

SIOUXLAND MENTAL HEALTH SERVICES, INC.

Sioux City, Iowa

FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

June 30, 2010

SIOUXLAND MENTAL HEALTH SERVICES, INC.

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SIOUXLAND MENTAL HEALTH SERVICES, INC.

BOARD OF DIRECTORS

JUNE 30, 2010

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Nancy Knudsen
Sue Luther

President
Vice President
Treasurer
Secretary

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Lisa Claeys
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Executive Director

James Rixner

Chief Financial Officer

Joel Peterson



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Siouxland Mental Health Services, Inc.
Sioux City, Iowa

We have audited the accompanying statement of financial position of Siouxland Mental Health Services, Inc., as of June 30, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Siouxland Mental Health Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Siouxland Mental Health Services, Inc. has recorded its investment in Tri-State Behavioral Health Association, Inc. (Tri-State) at cost. In our opinion, this investment should be recorded at fair value in order to conform with accounting principles generally accepted in the United States of America. If that investment were recorded at fair value, it would increase investments and net assets by approximately \$39,000 as of June 30, 2010.

In our opinion, except for the effect of not recording its Tri-State investment at fair value as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Siouxland Mental Health Services, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sioux City, Iowa
November 1, 2010

King, Reinsch, Prosser & Co., L.L.P.

SIOUXLAND MENTAL HEALTH SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 632,449
Accounts receivable:	
Patients - net allowance of \$329,112	8,530
Insurance - net allowance of \$145,388	189,980
Woodbury County - case management	259,972
Iowa Department of Human Services	16,893
Sioux City Community School District	2,232
Siouxland Human Investment Partnership	4,050
Siouxland Residential Services, Inc.	10,440
ATR Grant	5,595
Miscellaneous	12,177
Prepaid expenses	60,582
Total current assets	<u>\$ 1,202,900</u>

PROPERTY AND EQUIPMENT:

Land	\$ 140,903
Buildings and improvements	1,622,348
Furniture and equipment	512,304
	<u>\$ 2,275,555</u>
Accumulated depreciation	(1,182,786)
Net property and equipment	<u>\$ 1,092,769</u>

OTHER ASSETS:

Investments	<u>\$ 11,000</u>
Total assets	<u><u>\$ 2,306,669</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 44,122
Accrued wages	2,170
Accrued expenses	10,073
Compensated absences	135,365
Total current liabilities	<u>\$ 191,730</u>

UNRESTRICTED NET ASSETS

\$ 2,114,939

Total liabilities and net assets

\$ 2,306,669

See notes to financial statements.

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SIouxLAND MENTAL HEALTH SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

CHANGES IN UNRESTRICTED NET ASSETS:

Public support:

Tri-State Behavioral Health Association, Inc. - net	\$ 1,056,961
Woodbury County - case management program - net	480,199
Project Compass	248,439
Community Mental Health Services Block Grant	52,287
Sioux City Community School District	201,762
EAP Grant	15,600
ATR Grant	36,084
Contributions - advertising	138,310
Contributions - other	10,882
	<u>\$ 2,240,524</u>

Patient revenue:

Patient fees and Title XIX	\$ 2,774,664
Allowance for denied claims	(827,391)
	<u>\$ 1,947,273</u>

Other revenue:

Investment income	\$ 82,375
Conference	18,772
Consulting	62,639
Siouxland Human Investment Partnership	40,953
Western Iowa Tech Community College contract	15,000
Medical records	13,835
Miscellaneous	9,789
	<u>\$ 243,363</u>

Total unrestricted public support and revenues \$ 4,431,160

EXPENSES:

Program services:

Therapy program	\$ 1,049,055
Psychiatry program	1,022,749
Community support programs	566,538
Case management program	358,089
CMHS Grant	28,210
Project Compass	162,912
	<u>\$ 3,187,553</u>

Supporting activities:

Administrative	1,301,349
Total expenses	<u>\$ 4,488,902</u>

CHANGE IN NET ASSETS \$ (57,742)

NET ASSETS AT BEGINNING OF YEAR 2,172,681

NET ASSETS AT END OF YEAR \$ 2,114,939

See notes to financial statements.

