

**Orchard Place and Orchard Place Foundation
Des Moines, Iowa**

CONSOLIDATED FINANCIAL REPORT

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Orchard Place and Orchard Place Foundation
Des Moines, Iowa

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Orchard Place and Orchard Place Foundation, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit 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 financial position of Orchard Place and Orchard Place Foundation as of June 30, 2016, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016 on our consideration of Orchard Place and Orchard Place Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orchard Place and Orchard Place Foundation's internal control over financial reporting and compliance.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 29, 2016

ORCHARD PLACE AND ORCHARD PLACE FOUNDATION

Consolidated Statement of Financial Position

June 30, 2016

Assets

Current assets:	
Cash	\$ 7,430,285
Receivables:	
Patient and contract receivables, net of allowance for contractual adjustments and uncollectibles of \$577,610	2,312,334
Contributions receivable	2,617
Total receivables	<u>2,314,951</u>
Prepaid expenses and inventories	64,854
Total current assets	<u>9,810,090</u>
Interest in the net assets of the Community Foundation of Greater Des Moines	5,369,678
Property and equipment:	
Land and land improvements	1,806,672
Buildings	12,085,013
Equipment and furniture	1,561,629
Computer hardware and software	787,905
Vehicles	170,965
Construction in progress	21,187
Total property and equipment	<u>16,433,371</u>
Accumulated depreciation and amortization	<u>9,643,514</u>
Net property and equipment	<u>6,789,857</u>
Beneficial interest in assets held by the Community Foundation of Greater Des Moines	112,137
Cash surrender value of life insurance	1,816
Assets held in trust by others	<u>17,000</u>
Total assets	<u>\$ 22,100,578</u>

Liabilities and Net Assets

Current liabilities:	
Line of credit	\$ —
Current maturities of capital lease obligations	11,648
Accounts payable and accrued expenses	1,024,490
Gift annuity liabilities	2,778
Total current liabilities	<u>1,038,916</u>
Noncurrent liabilities	43,784
Total liabilities	<u>1,082,700</u>
Net assets:	
Unrestricted, including \$6,734,425 net investment in plant	19,091,576
Temporarily restricted	1,149,976
Permanently restricted	776,326
Total net assets	<u>21,017,878</u>
Commitments and contingencies	—
Total liabilities and net assets	<u>\$ 22,100,578</u>

See accompanying notes to the consolidated financial statements.

ORCHARD PLACE AND ORCHARD PLACE FOUNDATION

Consolidated Statement of Activities

Year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue and support:				
Net patient service revenue, contracts and grants	\$ 19,221,780	\$ —	\$ —	\$ 19,221,780
Public support	1,168,158	—	—	1,168,158
Contributions, memorials, and fundraisers, net	614,531	751,465	76,200	1,442,196
Other revenue	<u>199,159</u>	<u>—</u>	<u>—</u>	<u>199,159</u>
Total operating revenue and support	21,203,628	751,465	76,200	22,031,293
Net assets released from restrictions - satisfaction of program and time restrictions	<u>423,888</u>	<u>(423,888)</u>	<u>—</u>	<u>—</u>
Total operating revenue, support and net asset transfers	<u>21,627,516</u>	<u>327,577</u>	<u>76,200</u>	<u>22,031,293</u>
Operating expenses:				
Program services:				
Orchard Place Campus	7,316,126	—	—	7,316,126
PACE Juvenile Center	2,980,733	—	—	2,980,733
Child Guidance Center	7,993,601	—	—	7,993,601
Integrated Health Program	<u>1,400,960</u>	<u>—</u>	<u>—</u>	<u>1,400,960</u>
Total program services	19,691,420	—	—	19,691,420
Administrative services	1,875,330	—	—	1,875,330
Fundraising and marketing	<u>551,387</u>	<u>—</u>	<u>—</u>	<u>551,387</u>
Total operating expenses	<u>22,118,137</u>	<u>—</u>	<u>—</u>	<u>22,118,137</u>
Change in net assets from operating activities	<u>(490,621)</u>	<u>327,577</u>	<u>76,200</u>	<u>(86,844)</u>
Nonoperating activities:				
Investment income, net				
Interest and dividends	99,427	20,943	—	120,370
Realized gains (losses)	95,345	20,478	—	115,823
Unrealized gains (losses)	(258,778)	(57,121)	—	(315,899)
Investment expenses	<u>(23,485)</u>	<u>—</u>	<u>—</u>	<u>(23,485)</u>
Total investment income, net	(87,491)	(15,700)	—	(103,191)
Change in the value of split interest agreements	3,188	(1,000)	—	2,188
Other nonoperating income, net	46,626	—	—	46,626
Net assets released from restrictions - property and equipment	<u>149,978</u>	<u>(149,978)</u>	<u>—</u>	<u>—</u>
Change in net assets from nonoperating activities	<u>112,301</u>	<u>(166,678)</u>	<u>—</u>	<u>(54,377)</u>
Change in net assets	(378,320)	160,899	76,200	(141,221)
Net assets at beginning of year	<u>19,469,896</u>	<u>989,077</u>	<u>700,126</u>	<u>21,159,099</u>
Net assets at end of year	<u>\$ 19,091,576</u>	<u>\$ 1,149,976</u>	<u>\$ 776,326</u>	<u>\$ 21,017,878</u>

