

WELLSOURCE
FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

WELLSOURCE

CONTENTS

FINANCIAL STATEMENTS

Independent Auditor's Report	1-2
Statements of Financial Position	3-4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7-12

SUPPLEMENTAL INFORMATION

Statements of Functional Expenses	13-14
-----------------------------------	-------

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
WellSource
Mason City, Iowa

We have audited the accompanying financial statements of WellSource (formerly known as Mental Health Center of North Iowa, Inc.)(a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 WellSource (formerly known as Mental Health Center of North Iowa, Inc.) as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 13 and 14 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.

Potter & Brant, P.L.C.

Potter & Brant, P.L.C.
Certified Public Accountants
Clear Lake, Iowa
November 18, 2015

WELLSOURCE**STATEMENTS OF FINANCIAL POSITION****June 30, 2015 and 2014**

ASSETS	2015	2014
CURRENT ASSETS		
Cash in bank	\$ 322,136	\$ 289,809
Receivables:		
Patient fees	484,496	361,072
Less allowance for doubtful accounts	(219,000)	(134,000)
Grants	3,400	7,128
Contractual receivables from counties	39,108	111,099
IHH subsidy fees	115,847	152,603
Interest	100	79
Cost report settlements	959,700	1,173,300
Other	-	12,864
Prepaid expenses	17,447	22,663
Investments	112,689	106,398
Total current assets	1,835,923	2,103,015
PROPERTY AND EQUIPMENT, at cost		
Land	2,000	2,000
Land improvements	35,161	35,161
Buildings	851,115	851,115
Furniture, fixtures and equipment	728,085	697,848
	<u>1,616,361</u>	<u>1,586,124</u>
Less accumulated depreciation	(1,422,758)	(1,372,929)
Property and equipment - net	193,603	213,195
OTHER ASSETS		
Investments	154,222	156,431
Total other assets	154,222	156,431
TOTAL ASSETS	\$ 2,183,748	\$ 2,472,641

See accompanying notes and auditor's report.

LIABILITIES AND NET ASSETS	2015	2014
CURRENT LIABILITIES		
Accounts payable	\$ 179,172	\$ 222,024
Accrued expenses	<u>154,963</u>	<u>70,107</u>
Total current liabilities/total liabilities	<u>334,135</u>	<u>292,131</u>
NET ASSETS		
Unrestricted	1,833,676	2,164,569
Temporarily restricted	14,668	14,672
Permanently restricted	<u>1,269</u>	<u>1,269</u>
Total net assets	<u>1,849,613</u>	<u>2,180,510</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,183,748</u></u>	 <u><u>\$ 2,472,641</u></u>

See accompanying notes and auditor's report.

WELLSOURCE

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
Unrestricted public support and revenue:		
Unrestricted public support:		
Counties	\$ 108,948	\$ 199,201
Grants	65,067	50,837
Contributions	2,315	103,097
Total unrestricted public support	176,330	353,135
Unrestricted revenue:		
Third-party reimbursements	2,046,411	1,928,160
IHH subsidy fees	839,427	382,478
Net investment income (loss)	(787)	16,009
Cost report settlement	606,975	583,951
Other	4,576	22,660
Total unrestricted revenue	3,496,602	2,933,258
Total unrestricted public support and revenue	3,672,932	3,286,393
Net assets released from restrictions	-	-
Total unrestricted public support and revenue and net assets released from restrictions	3,672,932	3,286,393
Expenses:		
Program services	3,010,849	2,120,445
Management and general	992,976	748,149
Fundraising	-	-
Total expenses	4,003,825	2,868,594
Increase (decrease) in unrestricted net assets	(330,893)	417,799
TEMPORARILY RESTRICTED NET ASSETS		
Net investment income (loss)	(4)	47
Increase (decrease) in temporarily restricted net assets	(4)	47
PERMANENTLY RESTRICTED NET ASSETS		
Net investment income (loss)	-	1
Increase in permanently restricted net assets	-	1
Increase (decrease) in net assets	(330,897)	417,847
Net assets, beginning of year	2,180,510	1,762,663
Net assets, end of year	\$ 1,849,613	\$ 2,180,510

See accompanying notes and auditor's report.

