	146	4,123	-	-	-	37,329	-	-	-	37,329
(2) Medicaid	1,044	242,272	466,120	8,123	1,574,188	227,749	385,800	10,706	306,221	85,506	122,081	18	1,138,081
(3) Local Government	-	188,360	-	99,791	866,774	1,925	36,549	15,399	1,219,346	9,376	-	-	1,282,595
(4) Federal Grants and Contracts	-	-	-	-	549	-	-	-	-	392	-	-	392
(5) In-kind from local govt. only	-	-	-	-	-	-	-	-	769,899	-	-	-	769,899
Total other Govt. funding	4,194	430,632	466,120	108,060	2,445,634	229,674	422,349	26,105	2,332,795	95,274	122,081	18	3,228,296
IC. All other revenues:													
(1) 1st and 2nd Party payments	4,817	40,861	754,463	3,387	929,101	42,869	(11)	1,156	45,055	52,494	31,387	478	173,428
(2) 3rd Party payments (except Medicare)	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	7,000	-	-	-	200	5,000	-	-	5,200
(5) Other	4,105	340	-	2	4,953	128	-	-	11,457	318	-	(4,938)	6,965
(6) In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-
Total all other revenues	8,922	41,201	754,463	3,389	941,054	42,997	(11)	1,156	56,712	57,812	31,387	(4,460)	185,593
Total funding	\$ 1,733,604	\$ 1,246,435	\$ 1,249,810	\$ 129,337	\$ 6,381,069	\$ 1,208,105	\$ 554,647	\$ 162,223	\$ 2,625,570	\$ 267,360	\$ 321,872	\$ 189,712	\$ 5,329,489

SAMH Covered Services												
State Funded												
Children's Substance Abuse												
Funding Sources and Revenues	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	Total Funding
A	2 B4-a	4 B4-b	11 B4-c	14 B4-d	19 B4-e	27 B4-f	(B4-a+...+B4-f) C4	(C1+...+C4) D	E	(D+E) F	G	(F+G) H
IA. State SAMH funding:												
(1) Contract # A0110 - SAMH	\$ 30,297	\$ 5,623	\$ 212,642	\$ 45,931	\$ 1,007,502	\$ 67,150	\$ 1,369,145	\$ 11,040,368	\$ -	\$ 11,040,368	\$ -	\$ 11,040,368
(2) Contract # A0160 - BNET	-	-	-	-	-	-	-	194,154	-	194,154	-	194,154
(3) Contract # A0170 - FACT	-	-	-	-	-	-	-	1,210,725	-	1,210,725	-	1,210,725
(4) Contract # A0160 - FITT	685,000	-	-	-	-	-	685,000	685,000	-	685,000	-	685,000
(5) Contract # A0160 - CAT	-	-	-	-	-	-	-	720,896	-	720,896	-	720,896
Total State SAMH funding	715,297	5,623	212,642	45,931	1,007,502	67,150	2,054,145	13,851,143	-	13,851,143	-	13,851,143
IB. Other Govt. funding:												
(1) Other State Agency Funding	22,064	-	-	-	-	-	22,064	85,986	3,114,680	3,200,666	50,532,631	53,733,297
(2) Medicaid	8,347	446	4,201	26,416	6,882	1,326	47,618	5,352,526	13,520,198	18,872,724	12,001,266	30,873,990
(3) Local Government	-	642	-	99,844	-	-	100,486	3,211,873	725,429	3,937,302	5,829,065	9,766,367
(4) Federal Grants and Contracts	-	-	-	-	-	-	-	279,438	820,983	1,100,421	172,620,801	173,721,222
(5) In-kind from local govt. only	-	-	-	-	109,000	-	109,000	878,899	177,015	1,055,914	301,240	1,357,154
Total other Govt. funding	30,411	1,088	4,201	126,260	115,882	1,326	279,168	9,808,722	18,358,305	28,167,027	241,285,003	269,452,030
IC. All other revenues:												
(1) 1st and 2nd Party payments	(4,457)	48	1,035	6,938	198	328	4,090	2,482,042	10,630,776	13,112,818	1,052,966	14,165,784
(2) 3rd Party payments (except Medicare)	-	-	-	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	-	-	-	110,200	2,700	112,900	134,431	247,331
(5) Other	-	-	24	-	-	8	32	76,857	533,541	610,398	8,354,135	8,964,533
(6) In-kind	-	-	-	-	-	-	-	-	-	-	-	-
Total all other revenues	(4,457)	48	1,059	6,938	198	336	4,122	2,669,099	11,167,017	13,836,116	9,541,532	23,377,648
Total funding	\$ 741,251	\$ 6,759	\$ 217,902	\$ 179,129	\$ 1,123,582	\$ 68,812	\$ 2,337,435	\$ 26,328,964	\$ 29,525,322	\$ 55,854,286	\$ 250,826,535	\$ 306,680,821