See accompanying notes to the consolidated financial statements.

ORCHARD PLACE AND ORCHARD PLACE FOUNDATION

Consolidated Statement of Functional Expenses

Year ended June 30, 2016

	Orchard Place Campus	PACE Juvenile Center	Child Guidance Center	Integrated Health Program	Administrative Services	Fundraising and Marketing	Total Expenses
Salaries	\$ 4,969,803	\$ 2,072,264	\$ 5,350,002	\$ 1,014,314	\$ 1,173,697	\$ 342,627	\$ 14,922,707
Employee benefits	634,389	336,991	753,393	170,536	138,875	31,876	2,066,060
Payroll taxes and insurance	408,303	171,420	445,800	85,043	93,689	28,013	1,232,268
Total payroll expenses	6,012,495	2,580,675	6,549,195	1,269,893	1,406,261	402,516	18,221,035
Accreditation	227	—	71	—	15,286	—	15,584
Bad debt expense	50,048	13,150	38,575	—	—	—	101,773
Building/grounds maint. and supplies	92,347	9,497	14,765	253	877	—	117,739
Business meetings	1,110	411	1,450	984	1,935	1,096	6,986
Child care incentives and stipends	—	—	246,492	—	—	—	246,492
Cleaning	59,064	21,480	20,592	3,000	—	—	104,136
Client expenses	18,590	2,196	1,980	18,852	—	8,590	50,208
Conference hosting	—	—	62,717	—	—	—	62,717
Contracted trainings	—	—	146,106	—	—	—	146,106
Copier contracts	4,091	1,308	11,955	2,115	2,495	3,903	25,867
Depreciation and amortization	192,782	96,702	47,274	—	60,697	353	397,808
Educational assistance	—	—	—	—	14,500	—	14,500
Equipment maintenance	50,716	18,091	18,077	53	18	—	86,955
Food	262,179	6,619	2,891	796	424	—	272,909
General insurance	65,306	18,897	47,849	9,906	9,213	1,684	152,855
Information technology	6,863	11,156	25,845	3,961	117,161	18,613	183,599
Interest	—	—	—	—	1,811	—	1,811
Marketing, advertising, printing	4,278	2,501	38,694	3,119	13,699	23,174	85,465
Miscellaneous	1,249	351	563	570	368	388	3,489
Office supplies/postage	15,476	4,738	32,223	3,246	12,295	5,528	73,506
Other fundraising expenses	—	—	—	—	—	18,331	18,331
Planned giving expenses	—	—	—	—	—	13,495	13,495
Professional fees/contract labor	225,587	28,660	262,653	4,403	61,494	35,100	617,897
Professional licensure fees	646	200	5,720	—	100	—	6,666
Recreation	12,280	202	—	—	—	—	12,482
Recruiting	22,684	6,375	12,550	3,270	25,325	1,095	71,299
Rent, security, and equipment	22,240	3,619	54,870	30,023	79,582	12,000	202,334
Staff development and recognition	16,969	7,104	84,938	6,385	10,858	796	127,050
Subscriptions, memberships, dues	—	246	1,991	—	15,675	734	18,646
Telephone	9,222	20,114	45,400	16,396	11,562	1,309	104,003
Therapy and program supplies	19,220	13,169	63,941	79	—	—	96,409
Transportation and travel	9,794	71,656	118,442	20,656	13,694	2,682	236,924
Utilities	140,663	41,616	35,782	3,000	—	—	221,061
Total operating expenses	\$ <u>7,316,126</u>	\$ <u>2,980,733</u>	\$ <u>7,993,601</u>	\$ <u>1,400,960</u>	\$ <u>1,875,330</u>	\$ <u>551,387</u>	\$ <u>22,118,137</u>

See accompanying notes to the consolidated financial statements.