SIouxLAND MENTAL HEALTH SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

	Program Services						Total Program Expenses	Supporting Activities Administrative	Total
	Therapy Program	Psychiatry Program	Community Support Programs	Case Management Program	CMHS Grant	Project Compass			
Salaries and payroll taxes	\$ 570,951	\$ 598,748	\$ 399,486	\$ 265,698	\$ 13,805	\$ 124,890	\$ 1,973,578	\$ 782,497	\$ 2,756,075
Professional consultants	315,957	199,283	-	-	-	-	515,240	-	515,240
Fringe benefits	105,170	100,523	66,191	68,429	4,331	30,501	375,145	152,067	527,212
Total salaries and benefits	\$ 992,078	\$ 898,554	\$ 465,677	\$ 334,127	\$ 18,136	\$ 155,391	\$ 2,863,963	\$ 934,564	\$ 3,798,527
Legal and accounting	-	-	-	-	-	-	-	32,074	32,074
Telephone	615	249	1,437	904	-	10	3,215	8,811	12,026
Supplies and postage	6,811	13,630	26,231	1,536	1,556	384	50,148	34,427	84,575
Insurance	4,212	9,627	3,102	1,982	146	842	19,911	6,077	25,988
Occupancy	21,538	14,104	15,712	3,635	-	-	54,989	18,378	73,367
Repairs and maintenance	-	-	180	-	-	-	180	32,080	32,260
Staff development	5,420	793	2,953	5,514	8,059	4,742	27,481	2,426	29,907
Travel	9	258	14,354	2,615	140	304	17,680	3,497	21,177
Recruitment and advertising	-	180	1,989	-	-	-	2,169	143,222	145,391
Reference materials	553	-	7	-	-	143	703	224	927
Center dues	-	3,097	75	5,140	-	-	8,312	195	8,507
Prescriptions	-	73,980	-	-	-	-	73,980	-	73,980
Meal programs	-	-	9,842	-	-	-	9,842	-	9,842
Conference	-	-	-	-	-	-	-	25,045	25,045
Depreciation	14,031	4,645	19,274	2,566	173	1,096	41,785	58,436	100,221
Miscellaneous	-	-	5,705	-	-	-	5,705	1,893	7,598
Interpreting	3,788	3,632	-	70	-	-	7,490	-	7,490
Total expenses	\$ 1,049,055	\$ 1,022,749	\$ 566,538	\$ 358,089	\$ 28,210	\$ 162,912	\$ 3,187,553	\$ 1,301,349	\$ 4,488,902

SIOUXLAND MENTAL HEALTH SERVICES, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (57,742)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	100,221
Change in current assets and liabilities:	
Accounts receivable	220,220
Prepaid expenses	(2,999)
Accounts payable	2,075
Accrued wages	(1,289)
Accrued expenses	(42,724)
Compensated absences	<u>14,849</u>
Net cash provided by operating activities	<u>\$ 232,611</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	<u>\$ (89,129)</u>
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CHANGE IN CASH AND CASH EQUIVALENTS

\$ 143,482

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

488,967

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 632,449

SIouxLAND MENTAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - ORGANIZATION AND FUNCTION:

Siouxland Mental Health Services, Inc. (the Center) is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of general psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents in Woodbury County and nearby communities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES:

Financial Statement Presentation – The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as follows:

Unrestricted Net Assets - Net assets and transactions which are not subject to donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Temporarily Restricted Net Assets - Net assets and transactions which are subject to donor-imposed restrictions that will be met by actions of the Center and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Donated services are recognized as contributions.

SIouxLAND MENTAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED):

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when incurred.

Cash and Cash Equivalents - Highly liquid investments with an initial maturity of three months or less are included in cash and cash equivalents, unless held for investment purposes.

Accounts Receivable - The Center carries its accounts receivable net of an allowance for doubtful accounts. On a periodic basis, the Center evaluates its accounts receivable and establishes an allowance for doubtful accounts based on past experience and any known existing circumstances. Accounts are written off as uncollectible when management determines that the likelihood of collection is remote.

Property and Equipment - Property and equipment are stated at cost. Expenditures for plant and equipment renewals and improvements are capitalized. Depreciation is provided over the estimated useful lives of the equipment and improvements using the straight-line method. Repairs and maintenance are charged to expense as incurred. Donations of property and equipment are recorded at fair value as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Patient Services Revenue - Patient services revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Income Taxes - The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Expenses - The Center allocates its expenses on a functional basis among its various programs and supporting activities. Expenses that can be identified with a specific program or supporting activity are allocated directly according to their purpose. Other expenses that are common to several functions are allocated based on management's estimate of time and utilization.