WELLSOURCE**STATEMENTS OF CASH FLOWS**
Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (330,897)	\$ 417,847
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	49,829	43,556
Provision for doubtful accounts	85,000	(41,000)
Unrealized (gain) loss on investments	9,099	(4,130)
Change in assets and liabilities:		
(Increase) decrease in receivables	215,494	(270,438)
Decrease in prepaid expenses	5,216	14,383
Increase (decrease) in accounts payable	(42,852)	17,030
Increase in accrued expenses	84,856	17,247
	<u>75,745</u>	<u>194,495</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	106,377	113,833
Purchase of property and equipment	(30,237)	(64,097)
Purchase of investments	(119,558)	(12,336)
	<u>(43,418)</u>	<u>37,400</u>
Net cash provided by (used in) investing activities		
Net increase in cash	32,327	231,895
CASH		
Beginning of year	<u>289,809</u>	<u>57,914</u>
End of year	<u>\$ 322,136</u>	<u>\$ 289,809</u>

See accompanying notes and auditor's report.

WELLSOURCE

NOTES TO FINANCIAL STATEMENTS June 30, 2015 and 2014

Note 1. Summary of Significant Accounting Policies

Organization and Nature of Activities: WellSource (formerly known as Mental Health Center of North Iowa, Inc.) is a nonprofit organization providing diagnosis and treatment of general psychiatric and psychological disorders in Cerro Gordo, Floyd, Hancock, Mitchell, Winnebago, and Worth Counties in Iowa.

Cash and Cash Equivalents: WellSource considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. WellSource had no cash equivalents as of June 30, 2015 and 2014.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable are stated at the amount management expects to collect on outstanding balances. WellSource maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments on the outstanding accounts receivable. The allowance is maintained at a level considered appropriate based on past experience in the collection of accounts receivable and analysis of outstanding balances. WellSource's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts. Write-offs are recorded when, in the judgement of management, a receivable is considered uncollectible.

Investments: Investments are carried at market value. Realized and unrealized gains and losses on investments are recorded in the statement of activities.

Depreciation: Depreciation of property and equipment is computed by the straight-line method, with a half-year's depreciation charged in the year of acquisition and in the year of disposal. Estimated useful lives were assigned as follows:

	<u>Years</u>
Land improvements	10 - 40
Buildings	7 - 50
Furniture, fixtures and equipment	3 - 15

WellSource's policy is to capitalize items exceeding \$500 with a life expectancy of three or more years, unless they are clearly repair and maintenance items. Purchased assets are recorded at cost and donated assets are recorded at fair value.

Basis of Presentation: Net assets and revenues, expenses, gains and losses are classified as unrestricted, temporarily restricted, or permanently restricted, based on the existence and/or nature of any donor-imposed restrictions. Accordingly, the net assets of WellSource and changes therein are classified and reported as follows:

Unrestricted - all amounts over which the Board of Directors and management have discretionary control.

Temporarily Restricted - The Miles Pothast Memorial is restricted by an agreement with the donor's wife that she will make the final decisions as to the use of the money. Plans for the proceeds include sponsoring continuing education workshops. Excess donations received for the 50th Anniversary Celebration have been temporarily restricted for educational materials for WellSource. Several donations were received for specific program expenses. Also, WellSource received funds in 1997 that were restricted for the purchase of a van. See the following schedule for temporarily restricted balances as of:

WELLSOURCE

NOTES TO FINANCIAL STATEMENTS June 30, 2015 and 2014

	<u>06/30/15</u>	<u>06/30/14</u>
Memorials	\$ 5,296	\$ 5,300
50th Anniversary Celebration - education materials	572	572
Survivor of Suicide and Columbia Teen Screen	1,000	1,000
Suicide Prevention	1,800	1,800
Van	6,000	6,000
	<u>\$ 14,668</u>	<u>\$ 14,672</u>

Permanently Restricted - The Hayward Goodspeed Memorial is restricted by the donor's will for the purchase of psychological books with 90% of the income earned each year. The remaining 10% is to be added to the account balance and cannot be distributed until such time as WellSource should cease operations.