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	Day/Night	Intervention HIV	Medical Services (No TANF)	Outpatient- Individual
	2 B1-a	3 B1-b	4 B1-c	8 B1-d	12 B1-e	14 B1-f	19 B1-g	20 B1-h	28 B1-i	28 B1-j	(B1-a+...+B1-i) C1	6 B2-a	11 B2-b	12 B2-c	14 B2-d
IIA. Personnel expenses:															
(1) Salaries	\$ 425,274	\$ 908,414	\$ 464,986	\$ 481,453	\$ 3,038,903	\$ 1,216,075	\$ -	\$ 596,196	\$ -	\$ 620,372	\$ 7,751,673	\$ 483,245	\$ 65,115	\$ 229,594	\$ 26,532
(2) Fringe benefits	136,417	204,219	128,791	140,146	421,595	359,129	-	211,828	-	155,097	1,757,222	128,426	9,151	29,941	10,110
Total personal expenses	561,691	1,112,633	593,777	621,599	3,460,498	1,575,204	-	808,024	-	775,469	9,508,895	611,671	74,266	259,535	36,642
IIB. Other expenses:															
(1) Building occupancy	47,990	116,347	13,627	16,886	90,547	444,258	-	197,040	-	30,190	956,885	161,792	-	6,412	11,407
(2) Professional services	138	-	-	-	2,165	900	-	-	-	-	3,203	-	-	172	-
(3) Travel	12,370	11,239	2,161	22,307	15,288	52,617	-	10,922	-	35,181	162,085	5,985	-	853	87
(4) Equipment	4,007	3,509	2,880	253	38,372	2,072	-	379	-	4,226	55,698	927	-	2,967	-
(5) Food services	1,227	75,086	-	1,524	1,342	3,915	-	189,410	-	927	273,431	101,471	-	94	17,829
(6) Medical and pharmacy	1,049	35,636	62	1,372	9,319	6,513	-	10,559	-	749	65,259	51,279	-	603	379
(7) Subcontracted services	-	1,496,521	353	-	19,449	292,311	-	-	-	-	1,808,634	20,804	-	1,547	3,671
(8) Insurance	8,054	10,444	4,806	6,873	14,896	24,782	-	15,921	-	8,567	94,343	12,274	-	1,000	983
(9) Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(10) Operating supplies and expenses	105,403	31,707	3,475	15,330	125,674	67,233	-	23,632	-	212,345	584,799	15,672	-	9,811	832
(11) Other-bad debt	349	(6,482)	265	-	(55,765)	(3,817)	-	(5,050)	-	172	(70,328)	(3,631)	215	(4,607)	(691)
(12) Donated items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other expenses	180,587	1,774,007	27,629	64,545	261,287	890,784	-	442,813	-	292,357	3,934,009	366,573	215	18,852	34,497
Total personnel and other expenses	742,278	2,886,640	621,406	686,144	3,721,785	2,465,988	-	1,250,837	-	1,067,826	13,442,904	978,244	74,481	278,387	71,139
IIC. Distributed indirect costs:															
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Administration	56,514	50,932	149,771	56,133	651,570	304,964	-	100,971	-	35,890	1,406,745	78,127	42,290	49,476	7,712
Total distributed indirect costs	56,514	50,932	149,771	56,133	651,570	304,964	-	100,971	-	35,890	1,406,745	78,127	42,290	49,476	7,712
Total actual oper. expenses	798,792	2,937,572	771,177	742,277	4,373,355	2,770,952	-	1,351,808	-	1,103,716	14,849,649	1,056,371	116,771	327,863	78,851
IID. Unallowable costs															
	(138,766)	(74,169)	21	(3,248)	(12,585)	(42,645)	-	(190,794)	-	(2,168)	(464,354)	(102,922)	-	(965)	(17,939)
Total allowable oper. expenses	\$ 660,026	\$ 2,863,403	\$ 771,198	\$ 739,029	\$ 4,360,770	\$ 2,728,307	\$ -	\$ 1,161,014	\$ -	\$ 1,101,548	\$ 14,385,295	\$ 953,449	\$ 116,771	\$ 326,898	\$ 60,912
IIE. Capital expenditures															