SIOUXLAND MENTAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Donated Services and Materials - The Center recognizes in the financial statements the value of donated services that (a) create or enhance a non-financial asset, or (b) required specialized skills, are provided by entities or persons possessing those skills and would be purchased if they were not donated. Non-cash donations of advertising are recorded as contributions and expenses at their estimated fair values at the date of the donation. The amounts recognized as contributed advertising revenue and expense for the year ended June 30, 2010 was \$138,310.

Advertising and Recruitment Costs - Advertising and recruitment costs are expensed as incurred and are included in administrative expenses. For the year ended June 30, 2010, advertising and recruitment expense was \$145,391.

Compensated Absences - Center employees accumulate a limited amount of earned but unused vacation benefits. The amount representing the cost of compensated absences is recorded as a liability and has been computed based on rates of pay in effect at June 30, 2010. The balance is as follows:

Accrued vacation	<u>\$ 135,365</u>
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Subsequent Events - The Center evaluated for subsequent events through November 1, 2010, the date which the Center's financial statements were available to be issued.

NOTE 3 - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are composed accordingly as of June 30, 2010:

Petty cash	\$ 785
Checks in excess of demand deposits	(38,183)
Money market deposits and annuities	<u>669,847</u>
	<u>\$ 632,449</u>

SIouxLAND MENTAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 4 - PROPERTY AND EQUIPMENT:

The cost, book value after accumulated depreciation and estimated useful lives at June 30, 2010, are as follows:

	<u>Useful Lives</u>	<u>Cost</u>	<u>Book Value</u>
Land	N/A	\$ 140,903	\$ 140,903
Buildings and improvements	20 years	1,622,348	813,938
Office furniture and equipment	5-10 years	<u>512,304</u>	<u>137,928</u>
		<u>\$ 2,275,555</u>	<u>\$ 1,092,769</u>

NOTE 5 - INVESTMENTS:

The Center purchased 110 shares of stock in Tri-State Behavioral Health Association, Inc. in July 1995 for \$11,000. The investment is recorded in the statement of financial position at cost. Tri-State's purpose is to deliver mental health services to the Siouxland area on an integrated basis. Income related to this investment was \$79,750 for the year ended June 30, 2010.

NOTE 6 - RETIREMENT PLAN:

The Center has a noncontributory money purchase pension plan covering employees upon attaining six months of service. The Center contributes an amount equal to 6 percent of the participants' wages. Retirement plan expense was \$143,325 for the year ended June 30, 2010. It is the Center's policy to currently fund benefits accrued.

NOTE 7 - CONTRACT WITH TRI-STATE BEHAVIORAL HEALTH ASSOCIATION, INC.:

The Center and Tri-State Behavioral Health Association, Inc. are operating under a contract dated July 1, 2006, whereby the Center is required to provide mental health services to residents of Woodbury County. This contract remains in effect until a new agreement is entered into or a notice of termination is issued by either party. Revenue from this contract is recognized when allowable and reimbursable expenses are incurred, and upon meeting the contractual requirements. Expenses are to be used for the purposes specified by the contract. The maximum annual amount to be received from Tri-State is limited to \$1,050,000 under the terms of the contract.

SIouxLAND MENTAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 8 - RELATED PARTY TRANSACTIONS:

The Center paid \$21,944 in legal fees to Heidman Law Firm for the year ended June 30, 2010. A member of the Board of Directors is a partner at Heidman Law Firm.

NOTE 9 - RISK MANAGEMENT:

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past five years.

NOTE 10 - CONCENTRATION OF FUNDS:

During the year ended June 30, 2010, the Center maintained their cash accounts in a commercial bank located in Sioux City, Iowa. The checking and savings accounts are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash deposits at times during the year exceed the limits of coverage. As of June 30, 2010 the Center had \$345,998 in excess of FDIC limits.

NOTE 11 - SUBSEQUENT EVENT:

Effective July 1, 2010, the operations of Tri-State Behavioral Health Association, Inc. were transferred to Woodbury County. The Center's management does not expect that this change will affect the payment or processing of claims for mental health services.