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. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributions: WellSource has adopted FASB *Accounting Standards Codification* 958 (Formerly SFAS No. 116), *Accounting for Contributions Received and Contributions Made*. Gifts of cash and other assets are reflected as contributions in the accompanying statements at their estimated fair market value at the date of receipt. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

WellSource also receives the use of donated facilities for various programs, which have not been valued as of June 30, 2015 or June 30, 2014.

Contributions of services are recognized as revenues if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by persons possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected in the financial statements for contributed services, since they are not significant to WellSource.

Income Recognition: Income from grants is recognized at the time WellSource has done everything necessary to establish its rights to the income.

Functional Allocation of Expenses: The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services receiving benefit from the expenditures.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Significant estimates include annual depreciation, the carrying value of property and equipment, and receivable for cost report settlements. Accordingly, actual results could materially differ from those estimates.

WELLSOURCE

NOTES TO FINANCIAL STATEMENTS June 30, 2015 and 2014

Income Tax Status: There is no provision for income tax expense or liability since WellSource is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Note 2. Investments

Investments as of June 30, 2014 are stated at fair value and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of Deposit	\$ 105,720	\$ 105,720	\$ -
Money Market Fund	678	678	-
Mutual Funds	<u>143,295</u>	<u>156,431</u>	<u>13,136</u>
	<u>\$ 249,693</u>	<u>\$ 262,829</u>	13,136
Plus: Prior Years' Unrealized Gain			<u>(9,006)</u>
Current Year Unrealized Gain			<u>\$ 4,130</u>

Investments as of June 30, 2015 are stated at fair value and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of Deposit	\$ 106,569	\$ 106,569	\$ -
Money Market Fund	6,120	6,120	-
Mutual Funds	<u>150,185</u>	<u>154,222</u>	<u>4,037</u>
	<u>\$ 262,874</u>	<u>\$ 266,911</u>	4,037
Plus: Prior Years' Unrealized Gain			<u>(13,136)</u>
Current Year Unrealized Loss			<u>\$ (9,099)</u>

WELLSOURCE

NOTES TO FINANCIAL STATEMENTS June 30, 2015 and 2014

A summary of the investments as of June 30, 2015 and 2014 is as follows:

	Certificates of Deposit	Money Market Fund	Mutual Funds	Total
End of year balance, June 30, 2013	\$ 208,266	\$ 10,466	\$ 141,464	360,196
Purchases and donations	-	-	-	-
Unrealized gain on investments	-	-	4,130	4,130
Interest and dividends	1,492	6	10,837	12,335
Redemptions and transfers	<u>(104,038)</u>	<u>(9,794)</u>	-	<u>(113,832)</u>
End of year balance, June 30, 2014	105,720	678	156,431	262,829
Purchases and donations	106,277	5,435	-	111,712
Unrealized loss on investments	-	-	(9,099)	(9,099)
Interest and dividends	849	7	6,990	7,846
Redemptions and transfers	<u>(106,277)</u>	<u>-</u>	<u>(100)</u>	<u>(106,377)</u>
End of year balance, June 30, 2015	<u>\$ 106,569</u>	<u>\$ 6,120</u>	<u>\$ 154,222</u>	<u>\$ 266,911</u>

Note 3. Fair Value Measurements

FASB *Accounting Standards Codification* 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB *Accounting Standards Codification* 820 are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables present by level, within the fair value hierarchy, WellSource's investments at fair value, as of June 30, 2015 and June 30, 2014. As required by FASB *Accounting Standards Codification* 820, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

WELLSOURCE

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

<u>Description</u>	<u>6/30/2015</u> Quoted Prices in Active Markets for Identical Assets (Level 1)	<u>6/30/2014</u> Quoted Prices in Active Markets for Identical Assets (Level 1)
Short-term Investments	\$ 112,689	\$ 106,398
Long-term Investments	154,222	156,431
Total	<u>\$ 266,911</u>	<u>\$ 262,829</u>

WellSource recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended June 30, 2015 and 2014.