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SAMH Covered Services													
State Funded													
Children's Mental Health													
Expense Categories	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
A	19 B2-e	24 B2-f	28 B2-g	35 B2-h	(B2-a+...+B2-h) C2	2 B3-a	3 B3-b	4 B3-c	8 B3-d	12 B3-e	14 B3-f	14 B3-g	(B3-a+...+B3-g) C3
IIA. Personnel expenses:													
(1) Salaries	\$ 397,480	\$ 1,204,177	\$ 609,538	\$ 58,746	\$ 3,074,427	\$ 912,387	\$ -	\$ 148,796	\$ 1,186,713	\$ 163,996	\$ 214,649	\$ 86,859	\$ 2,713,400
(2) Fringe benefits	96,246	270,709	146,945	12,553	704,081	287,690	-	41,213	320,660	21,386	49,750	18,076	738,775
Total personal expenses	493,726	1,474,886	756,483	71,299	3,778,508	1,200,077	-	190,009	1,507,373	185,382	264,399	104,935	3,452,175
IIB. Other expenses:													
(1) Building occupancy	95,887	154,227	106,433	17,145	553,303	65,292	-	4,361	364,018	4,580	18,423	171	456,845
(2) Professional services	-	-	1,693	-	1,865	-	168,858	-	-	123	-	-	168,981
(3) Travel	2,185	14,898	4,148	969	29,125	25,828	-	691	15,568	610	681	577	43,955
(4) Equipment	-	4,652	8,083	164	16,793	5,769	-	922	495	2,119	90	-	9,395
(5) Food services	142,128	99,533	1,201	77	362,333	2,987	-	-	1,517	67	489	-	5,060
(6) Medical and pharmacy	8,730	47,239	47,497	8,670	164,397	154	-	20	-	430	-	9,503	10,107
(7) Subcontracted services	-	575,975	12,095	-	614,092	-	132,309	113	302,046	1,105	1,161	4,104	440,838
(8) Insurance	8,585	13,844	7,582	1,183	45,451	16,910	-	1,538	25,468	714	3,067	615	48,312
(9) Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	-
(10) Operating supplies and expenses	9,475	42,030	15,292	1,933	95,045	82,708	-	1,112	32,494	7,008	7,976	5,294	136,592
(11) Other-bad debt	298	(8,592)	18,840	50	1,882	-	-	85	889	(3,291)	(1,530)	-	(3,847)
(12) Donated items	-	-	-	-	-	-	-	-	769,899	-	-	-	769,899
Total other expenses	267,288	943,806	222,864	30,191	1,884,286	199,648	301,167	8,842	1,512,394	13,465	30,357	20,264	2,086,137
Total personnel and other expenses	761,014	2,418,692	979,347	101,490	5,662,794	1,399,725	301,167	198,851	3,019,767	198,847	294,756	125,199	5,538,312
IIC. Distributed indirect costs:													
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Administration	83,709	67,515	50,770	6,075	385,674	219,967	-	47,928	125,269	35,340	58,951	4,186	491,641
Total distributed indirect costs	83,709	67,515	50,770	6,075	385,674	219,967	-	47,928	125,269	35,340	58,951	4,186	491,641
Total actual oper. expenses	844,723	2,486,207	1,030,117	107,565	6,048,468	1,619,692	301,167	246,779	3,145,036	234,187	353,707	129,385	6,029,953
IID. Unallowable costs													
Total allowable oper. expenses	(143,438)	(98,318)	(964)	(224)	(364,770)	(2,728)	-	7	(883,826)	(689)	(631)	(128)	(887,995)
	\$ 701,285	\$ 2,387,889	\$ 1,029,153	\$ 107,341	\$ 5,683,698	\$ 1,616,964	\$ 301,167	\$ 246,786	\$ 2,261,210	\$ 233,498	\$ 353,076	\$ 129,257	\$ 5,141,958
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	(D+E)	G	H	I	(F+G+H+I*)
	B4-a	B4-b	B4-c	B4-d	B4-e	B4-f	C4	D		F				J