ORCHARD PLACE AND ORCHARD PLACE FOUNDATION

Consolidated Statement of Cash Flows

Year ended June 30, 2016

Cash flows from operating activities:	
Change in net assets	\$ (141,221)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	397,808
Gain on sales of property and equipment	(7,636)
Change in assets held by Community Foundation of Greater Des Moines, net of transfers and distributions	106,176
Change in the value of cash surrender value of life insurance	(987)
Change in the value of assets held in trust	1,000
Change in:	
Patient and contracts receivables, net	(171,167)
Contributions receivable, net	(211)
Prepaid expenses and inventories	4,487
Accounts payable, accrued expenses, and gift annuity liabilities	<u>(653,046)</u>
Net cash used in operating activities	<u>(464,797)</u>
Cash flows from investing activities:	
Purchase of property and equipment	(220,259)
Proceeds from sales of property and equipment	11,800
Distributions received from Community Foundation of Greater Des Moines	357,410
Net assets transferred to Community Foundation of Greater Des Moines	<u>(216,576)</u>
Net cash used in investing activities	<u>(67,625)</u>
Cash flows from financing activities:	
Net payments on line of credit	—
Payments on capital lease agreements	<u>(20,986)</u>
Net cash used in financing activities	<u>(20,986)</u>
Net decrease in cash	(553,408)
Cash at beginning of year	<u>7,983,693</u>
Cash at end of year	<u>\$ 7,430,285</u>
Supplemental schedule of cash flow information:	
Cash paid for interest	<u>\$ 1,811</u>
Non cash contributions - stock gifts	<u>\$ 1,143</u>
Capital lease incurred for the purchase of property and equipment	<u>\$ 62,000</u>

See accompanying notes to the consolidated financial statements.

Orchard Place and Orchard Place Foundation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The consolidated financial statements include Orchard Place (the Organization) and Orchard Place Foundation (the Foundation), both private non-profit organizations organized under the laws of the State of Iowa. The Organization was founded in 1886 and is accredited through The Joint Commission. It provides a continuum of services to children with mental and behavioral health issues through its four divisions:

- Orchard Place Campus: This division provides 24-hour inpatient care to children needing intensive treatment related to a mental illness, and it is licensed as a Psychiatric Medical Institute for Children. It offers an individualized treatment program including individual and family psychotherapy, social skills building, and life skills training.
- PACE Juvenile Center: This division is community-based, providing skill building services for a diverse population of youth and families struggling with mental health and substance abuse issues. PACE works to enhance the services of mental health professionals, educators and Juvenile Court/Department of Human Services by collaborating with these providers and families to alleviate behavioral issues and promote accountability.
- Child Guidance Center: This division promotes community mental health through multiple professional services to children and their families and to those persons and organizations influential in the emotional development and well being of children. It is licensed as a Community Mental Health Center. Outpatient services are provided by a multi-disciplined staff in the fields of child psychiatry, clinical psychology, clinical social work, nursing, and child development. Child care resource and referral services are also offered.
- Integrated Health Program: This division was formed in May 2013 to provide services as a children's integrated health home. Teams of staff including nurse care managers, care coordinators, and family peer support specialists work with clients that have a severe emotional disturbance to coordinate mental health, medical services, and social services for the client.

The Foundation exists primarily for the benefit of the Organization in carrying out its charitable purposes through the receipt and management of gifts, grants and special events revenue.

The Organization and the Foundation are exempt from income taxes under Section 501(a) of the Internal Revenue Code as nonprofit corporations as described in Section 501(c)(3). All significant intercompany transactions between the Organization and the Foundation have been eliminated.

