

SIOUXLAND MENTAL HEALTH SERVICES, INC.

Sioux City, Iowa

FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

June 30, 2015

SIouxLAND MENTAL HEALTH SERVICES, INC.

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SIOUXLAND MENTAL HEALTH SERVICES, INC.

BOARD OF DIRECTORS

JUNE 30, 2015

Officers

Dr. Bob Powell
Doug Harrold
Nancy Knudsen

President
Vice President
Treasurer

Members

Don Matthews
Lance Ehmcke
Dean Meine
Michelle Meyers
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Peggy Smith
Ron Kiel

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 financial statements of Siouxland Mental Health Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

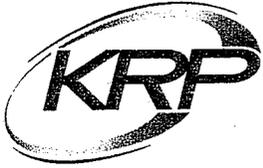
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Siouxland Mental Health Services, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sioux City, Iowa
November 20, 2015

King Reinach Jossey & Co. LLP

SIouxLAND MENTAL HEALTH SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

ASSETS

CURRENT ASSETS:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 1,241,238 |
| Accounts receivable: | |
| Patients - net allowance of \$422,445 | 37,437 |
| Insurance - net allowance of \$138,952 | 219,236 |
| Woodbury County - net allowance of \$5,554 | 34,729 |
| Woodbury County - case management | 47,142 |
| Integrated Health Home - adult | 39,400 |
| Integrated Health Home - child | 83,085 |
| Sioux City Community School District | 3,786 |
| Iowa Department of Human Services | 9,914 |
| Siouxland Human Investment Partnership | 11,856 |
| EAP Grant | 3,600 |
| ATR Grant | 8,868 |
| Western Iowa Tech Community College contract | 5,535 |
| Miscellaneous | 12,439 |
| Prepaid expenses | <u>96,324</u> |
| Total current assets | <u>\$ 1,854,589</u> |

PROPERTY AND EQUIPMENT:

| | |
|----------------------------|---------------------|
| Land | \$ 140,903 |
| Buildings and improvements | 1,652,483 |
| Furniture and equipment | <u>664,045</u> |
| | \$ 2,457,431 |
| Accumulated depreciation | <u>(1,426,530)</u> |
| Net property and equipment | <u>\$ 1,030,901</u> |
| Total assets | <u>\$ 2,885,490</u> |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | |
|---------------------------|-------------------|
| Accounts payable | \$ 44,392 |
| Accrued wages | 3,791 |
| Accrued expenses | 124,412 |
| Compensated absences | 173,700 |
| Deferred revenue | <u>41,175</u> |
| Total current liabilities | <u>\$ 387,470</u> |

UNRESTRICTED NET ASSETS

| | |
|----------------------------------|---------------------|
| | <u>\$ 2,498,020</u> |
| Total liabilities and net assets | <u>\$ 2,885,490</u> |

SIouxLAND MENTAL HEALTH SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

CHANGES IN UNRESTRICTED NET ASSETS:

Public support and revenues:

Public support:

| | |
|---|---------------------|
| Woodbury County - net | \$ 620,251 |
| Woodbury County - case management program - net | 118,875 |
| Integrated Health Home - adult | 543,951 |
| Integrated Health Home - child | 525,995 |
| Project Compass | 248,440 |
| Community Mental Health Services Block Grant | 92,623 |
| Sioux City Community School District | 199,602 |
| EAP Grant | 21,600 |
| ATR Grant | 33,398 |
| Inpatient Psychiatric Grant | 404,932 |
| Psychiatry Financial Assistance Grant | 95,833 |
| Contributions - advertising | 11,250 |
| Contributions - other | <u>26,459</u> |
| | <u>\$ 2,943,209</u> |

Patient revenues:

| | |
|--|---------------------|
| Patient fees, commercial insurance and Title XIX | \$ 3,796,085 |
| Allowance for denied claims | <u>(369,936)</u> |
| | <u>\$ 3,426,149</u> |

Other revenues:

| | |
|--|-------------------|
| Interest income | \$ 1,119 |
| Conference | 18,600 |
| Siouxland Human Investment Partnership | 84,944 |
| Western Iowa Tech Community College contract | 50,783 |
| Care Coordinators | 55,362 |
| Medical records | 16,080 |
| Miscellaneous | <u>29,949</u> |
| | <u>\$ 256,837</u> |

Total unrestricted public support and revenues \$ 6,626,195

Expenses:

Program services:

| | |
|----------------------------|---------------------|
| Therapy program | \$ 1,263,171 |
| Psychiatry program | 1,752,011 |
| Community support programs | 1,898,255 |
| Case management program | 45,369 |
| Project Compass | <u>153,418</u> |
| | <u>\$ 5,112,224</u> |

Supporting services:

| | |
|----------------|---------------------|
| Administrative | <u>\$ 1,415,875</u> |
| Total expenses | <u>\$ 6,528,099</u> |

EXCESS OF REVENUES OVER EXPENSES AND CHANGE IN UNRESTRICTED NET ASSETS \$ 98,096

UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR 2,399,924

UNRESTRICTED NET ASSETS AT END OF YEAR \$ 2,498,020

SIOUXLAND MENTAL HEALTH SERVICES, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|-------------------|
| Change in net assets | \$ 98,096 |
| Adjustments to reconcile change in net assets to net cash used for operating activities: | |
| Depreciation | 123,156 |
| Loss on disposal of property and equipment | 728 |
| Change in current assets and liabilities: | |
| Accounts receivable | 644,465 |
| Prepaid expenses | (18,897) |
| Accounts payable | 16,023 |
| Accrued wages | 1,872 |
| Accrued interest | (2,000) |
| Accrued expenses | 19,250 |
| Compensated absences | (3,604) |
| Deferred revenue | 34,171 |
| Net cash provided by operating activities | <u>\$ 913,260</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|--|--------------------|
| Purchase of property and equipment | <u>\$ (31,232)</u> |
| Net cash used for investing activities | <u>\$ (31,232)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|--|--------------------|
| Payments on short-term note payable | <u>\$ (50,000)</u> |
| Net cash used for financing activities | <u>\$ (50,000)</u> |

CHANGE IN CASH AND CASH EQUIVALENTS \$ 832,028

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 409,210

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,241,238

SUPPLEMENTAL DISCLOSURE:

| | |
|------------------------|-----------------|
| Cash paid for interest | <u>\$ 2,000</u> |
|------------------------|-----------------|

SIouxLAND MENTAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015

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 property 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. Contributions 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 and includes estimated retroactive revenue adjustments due to audits, reviews, and investigations. Adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Income Taxes - The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center files Form 990 (Return of Organization Exempt from Income Tax) annually. Federal income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

SIouxLAND MENTAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Functional Expenses - The Center allocates its expenses on a functional basis among its various programs and supporting services. 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.

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.

Contributed Services - The Center recognizes in the financial statements the value of contributed 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 contributions of advertising are recorded as revenues and expenses at their estimated fair values at the date of the contribution. The amounts recognized as contributed advertising revenue and expense related to administrative services for the year ended June 30, 2015 was \$11,250.

Advertising and Recruitment Costs - Advertising and recruitment costs are expensed as incurred. For the year ended June 30, 2015, advertising and recruitment expense was \$35,660.

Compensated Absences - The 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, 2015.

Concentrations - Revenues from Woodbury County and Merit (Medicaid) totaled \$3,249,838, (49 percent of total revenue) for the year ended June 30, 2015. Receivables from Woodbury County and Merit (medicaid) totaled \$208,540, (40 percent of total receivables) for the year ended June 30, 2015.

Subsequent Events - The Center evaluated for subsequent events through November 20, 2015, the date which the Center's financial statements were available to be issued.

SIouxLAND MENTAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are composed accordingly as of June 30, 2015:

| | | |
|-------------------------------------|----|------------------|
| Petty cash | \$ | 502 |
| Demand deposits | | 4,110 |
| Checks in excess of demand deposits | | (134,713) |
| Money market deposits | | <u>1,371,339</u> |
| | \$ | <u>1,241,238</u> |

NOTE 4 - PROPERTY AND EQUIPMENT:

The cost, book value after accumulated depreciation and estimated useful lives at June 30, 2015, 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 | 1,652,483 | 653,693 |
| Office furniture and equipment | 5-10 years | <u>664,045</u> | <u>236,305</u> |
| | | <u>\$ 2,457,431</u> | <u>\$ 1,030,901</u> |

NOTE 5 - 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 \$222,987 for the year ended June 30, 2015. It is the Center's policy to currently fund benefits accrued.