IIA. Personnel expenses:														
(1) Salaries	\$ 334,878	\$ 6,200	\$ 146,495	\$ 103,848	\$ 405,988	\$ 46,262	\$ 1,043,671	\$ 14,583,171	\$ 8,909,522	\$ 23,492,693	\$ 72,982,520	\$ -	\$ 6,822,199	\$ 103,297,412
(2) Fringe benefits	91,427	1,717	32,082	16,727	110,441	10,131	262,525	3,462,603	2,050,249	5,512,852	25,422,793	-	1,603,407	32,539,052
Total personal expenses	426,305	7,917	178,577	120,575	516,429	56,393	1,306,196	18,045,774	10,959,771	29,005,545	98,405,313	-	8,425,606	135,836,464
IIB. Other expenses:														
(1) Building occupancy	41,613	182	15,056	3,204	98,662	4,755	163,472	2,130,505	1,389,023	3,519,528	4,392,554	-	1,035,179	8,947,261
(2) Professional services	478	-	-	-	-	-	478	174,527	2,653,062	2,827,589	5,928,025	-	977,611	9,733,225
(3) Travel	39,878	29	764	575	3,384	241	44,871	280,036	242,840	522,876	2,105,864	-	104,762	2,733,502
(4) Equipment	1,700	38	-	272	244	-	2,254	84,140	362,407	446,547	1,026,402	-	797,557	2,270,506
(5) Food services	280	-	47	187	88,406	15	88,935	729,759	323,049	1,052,808	1,739,241	-	13,368	2,805,417
(6) Medical and pharmacy	1,213	1	-	-	914	-	2,128	241,891	4,682,979	4,924,870	221,686	-	60,215	5,206,771
(7) Subcontracted services	1,080	5	-	189	-	-	1,274	2,864,838	3,787,951	6,652,789	93,132,288	-	-	99,785,077
(8) Insurance	3,898	64	2,141	1,128	10,065	676	17,972	206,078	140,587	346,665	679,424	-	21,205	1,047,294
(9) Interest paid	-	-	-	-	-	-	-	-	-	-	271,071	-	-	271,071
(10) Operating supplies and expenses	86,082	46	2,025	2,180	11,241	639	102,213	918,649	580,345	1,498,994	3,502,775	-	1,078,271	6,080,040
(11) Other-bad debt	(1,698)	4	(9)	(272)	-	(3)	(1,978)	(74,271)	73,341	(930)	97,133	-	-	96,203
(12) Donated items	-	-	-	-	109,000	-	109,000	878,899	77,019	955,918	301,240	-	-	1,257,158
Total other expenses	174,524	369	20,024	7,463	321,916	6,323	530,619	8,435,051	14,312,603	22,747,654	113,397,703	-	4,088,168	140,233,525
Total personnel and other expenses	600,829	8,286	198,601	128,038	838,345	62,716	1,836,815	26,480,825	25,272,374	51,753,199	211,803,016	-	12,513,774	276,069,989
IIC. Distributed indirect costs:														
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Administration	28,442	1,997	12,608	18,006	57,650	3,981	122,684	2,406,744	2,438,089	4,844,833	7,668,943	-	(12,513,776)	-
Total distributed indirect costs	28,442	1,997	12,608	18,006	57,650	3,981	122,684	2,406,744	2,438,089	4,844,833	7,668,943	-	(12,513,776)	-
Total actual oper. expenses	629,271	10,283	211,209	146,044	895,995	66,697	1,959,499	28,887,569	27,710,463	56,598,032	219,471,959	-	(2)	276,069,989
IID. Unallowable costs														
	1,855	-	(229)	(571)	(88,490)	(72)	(87,507)	(1,804,626)	570,535	(1,234,091)	(2,782,038)	-	-	(4,016,129)
Total allowable oper. expenses	\$ 631,126	\$ 10,283	\$ 210,980	\$ 145,473	\$ 807,505	\$ 66,625	\$ 1,871,992	\$ 27,082,943	\$ 28,280,998	\$ 55,363,941	\$ 216,689,921	\$ -	\$ (2)	\$ 272,053,860
IIE. Capital expenditures														
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Lakeview Center, Inc. and Subsidiaries