The Organization and the Foundation have adopted the authoritative guidance issued by the Financial Accounting Standards Board on accounting for uncertainty in income taxes. Management believes it has no material uncertain tax positions and, accordingly, no income tax effects are recognized. The Organization and the Foundation's remaining open years subject to tax examination include the years ended June 30, 2013 through 2016.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Orchard Place and Orchard Place Foundation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed stipulations;
- Temporarily restricted net assets – net assets that are subject to donor-imposed stipulations that may or will be met either by the actions of the Organization and/or the passage of time; and
- Permanently restricted net assets – net assets that are subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

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. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Donated Services

The value of donated services is not recognized in the accompanying consolidated financial statements because no objective basis is available to measure the value of such services. It should be noted that a number of volunteers donated time to fundraising and mentoring services.

Assets Held at the Community Foundation of Greater Des Moines

Assets held at the Community Foundation of Greater Des Moines are carried at fair value, with gains and losses resulting from market fluctuations recognized in the period in which the fluctuations occur. Investment income is reported as an increase or decrease in unrestricted net assets, unless the use of the assets is restricted by the donor.

Endowments

The Foundation's endowments, which are included in assets held at the Community Foundation of Greater Des Moines in the consolidated financial statements, consist of seven donor-restricted individual funds established for a variety of purposes. The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Orchard Place and Orchard Place Foundation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Foundation and the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the expected total return from income and appreciation of investments; (5) other resources of the Foundation and the Organization; and (6) the investment policies of the Foundation.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if received by gift, are carried at fair value on the date received. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

Gifts of long-lived assets such as land, buildings, or equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Assets Held in Trust by Others

Assets held in trust by others are carried at fair value and include \$17,000 in a charitable remainder trust. Changes in value resulting from market fluctuations and earnings or losses are recognized in the period in which the changes occur, in the net asset class stipulated by the donor.

Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net 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, if determinable, and adjusted in future periods as final settlements are determined.

NOTE 2 BUSINESS AND CREDIT CONCENTRATIONS

The Organization provides services in the central Iowa area, with total revenues of approximately \$15,863,000 from the Department of Human Services (the Department) and various managed care companies contracted by the Department during the year ended June 30, 2016. Services provided are primarily through per diem and purchase of service agreements. At June 30, 2016, the Organization had accounts receivable from the Department and various managed care companies contracted by the Department of approximately \$1,964,000. Future agreements with the Department are generally dependent upon appropriations by the state legislature.

Orchard Place and Orchard Place Foundation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2016 consisted of unconditional promises expected to be collected in less than one year of \$2,617.

NOTE 4 ASSETS HELD AT THE COMMUNITY FOUNDATION OF GREATER DES MOINES

In 2007, the Foundation transferred assets to the Community Foundation of Greater Des Moines (the Community Foundation), specifying itself as beneficiary, under two types of agreements.

Amounts reported in the consolidated statement of financial position as interest in the net assets of the Community Foundation of Greater Des Moines represent the net cumulative transfers by the Foundation to the Community Foundation, as well as earnings net of disbursements. Distributions are to be made in accordance with the “spending formula” adopted by the Community Foundation’s Board of Directors, currently 5% of the fund balance as of December 31st of the previous year. Distributions in excess of net income may be made in order to make a distribution in accordance with the spending formula. The Foundation may request distributions of net income in excess of the spending formula distributions, administrative fees and direct expenses. The Community Foundation’s Board of Directors shall make additional distributions in excess of amounts determined under the spending formula, up to 100% of the fund, pursuant to requests by the Foundation. The Community Foundation has been granted variance power over the assets, if the Foundation ceases to be a qualified charitable organization or proposes to dissolve.

Amounts reported in the consolidated statement of financial position as beneficial interest in assets held by the Community Foundation of Greater Des Moines represent the net cumulative transfers by the Foundation to the Community Foundation, as well as earnings net of disbursements. These funds were established under the Endow Iowa provisions of the Code of Iowa. Distributions of up to but not exceeding 5% of the fund balance as of December 31st of the previous year may be made each year. Net income in excess of the distributions, administrative fees and direct expenses will be added to the fund principal. The Community Foundation has been granted variance power over the assets, if the Foundation ceases to be a qualified charitable organization or proposes to dissolve.