Short-term and long-term Level 1 assets are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 4. Net Investment Income (Loss)

Investment return is summarized as follows:

	<u>Period Ending June 30,</u>	
	<u>2015</u>	<u>2014</u>
Interest income	\$ 1,318	\$ 1,090
Dividend income	6,990	10,837
Unrealized gain (loss) on investments	<u>(9,099)</u>	<u>4,130</u>
	<u>\$ (791)</u>	<u>\$ 16,057</u>

Note 5. Commitments and Contingencies

WellSource leases office space in Cerro Gordo County and is required to pay a portion of the real estate taxes. The minimum lease obligations, excluding real estate taxes, are as follows:

<u>Period Ending</u> <u>June 30,</u>	
2016	28,800
2017	28,800
2018	28,800
2019	28,800
2020	16,800
Thereafter	-

Rent expenses under all leases for the years ended June 30, 2015 and 2014 were \$39,230 and \$37,115, respectively.

WELLSOURCE

NOTES TO FINANCIAL STATEMENTS June 30, 2015 and 2014

Note 6. Self-Insurance

WellSource is required by Iowa law to have its employees covered by unemployment insurance. The Iowa Workforce Development has granted WellSource the privilege of funding its own unemployment benefits. Total unemployment benefits paid for the years ended June 30, 2015 and 2014, were \$0 and \$9,126, respectively.

Note 7. Concentration of Credit Risk

Financial instruments that potentially subject WellSource to concentration of credit risk consist primarily of temporary cash investments. As of June 30, 2015, WellSource maintained funds deposited at a commercial bank that exceeded the Federal Deposit Insurance Corporation (FDIC) limit in the amount of \$91,425.

Note 8. Evaluation of Subsequent Events

WellSource has evaluated subsequent events through November 18, 2015, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

WELLSOURCE

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2015 and 2014

	2015			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,051,789	\$ 510,662	\$ -	\$ 2,562,451
Payroll taxes	153,781	39,673	-	193,454
Employee benefits	224,117	135,779	-	359,896
Total salaries and related expenses	2,429,687	686,114	-	3,115,801
Professional fees	61,749	43,496	-	105,245
Cerner expense	6,149	14,541	-	20,690
Continued education	60,943	1,450	-	62,393
Insurance	10,946	20,363	-	31,309
Office supplies and postage	23,430	31,584	-	55,014
Program supplies	30,165	-	-	30,165
Rent	36,795	2,436	-	39,231
Telephone and utilities	52,060	18,671	-	70,731
Repairs and maintenance	36,858	29,620	-	66,478
Depreciation	25,645	24,184	-	49,829
Travel and meetings	44,105	11,240	-	55,345
Provision for doubtful accounts	4,225	84,375	-	88,600
Staff recruiting	2,523	215	-	2,738
Psychiatric services	155,804	-	-	155,804
Contract services	5,135	5,377	-	10,512
Grant expenses	339	2,347	-	2,686
Licenses, dues and subscriptions	5,123	5,843	-	10,966
Miscellaneous	19,168	11,120	-	30,288
Total expenses	\$ 3,010,849	\$ 992,976	\$ -	\$ 4,003,825

See accompanying notes and auditor's report.

2014

Program Services	Management and General	Fundraising	Total
\$ 1,355,280	\$ 461,660	\$ -	\$ 1,816,940
101,634	34,621	-	136,255
191,487	80,251	-	271,738
1,648,401	576,532	-	2,224,933
-	40,709	-	40,709
11,346	35,454	-	46,800
14,511	1,916	-	16,427
15,728	10,499	-	26,227
19,873	10,699	-	30,572
41,791	-	-	41,791
35,660	-	-	35,660
51,489	10,390	-	61,879
50,858	8,263	-	59,121
34,450	9,106	-	43,556
9,207	13,765	-	22,972
-	13,901	-	13,901
2,074	-	-	2,074
152,674	-	-	152,674
23,590	10,477	-	34,067
-	-	-	-
2,913	211	-	3,124
5,880	6,227	-	12,107
<u>\$ 2,120,445</u>	<u>\$ 748,149</u>	<u>\$ -</u>	<u>\$ 2,868,594</u>

See accompanying notes and auditor's report.