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

June 30, 2018

**1. Summary of Significant Accounting Policies**

The accompanying 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, 2018

1. Total expenditures	\$ 276,070
2. Less other state and federal funds	(258,328)
3. Less non-match SAMH funds	(5,790)
4. Less unallowable costs per 65E-14, F.A.C.	(4,016)
5. Total allowable expenditures (sum lines 1, 2, 3 and 4)	<u>7,936</u>
6. Maximum available earnings (line 5 times 75%)	5,952
7. Amount of state funds requiring match	<u>3,792</u>
8. Amount due to department (subtract line 7 from line 6)	<u><u>\$ 2,160</u></u>

*See accompanying note.*

Lakeview Center, Inc. and Subsidiaries

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

June 30, 2018

**1. Summary of Significant Accounting Policies**

The accompanying 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, 2018

	<b>Related Passed Through to Subrecipient</b>
Revenues from grantee:	
Rent	\$ 2,205,144
Services	
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	\$ 1,668,898
24	536,246
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, 2018

**1. Summary of Significant Accounting Policies**

The accompanying 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, 2018

<b>Program</b>	<b>Covered Service</b>	<b>Contracted Rate</b>	<b>Total Units of Service Provided</b>	<b>Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies</b>	<b>Passed</b>	<b>Amount Paid for Services by the Department</b>	<b>Maximum \$ Value of Units in Column</b>	<b>Amount Owed to Department</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H=FxC</b>	<b>&gt; of G-H or \$0</b>
Children's MH	Crisis stabilization unit	\$ 328.47	1,239	–	1,239	\$ 118,705	\$ 406,974	\$ –
Adult MH	Crisis stabilization unit	328.47	7,878	998	6,880	1,541,835	2,259,874	–
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	3,241	90	3,151	434,799	1,187,580	–
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, 2018

**1. Summary of Significant Accounting Policies**

The accompanying 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

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets:		
Cash	\$	\$ –
Other accounts receivable	7,305	–
Property and equipment, less accumulated depreciation of \$9,709 and \$30,105 in 2018 and 2017, respectively	44,219	6,573
Total assets	<u>\$ 51,524</u>	<u>\$ 6,573</u>
<b>Liabilities and net deficit</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,577	\$ 7,958
Due to Lakeview Center, Inc.	176,753	189,784
Compensated absences	5,099	3,909
Total current liabilities	<u>183,429</u>	201,651
Net deficit:		
Unrestricted, designated	<u>(131,905)</u>	<u>(195,078)</u>
Total liabilities and net deficit	<u>\$ 51,524</u>	<u>\$ 6,573</u>

*See accompanying notes.*

Lakeview Center, Inc. and Subsidiaries

DUI School

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

	<b>Year Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Changes in unrestricted net assets</b>		
Revenue:		
Net client fees	\$ 412,087	\$ 355,667
Net client fees – SSS	97,991	88,154
	<u>510,078</u>	<u>443,821</u>
Fees remitted to State of Florida	(33,352)	(25,259)
Fees remitted to State of Florida – SSS	(7,931)	(6,260)
	<u>(41,283)</u>	<u>(31,519)</u>
Total client fees	<u>468,795</u>	412,302
Total revenue	<u>468,795</u>	412,302
Expenses:		
DUI – other:		
Salaries	179,383	178,549
Fringe benefits	46,582	40,048
Building maintenance and operations	26,634	31,701
Conference and conventions	2,438	2,709
Other program costs	37,174	29,019
Testing and assessment	3,604	3,981
Printing and production	843	506
Promotion and publicity	23	289
Professional fees	160	–
Data processing	5,389	4,790
Administrative	7,783	19,089
	<u>310,013</u>	<u>310,681</u>

Lakeview Center, Inc. and Subsidiaries

DUI School

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

	<b>Year Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
Expenses (continued):		
DUI – SSS:		
Salaries	\$ 42,656	\$ 44,255
Fringe benefits	11,077	9,926
Building maintenance and operations	13,270	15,794
Conference and conventions	1,215	1,350
Other program costs	18,521	14,458
Testing and assessment	1,796	1,983
Printing and production	420	252
Promotion and publicity	12	144
Professional fees	80	–
Data processing	2,685	2,386
Administrative	3,877	9,511
	<u>95,609</u>	<u>100,059</u>
Total expenses	<u>405,622</u>	<u>410,740</u>
Change in unrestricted net deficit	63,173	1,562
Net deficit at beginning of year	(195,078)	(196,640)
Net deficit at end of year	<u>\$ (131,905)</u>	<u>\$ (195,078)</u>

*See accompanying notes.*

Lakeview Center, Inc. and Subsidiaries

DUI School

Notes to Financial Statements

September 30, 2018

**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:

	<b>Year Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
Fees due from prior year	\$ —	\$ —
Fees collected during current year	<b>41,283</b>	31,519
Fees remitted during current year	<b>41,283</b>	31,519
Fees due to the state of Florida	<u>\$ —</u>	<u>\$ —</u>

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 (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	
	2018	2017
Drug screen testing	\$ 1,075	\$ —
Copier costs	788	995
Florida association of DUI program membership dues	5,941	3,020
Office supplies	3,089	2,896
Telephone	2,029	2,857
Other	4,618	10,232
Program admin allocations	6,635	9,019
Total other program costs	<u>\$ 24,176</u>	<u>\$ 29,019</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)

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Cash and invested assets:		
Cash and cash equivalents	\$ 59,598	\$ 47,272
Real estate	15,566	14,746
Other invested assets	78,579	66,429
Internally designated investments	47,010	44,739
Total cash and invested assets	<u>200,753</u>	173,186
Electronic data processing equipment and software	35	49
Health care and other amounts receivable	3,513	3,484
Accounts receivable on service industry contracts (non-health)	24,116	20,384
Accounts receivable – other (non-health)	12,099	12,083
Amounts due from parent, subsidiaries, and affiliates	1,013	291
Inventories	370	265
Total assets	<u>\$ 241,899</u>	<u>\$ 209,742</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Claims unpaid	\$ 989	\$ 901
General expenses due or accrued	12,824	15,493
Amounts withheld or retained for the account of others	2,748	2,286
Deferred revenue	4,525	2,133
Accrued wages	4,201	3,844
Accrued compensated absences	3,672	2,983
Total liabilities	<u>28,959</u>	27,640
Net assets:		
Net assets	227,509	194,713
Less non-admitted assets	(14,569)	(12,611)
Total net assets	<u>212,940</u>	182,102
Total liabilities and net assets	<u>\$ 241,899</u>	<u>\$ 209,742</u>