The assets transferred to the Community Foundation are invested in a pooled endowment at the direction of the Community Foundation’s Investment Committee. The investment allocation at June 30, 2016 was as follows:

United States equity	30.4%
Non-United States equity	27.8
United States fixed income	9.5
Non-United States fixed income	4.8
Cash composite	.7
Hedge funds	16.4
Real assets	7.1
Private equity	<u>3.3</u>
Total	<u>100.0%</u>

Orchard Place and Orchard Place Foundation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 FAIR VALUE MEASUREMENTS

The Foundation accounts for its assets held at the Community Foundation of Greater Des Moines, assets held in trust by others, and cash surrender value of life insurance at fair value. Fair value is defined as 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 in its principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. These levels are as follows:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from investees.

Assets held by the Community Foundation of Greater Des Moines consist of pooled funds invested at the Community Foundation. The Foundation holds a share of the pooled funds and not direct ownership of the underlying investments. Although the pooled funds, as noted in the previous table, include equity, fixed income, and other marketable securities, the pool itself is not a publicly traded instrument. Management estimates the fair value of its pooled funds at the balance sheet date based on its relative ownership investment in the pool.

The following table presents the Foundation’s investments measured at fair value as of June 30, 2016:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Interest in the net assets of the Community Foundation of Greater Des Moines	\$5,369,678	–	–	\$5,369,678
Beneficial interest in assets held by the Community Foundation of Greater Des Moines	112,137	–	–	112,137
Cash surrender value of life insurance	1,816	–	–	1,816
Assets held in trust by others	<u>17,000</u>	<u>–</u>	<u>–</u>	<u>17,000</u>
Totals	<u>\$5,500,631</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$5,500,631</u>

Orchard Place and Orchard Place Foundation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 FAIR VALUE MEASUREMENTS (continued)

The following table provides a summary of changes in fair value of the Foundation's Level 3 funds for the year ended June 30, 2016:

Balance at beginning of year	\$ 5,747,654
Pooled funds:	
Interest and dividends	120,370
Realized gains (losses)	115,823
Unrealized gains (losses)	(316,886)
Investment expenses	(18,638)
Contributions	204,276
Distributions	<u>(351,955)</u>
	<u>(247,010)</u>
Other:	
Change in value – assets held in trust by others	(1,000)
Change in value – cash surrender value of life insurance	<u>987</u>
	<u>(13)</u>
Balance at end of year	<u>\$5,500,631</u>

NOTE 6 ENDOWMENTS

Endowment funds of \$959,691 are included in assets held by the Community Foundation of Greater Des Moines. The change in endowment net assets was as follows for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance at beginning of year	\$ (1,559)	\$ 249,724	\$ 700,126	\$ 948,291
Investment return:				
Investment income	4,160	17,170	–	21,330
Investment expenses	(28)	–	–	(28)
Net appreciation (realized and unrealized)	<u>(6,328)</u>	<u>(30,457)</u>	<u>–</u>	<u>(36,785)</u>
Total investment return	<u>(2,196)</u>	<u>(13,287)</u>	<u>–</u>	<u>(15,483)</u>
Contributions	–	–	76,200	76,200
Expenditures	<u>(9,885)</u>	<u>(39,432)</u>	<u>–</u>	<u>(49,317)</u>
Balance at end of year	<u>\$ (13,640)</u>	<u>\$ 197,005</u>	<u>\$ 776,326</u>	<u>\$ 959,691</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$13,640 at June 30, 2016. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Orchard Place and Orchard Place Foundation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 NET ASSETS (continued)

Permanently restricted net assets are restricted to the following purposes at June 30, 2016:

Educational activities	\$ 283,770
Aliber House	241,026
Sexual abuse survivors' programming	10,800
Cultural enrichment activities	40,000
Orchard Place Campus direct care	91,976
General support	<u>108,754</u>
Total permanently restricted net assets	<u>\$ 776,326</u>

NOTE 10 RETIREMENT PLANS

The Organization participates in a multiemployer defined benefit plan sponsored by the United Way of Central Iowa. The plan provides defined benefits to certain employees that were participating as of December 31, 2008, the date at which the Organization elected to freeze plan benefits for all existing participants and to discontinue the admittance of new participants. Amounts charged to pension cost and contributed to the plan totaled \$535,634 for the year ended June 30, 2016.

The Organization participates in a defined contribution retirement plan sponsored by the United Way of Central Iowa. Eligible employees are allowed to make contributions of pre-tax and after-tax compensation into the plan. The Organization may make discretionary matching contributions, subject to certain restrictions. During the year ended June 30, 2016, the Organization made contributions to the plan totaling \$157,529.