NOTE 6 - RELATED PARTY TRANSACTIONS:

The Center paid \$6,144 in legal fees to Heidman Law Firm for the year ended June 30, 2015. A member of the Board of Directors is a partner at Heidman Law Firm.

SIouxLAND MENTAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 - 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 9 - CONCENTRATION OF FUNDS:

During the year ended June 30, 2015, the Center maintained their cash accounts in a commercial bank located in Sioux City, Iowa. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash deposits at times during the year exceeded the limits of coverage. As of June 30, 2015, the Center had \$1,144,619 in excess of FDIC limits.

SIOUXLAND MENTAL HEALTH SERVICES, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

| | Program Services | | | | | Total Program Expenses | Supporting Services | |
|------------------------------------|---------------------|-----------------------|----------------------------------|-------------------------------|--------------------|------------------------------|------------------------|---------------------|
| | Therapy Program | Psychiatry Program | Community Support Programs | Case Management Program | Project Compass | | Administrative | Total |
| Salaries and payroll taxes | \$ 827,095 | \$ 1,208,026 | \$ 1,477,443 | \$ 32,762 | \$ 118,546 | \$ 3,663,872 | \$ 895,037 | \$ 4,558,909 |
| Professional consultants | 186,201 | 339,319 | 6,838 | - | - | 532,358 | 3,159 | 535,517 |
| Fringe benefits | <u>134,593</u> | <u>116,387</u> | <u>237,987</u> | <u>10,336</u> | <u>31,258</u> | <u>530,561</u> | <u>165,071</u> | <u>695,632</u> |
| Total salaries and benefits | \$ 1,147,889 | \$ 1,663,732 | \$ 1,722,268 | \$ 43,098 | \$ 149,804 | \$ 4,726,791 | \$ 1,063,267 | \$ 5,790,058 |
| Legal and accounting | - | - | - | - | - | - | 20,356 | 20,356 |
| Telephone | 1,704 | 371 | 18,653 | 10 | 9 | 20,747 | 15,403 | 36,150 |
| Supplies and postage | 17,038 | 11,314 | 24,499 | 60 | 497 | 53,408 | 70,959 | 124,367 |
| Insurance | 5,933 | 4,052 | 13,483 | 369 | 1,076 | 24,913 | 6,765 | 31,678 |
| Occupancy | 26,833 | 12,778 | 28,902 | - | - | 68,513 | 17,865 | 86,378 |
| Repairs and maintenance | - | - | 817 | - | - | 817 | 110,129 | 110,946 |
| Staff development | 24,207 | 9,773 | 18,646 | 10 | 879 | 53,515 | 2,226 | 55,741 |
| Travel | 382 | 242 | 31,282 | 378 | 365 | 32,649 | 5,384 | 38,033 |
| Recruitment and advertising | 1,609 | 11,637 | 1,976 | - | - | 15,222 | 20,438 | 35,660 |
| Reference materials | 145 | 166 | - | - | - | 311 | 127 | 438 |
| Center dues | - | 3,223 | - | 1,236 | - | 4,459 | 245 | 4,704 |
| Prescriptions | - | 3,200 | 817 | - | - | 4,017 | - | 4,017 |
| Transcription services | - | 13,887 | - | - | - | 13,887 | - | 13,887 |
| Meal programs | - | - | 7,208 | - | - | 7,208 | - | 7,208 |
| Conference | - | - | - | - | - | - | 17,032 | 17,032 |
| Miscellaneous | 402 | 70 | 17,146 | - | - | 17,618 | 6,090 | 23,708 |
| Interpreting | 1,290 | 2,564 | - | - | - | 3,854 | - | 3,854 |
| Loss on disposal | - | - | - | - | - | - | 728 | 728 |
| Total expenses before depreciation | \$ 1,227,432 | \$ 1,737,009 | \$ 1,885,697 | \$ 45,161 | \$ 152,630 | \$ 5,047,929 | \$ 1,357,014 | \$ 6,404,943 |
| Depreciation | <u>35,739</u> | <u>15,002</u> | <u>12,558</u> | <u>208</u> | <u>788</u> | <u>64,295</u> | <u>58,861</u> | <u>123,156</u> |
| Total expenses | \$ <u>1,263,171</u> | \$ <u>1,752,011</u> | \$ <u>1,898,255</u> | \$ <u>45,369</u> | \$ <u>153,418</u> | \$ <u>5,112,224</u> | \$ <u>1,415,875</u> | \$ <u>6,528,099</u> |