*See accompanying note.*

Lakeview Center, Inc. and Subsidiaries

Access Behavioral Health

Statements of Operations (Regulatory Basis)

	<b>Year Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
	<i>(In Thousands)</i>	
Revenue:		
Capitation revenue	<b>\$ 27,750</b>	<b>\$ 32,724</b>
Total revenue	<b>27,750</b>	<b>32,724</b>
Expenses:		
Sub-capitation expense	<b>24,249</b>	28,534
Taxes and insurance	<b>19</b>	19
Personnel	<b>1,361</b>	1,171
Printing/production and shipping	-	1
Other	<b>69</b>	-
Total expenses	<b>25,698</b>	29,725
Excess of revenue over expenses	<b>\$ 2,052</b>	<b>\$ 2,999</b>

*See accompanying note.*

Lakeview Center, Inc. and Subsidiaries

Access Behavioral Health

Note to Financial Statements (Regulatory Basis)

September 30, 2018

**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. Capitation revenue is based on a per-member per-month rate to provide services as a managed behavioral health organization. ABH provides these services for the Center and two comprehensive community mental health centers to provide mental health services to the MMA Plan beneficiaries residing in Escambia, Santa Rosa, Okaloosa and Walton counties. Subcontracts with the Center are on a full-risk capitated basis and is reported as sub-capitation expense within the statements of operations for ABH.

Lakeview Center, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended September 30, 2018

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
<b>Federal awards</b>						
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<b>Direct from Substance Abuse and Mental Health Services Administration</b>						
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	5H79SP021270-03	\$ 716,625	\$ 266,497	\$ –
P.H.A.S.E. II:						
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	9/30/17–9/29/22	93.243	1H79TI080665-01	498,314	488,866	–
Total CFDA No. 93.243					755,363	–
<b>Medicaid Cluster</b>						
<b>Passed through from The State of Florida Department of Children and Families (DCF)</b>						
Community Based Care – Child Welfare:						
Medical Assistance Program	7/1/17-6/30/19	93.778	DCF – AJ495	48,728,241	60,834	–
<b>Passed through from Big Bend Community Based Care (BB)</b>						
Florida Assertive Community Treatment (FACT):						
Medical Assistance Program	7/1/16–6/30/18	93.778	BB-A0170	1,196,592	221,366	–
Total CFDA No. 93.778 and Medicaid Cluster					282,200	–

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
<b>Federal awards (continued)</b>						
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)</b>						
<b>Passed through from the State of Florida Department of Children and Families (DCF)</b>						
Community Based Care – Child Welfare:						
Promoting Safe and Stable Families	7/1/17-6/30/19	93.556	DCF – AJ495	\$ –	\$ 1,103,771	\$ 1,008,205
Grants to States for Access and Visitation Programs	7/1/17-6/30/19	93.597	DCF – AJ495	–	90,816	86,768
Chafee Education and Training Vouchers Program (ETV)	7/1/17-6/30/19	93.599	DCF – AJ495	–	43,708	–
Stephanie Tubbs Jones Child Welfare Services	7/1/17-6/30/19	93.645	DCF – AJ495	–	1,073,344	146,477
Foster Care – Title IV-E	7/1/17-6/30/19	93.658	DCF – AJ495	–	8,830,792	754,445
Adoption Assistance	7/1/17-6/30/19	93.659	DCF – AJ495	–	8,388,227	70,909
Child Abuse and Neglect State Grants	7/1/17-6/30/19	93.669	DCF – AJ495	–	45,973	43,082
James H Chafee Foster Care Program for Successful Transition to Adulthood	7/1/17-6/30/19	93.674	DCF – AJ495	–	196,544	–
Community Based Care – Child Welfare (Parent Café):						
Community-Based Child Abuse Prevention Grants	2/1/16-6/30/19	93.590	DCF – AJ492	–	118,720	89,040