NOTE 11 RENT EXPENSE

Effective July 1, 2004, the Child Guidance Center division of the Organization occupies a building in Des Moines, Iowa situated on land leased through a long-term ground lease ending April 30, 2058. Payments are based on 6 percent of the appraised value of the land adjusted at various points during the term of the lease and are payable monthly. Rent expense under this lease agreement was \$23,580 for the year ended June 30, 2016. Future minimum rental payments under this ground lease based on the current appraised value of the land total are as follows: 2017: \$23,580; 2018: \$23,580; 2019: \$23,580; 2020: \$23,580; 2021: \$23,580; and later years: \$868,530.

Effective July 1, 2009, the Organization is leasing office space in Des Moines, Iowa for its administrative offices. The original five-year lease term ended on June 30, 2014, and the lease has been extended for its third year through June 30, 2017. Rent expense under this lease agreement was \$76,790 for the year ended June 30, 2016. Future minimum rental payments under this office lease are as follows: 2017: \$76,790.

Orchard Place and Orchard Place Foundation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 MALPRACTICE CLAIMS

The Organization is insured for protection against liability claims resulting from professional services provided or which should have been provided. Umbrella coverage limits are \$2,000,000 per occurrence and \$2,000,000 in the aggregate, with underlying professional liability coverage of \$1,000,000 per claim and \$3,000,000 in the aggregate.

Presently no claims alleging malpractice have been asserted against the Organization. However, incidents occurring through June 30, 2016 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 13 SUBSEQUENT EVENTS

The Organization and the Foundation have evaluated subsequent events through August 29, 2016, the date which the consolidated financial statements were available to be issued. There were no subsequent events requiring accrual or disclosure.

ORCHARD PLACE AND ORCHARD PLACE FOUNDATION

Consolidating Statement of Financial Position

June 30, 2016

Assets	<u>Orchard Place</u>	<u>Orchard Place Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash	\$ 6,736,422	\$ 693,863	\$ —	\$ 7,430,285
Receivables:				
Patient and contract receivables, net	2,312,334	—	—	2,312,334
Contributions receivable	—	2,617	—	2,617
Other receivables	58,441	—	(58,441) (1)	—
Total receivables	<u>2,370,775</u>	<u>2,617</u>	<u>(58,441)</u>	<u>2,314,951</u>
Prepaid expenses and inventories	58,811	6,043	—	64,854
Total current assets	<u>9,166,008</u>	<u>702,523</u>	<u>(58,441)</u>	<u>9,810,090</u>
Interest in the net assets of the Community				
Foundation of Greater Des Moines	—	5,369,678	—	5,369,678
Property and equipment:				
Land and land improvements	1,806,672	—	—	1,806,672
Buildings	12,085,013	—	—	12,085,013
Equipment and furniture	1,561,629	—	—	1,561,629
Computer hardware and software	761,380	26,525	—	787,905
Vehicles	170,965	—	—	170,965
Construction in progress	21,187	—	—	21,187
Total property and equipment	<u>16,406,846</u>	<u>26,525</u>	<u>—</u>	<u>16,433,371</u>
Accumulated depreciation and amortization	9,617,042	26,472	—	9,643,514
Net property and equipment	<u>6,789,804</u>	<u>53</u>	<u>—</u>	<u>6,789,857</u>
Beneficial interest in assets held by the Community				
Foundation of Greater Des Moines	—	112,137	—	112,137
Cash surrender value of life insurance	—	1,816	—	1,816
Assets held in trust by others	—	17,000	—	17,000
Total assets	<u>\$ 15,955,812</u>	<u>\$ 6,203,207</u>	<u>\$ (58,441)</u>	<u>\$ 22,100,578</u>
Liabilities and Net Assets				
Current liabilities:				
Line of credit	\$ —	\$ —	\$ —	\$ —
Current maturities of capital lease obligations	11,648	—	—	11,648
Accounts payable and accrued expenses	1,020,001	62,930	(58,441) (1)	1,024,490
Gift annuity liabilities	—	2,778	—	2,778
Total current liabilities	<u>1,031,649</u>	<u>65,708</u>	<u>(58,441)</u>	<u>1,038,916</u>
Noncurrent liabilities	43,784	—	—	43,784
Total liabilities	<u>1,075,433</u>	<u>65,708</u>	<u>(58,441)</u>	<u>1,082,700</u>
Net assets:				
Unrestricted	14,880,379	4,211,197	—	19,091,576
Temporarily restricted	—	1,149,976	—	1,149,976
Permanently restricted	—	776,326	—	776,326
Total net assets	<u>14,880,379</u>	<u>6,137,499</u>	<u>—</u>	<u>21,017,878</u>
Commitments and contingencies				
Total liabilities and net assets	<u>\$ 15,955,812</u>	<u>\$ 6,203,207</u>	<u>\$ (58,441)</u>	<u>\$ 22,100,578</u>

Eliminating entries:

(1) To eliminate the intercompany payable and receivable balance

See accompanying notes to the consolidated financial statements.

ORCHARD PLACE AND ORCHARD PLACE FOUNDATION

Consolidating Statement of Activities

Year ended June 30, 2016

	Unrestricted			Temporarily Restricted			Temporarily Restricted	Total	Temporarily Restricted	Orchard Place Foundation	Total
	Orchard Place	Orchard Place Foundation	Eliminating Entries	Total Unrestricted	Orchard Place	Eliminating Entries					
Operating revenue and support:											
Net patient service revenue, contracts and grants	\$ 19,221,780	\$ —	\$ —	\$ 19,221,780	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 19,221,780
Public support	1,168,158	—	—	1,168,158	—	—	—	—	—	—	1,168,158
Contributions, memorials, and fundraisers, net	—	614,531	—	614,531	417,038	(417,038)	(1)	751,465	76,200	—	1,442,196
Other revenue	199,159	—	—	199,159	—	—	—	—	—	—	199,159
Total operating revenue and support	20,589,097	614,531	—	21,203,628	417,038	(417,038)	(1)	751,465	76,200	—	22,031,293
Net assets released from restrictions - satisfaction of program and time restrictions	417,038	423,888	(417,038)	423,888	(417,038)	417,038	(1)	(423,888)	—	—	—
Total operating revenue, support, net asset transfers	21,006,135	1,038,419	(417,038)	21,627,516	—	—	—	327,577	76,200	—	22,031,293
Operating expenses:											
Program services:											
Orchard Place Campus	7,316,126	—	—	7,316,126	—	—	—	—	—	—	7,316,126
PACE Juvenile Center	2,980,733	—	—	2,980,733	—	—	—	—	—	—	2,980,733
Child Guidance Center	7,993,601	—	—	7,993,601	—	—	—	—	—	—	7,993,601
Integrated Health Program	1,400,960	—	—	1,400,960	—	—	—	—	—	—	1,400,960
Orchard Place Foundation	—	567,016	(567,016)	—	—	—	—	—	—	—	—
Total program services	19,691,420	567,016	(567,016)	19,691,420	—	—	—	—	—	—	19,691,420
Administrative services	1,875,330	—	—	1,875,330	—	—	—	—	—	—	1,875,330
Fundraising and marketing	—	551,387	—	551,387	—	—	—	—	—	—	551,387
Total operating expenses	21,566,750	1,118,403	(567,016)	22,118,137	—	—	—	—	—	—	22,118,137
Change in net assets from operating activities	(560,615)	(79,984)	149,978	(490,621)	—	—	—	327,577	76,200	—	(86,844)
Nonoperating activities:											
Contributions from Orchard Place Foundation - restricted for property and equipment	—	—	—	—	149,978	(149,978)	(1)	—	—	—	—
Investment income, net	—	(87,491)	—	(87,491)	—	—	—	(15,700)	—	—	(103,191)
Change in the value of split interest agreements	—	3,188	—	3,188	—	—	—	(1,000)	—	—	2,188
Other nonoperating income, net	46,626	—	—	46,626	—	—	—	—	—	—	46,626
Net assets released from restrictions - property and equipment	149,978	149,978	(149,978)	149,978	(149,978)	149,978	(1)	(149,978)	—	—	—
Change in net assets from nonoperating activities	196,604	65,675	(149,978)	112,301	—	—	—	(166,678)	—	—	(54,377)
Change in net assets	(364,011)	(14,309)	—	(378,320)	—	—	—	160,899	76,200	—	(141,221)
Net assets at beginning of year	15,244,390	4,225,506	—	19,469,896	—	—	—	989,077	700,126	—	21,159,099
Net assets at end of year	\$ 14,880,379	\$ 4,211,197	\$ —	\$ 19,091,576	\$ —	\$ —	\$ —	\$ 1,149,976	\$ 776,326	\$ —	\$ 21,017,878

(1) To eliminate intercompany transfers

See accompanying notes to the consolidated financial statements.