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
<b>Federal awards (continued)</b>						
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)</b>						
<b>TANF Cluster:</b>						
<b>Passed through from Big Bend Community Based Care (BB)</b>						
Substance Abuse and Mental Health Managing Entity:						
Temporary Assistance for Needy Families	7/1/17–6/30/18	93.558	BB – A0110	\$ 10,716,297	\$ 367,817	\$ –
<b>Passed through from The State of Florida Department of Children and Families (DCF)</b>						
Community Based Care – Child Welfare:						
TANF Cluster						
Temporary Assistance for Needy Families	7/1/17–6/30/19	93.558	DCF – AJ495		3,358,591	235,584
Total CFDA No. 93.558 and TANF Cluster					3,726,408	235,584
<b>Passed through from Big Bend Community Based Care (BB)</b>						
Substance Abuse and Mental Health Managing Entity:						
Block Grants for Community Mental Health Services	7/1/17–6/30/18	93.958	BB – A0110		524,844	–
Florida Assertive Community Treatment (FACT):						
Block Grants for Community Mental Health Services	7/1/17–6/30/18	93.958	BB – A0170		216,204	–
Total CFDA No. 93.958					741,048	–

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
<b>Federal awards (continued)</b>						
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)</b>						
<b>Passed through from the State of Florida Department of Children and Families (DCF)</b>						
Community Based Care – Child Welfare:						
Social Services Block Grant	7/1/17–6/30/19	93.667	DCF – AJ495	\$ –	\$ 2,148,929	\$ –
 <b>Passed through from Agencies for Persons with Disabilities</b>						
Agencies for Persons with Disabilities						
D/S Court Liaison – Miami:						
Social Services Block Grant	7/1/15–6/30/19	93.667	APD – KCF12	746,724	275,845	–
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					2,612,774	–
 <b>Passed through from Big Bend Community Based Care (BB)</b>						
Children's Mental Health Behavioral Services (BNET):						
Children's Health Insurance Program						
State Children's Health Insurance Program	7/1/17–6/30/19	93.767	BB – A0160	200,417	219,028	–

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
<b>Federal awards (continued)</b>						
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)</b>						
<b>Passed through from Big Bend Community Based Care (BB)</b>						
Substance Abuse and Mental Health Managing Entity:						
Block Grants for Prevention and Treatment of Substance Abuse Community Drug and Alcohol Council, Inc. (CDAC):	7/1/17-6/30/19	93.959	BB – A0110	\$ –	\$ 1,855,099	\$ –
Block Grants for Prevention and Treatment of Substance Abuse Total CFDA No. 93.959	7/1/17-6/30/19	93.959	LCI17-18	150,000	131,994	–
					<u>1,987,093</u>	<u>–</u>
Substance Abuse and Mental Health Managing Entity:						
Opioid STR	7/1/17-6/30/19	93.788	BB – A0110	–	1,043,558	–
<b>Total U.S. Department of Health and Human Services</b>					<u>31,259,367</u>	<u>2,448,597</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
<b>Federal awards (continued)</b>						
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<b>Passed through the State of Florida Department of Labor and Employment Security</b>						
Vocational Rehab and Supported Employment:						
Rehabilitation Services Vocational Rehabilitation Grants to States	4/1/15–3/31/18	84.126	VR5096	Rate Agree- ment (R/A)	\$ 691,488	\$ –
<b>Total U.S. Department of Education</b>					<u>691,488</u>	<u>–</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Housing First:						
Continuum of Care Program	7/1/17–6/30/19	14.267	FL0634L4H111701	122,493	119,453	–
Independent Living:						
Continuum of Care Program	7/1/17–6/30/19	14.267	FL0139L4H111710	284,889	276,229	–
Total CFDA No. 14.267					<u>395,682</u>	<u>–</u>
<b>Total U.S. Department of Housing and Urban Development</b>					<u>395,682</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
<b>Federal awards (continued)</b>						
<b>U.S. DEPARTMENT OF JUSTICE</b>						
<b>Passed through the State of Florida Office of the Attorney General</b>						
Victims of Crime Act Program Services (VOCA):						
Crime Victim Assistance	10/1/17-9/30/18	16.575	V084-00524	\$ 302,729	\$ 281,515	\$ -
<b>Total U.S. Department of Justice</b>					<u>281,515</u>	<u>-</u>
<b>Total expenditures of federal awards</b>					<u>\$ 32,628,052</u>	<u>\$ 2,448,597</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
<b>State financial assistance</b>						
<b>State of Florida Department of Children and Families (DCF)</b>						
Community Based Care – Child Welfare:						
Out-of-Home Supports	7/1/17–6/30/19	60.074	DCF – AJ495		\$ 919,457	\$ 92,949
In-Home Supports	7/1/17–6/30/19	60.075	DCF – AJ495		108,697	51,138
The Independent Living and Road-to- Independence Program	7/1/17–6/30/19	60.112	DCF – AJ495		201,960	–
CBC - Sexually Exploited Children	7/1/17–6/30/19	60.138	DCF – AJ495		145,655	–
CBC - Extended Foster Care Program	7/1/17–6/30/19	60.141	DCF – AJ495		812,018	–
Purchase of Therapeutic Services for Children	7/1/17–6/30/19	60.183	DCF – AJ495		49,352	18,545
Substance Abuse and Mental Health:						
Community Action Teams	7/1/17-12/31/17	60.150	AH409	750,000	201,255	–
<b>Total State of Florida Department of Children and Families</b>					2,438,394	162,632

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
<b>State financial assistance (continued)</b>						
<b>Florida Counsel Against Sexual Violence</b>						
Rape Crisis Program Trust Fund – Sexual Battery Victims’ Access to Services Act Total CFDA No. 64.061	7/1/16–6/30/19	64.061	16TFGR03	\$ 34,562	\$ 34,562	\$ –
					<u>34,562</u>	<u>–</u>
Rape Crisis Center Total CFDA No. 64.069	7/1/16–6/30/19	64.069	16TFGR03	62,978	62,978	–
					<u>62,978</u>	<u>–</u>
Rape Crisis Program: Florida Council Against Sexual Violence Total CFDA No. 41.010	7/1/17–6/30/19	41.010	17OAG03	12,596	12,596	–
					<u>12,596</u>	<u>–</u>
<b>Total Florida Council Against Sexual Violence</b>					<u>110,136</u>	<u>–</u>
<b>State Courts System</b>						
Post-Adjudicatory Drug Court Program	7/1/16–6/30/19	22.021	010074Z	699,000	728,132	–
Naltrexone	3/30/16-3/29/18	22.022	SC00679	489,912	489,912	–
<b>Total State Courts System</b>					<u>1,218,044</u>	<u>–</u>
<b>Total expenditures of state financial assistance</b>					<u>\$ 3,766,574</u>	<u>\$ 162,632</u>

See accompanying notes.

## Lakeview Center, Inc. and Subsidiaries

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

September 30, 2018

#### **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. (the Center).

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.

#### **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.

# Other Reports and Schedules



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## Report of Independent Auditors 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, 2018, 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 28, 2018.

### **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.

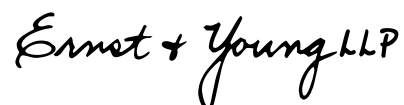
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 28, 2018



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## Report of Independent Auditors on Compliance for Each Major Federal Program and State Financial Assistance Project; 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 Florida Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on each of the Center's major federal programs and state financial assistance projects for the year ended September 30, 2018. 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, 2018.

### **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, Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state 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 or 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 or 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 28, 2018

Lakeview Center, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2018

**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

Internal control over financial reporting:

Material weakness(es) identified?	<u>          </u>	Yes	<u>    X    </u>	No
Significant deficiency(ies) identified?	<u>          </u>	Yes	<u>    X    </u>	None reported
Noncompliance material to financial statements noted?	<u>          </u>	Yes	<u>    X    </u>	No

**Federal Awards and State Financial Assistance Projects**

Internal control over major federal programs and state financial assistance projects:

Material weakness(es) identified?	<u>          </u>	Yes	<u>    X    </u>	No
Significant deficiency(ies) identified?	<u>          </u>	Yes	<u>    X    </u>	None reported

Type of auditor's report issued on compliance for major federal programs and state financial assistance projects: 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* or 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:

<b>CFDA Number</b>	<b>Name of Federal Program</b>
93.556	Promoting Safe and Stable Families
93.645	Stephanie Tubbs Jones Child Welfare Services Program
93.658	Foster Care Title IV-E
93.788	Opioid STR
93.959	Block Grants for Prevention and Treatment of Substance Abuse

<b>CSDA Number</b>	<b>Name of State Project</b>
22.021	Post-Adjudicatory Drug Court Program
60.074	Out-of-Home Supports
60.141	Extended Foster Care Program

Lakeview Center, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs (continued)

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

Dollar threshold used to distinguish between Type A and Type B programs: \$978,000 for federal awards \$300,000 for state financial assistance projects

Auditee qualified as low-risk auditee for federal purposes pursuant to 2 CFR 200.516(a)? \_\_\_\_\_ Yes  X  No

**Section II – Financial Statement Findings**

No matters were identified.

**Section III – Federal Award and State Financial Assistance Findings and Questioned Costs**

**Major Federal Awards Programs**

No matters were identified.

**Major State Financial Assistance Projects**

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.

**Section IV - Management Letter and Summary Schedule of Prior Audit Findings**

No matters were identified.

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