Orchard Place and Orchard Place Foundation
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2016

Federal grantor/pass-through grantor/ pass through grant description	Federal CFDA number	Federal CFDA name	Federal expenditures
United States Department of Agriculture			
<i>Passed through State of Iowa Department of Education</i>			
National School Breakfast, Lunch and Snack Program	10.553 and 10.555	After School Snack Program, School Breakfast Program, and National School Lunch Program	\$ 158,668
Food Distribution Program	10.550	Commodities	4,315
<i>Total United States Department of Agriculture</i>			<u>162,983</u>
United States Department of Justice			
<i>Passed through Iowa Criminal and Juvenile Justice Planning Division</i>			
<i>Juvenile Accountability Block Grants -</i>			
Functional Family Therapy	16.523	Juvenile Accountability Block Grants	35,374
<i>Juvenile Justice and Delinquency Prevention - Allocation to the</i>			
States - Functional Family Therapy	16.540	Juvenile Justice and Delinquency Prevention	35,876
<i>Total United States Department of Justice</i>			<u>71,250</u>
United States Department of Health and Human Services			
<i>Passed through State of Iowa Department of Human Services</i>			
Child Care Resource and Referral	93.575	Child Care and Development Block Grant	1,291,886
<i>Passed through the Polk County Early Childhood Iowa</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	318,139
<i>Passed through Iowa River Valley Early Childhood Iowa</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	60,433
<i>Passed through Kids First Communities Early Childhood Iowa</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	23,344
<i>Passed through JMP Early Childhood Iowa</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	47,179
<i>Passed through Mahaska Wapello Early Childhood Iowa</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	70,275
<i>Passed through BooSt Together for Children Early Childhood Iowa</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	43,635
<i>Passed through 4 R Kids Early Childhood Iowa</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	4,410
<i>Passed through 4 Counties for Kids Early Childhood Iowa</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	32,364
			<u>1,891,665</u>
<i>Passed through State of Iowa Department of Human Services</i>			
Juvenile Court Services - Diversion	93.558	Temporary Assistance for Needy Families (TANF)	120,067
Juvenile Court Services - School Based	93.558	Temporary Assistance for Needy Families (TANF)	39,784
<i>Juvenile Court Services - Functional</i>			
Family Therapy	93.558	Temporary Assistance for Needy Families (TANF)	60,368
			<u>220,219</u>
<i>Passed through State of Iowa Department of Human Services, Division of Mental Health and Developmental Disabilities</i>			
Trauma Informed Care Services	93.958	Block Grants for Community Mental Health Services	163,241
<i>Total United States Department of Health and Human Services</i>			<u>2,275,125</u>
Total federal expenditures			<u><u>\$ 2,509,358</u></u>

See Independent Auditor's Report and Note to Schedule of Expenditures of Federal Awards.

Orchard Place and Orchard Place Foundation
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Orchard Place and is presented on the accrual basis of accounting. The Orchard Place Foundation received no federal awards for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**INDEPENDENT AUDITOR'S REPORT 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***

To the Board of Directors
Orchard Place and Orchard Place Foundation
Des Moines, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Orchard Place and Orchard Place Foundation (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Orchard Place and Orchard Place Foundation'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 Orchard Place and Orchard Place Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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 Orchard Place and Orchard Place Foundation'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 29, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Orchard Place and Orchard Place Foundation
Des Moines, Iowa

Report on Compliance for Each Major Federal Program

We have audited Orchard Place and Orchard Place Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Orchard Place and Orchard Place Foundation's major federal programs for the year ended June 30, 2016. Orchard Place and Orchard Place Foundation's major federal programs 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Orchard Place and Orchard Place Foundation's major federal programs 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 occurred. An audit includes examining, on a test basis, evidence about Orchard Place and Orchard Place Foundation'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. However, our audit does not provide a legal determination of Orchard Place and Orchard Place Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Orchard Place and Orchard Place Foundation 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 for the year ended June 30, 2016.

Internal Control Over Compliance

Management of Orchard Place and Orchard Place Foundation 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 Orchard Place and Orchard Place Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Orchard Place and Orchard Place Foundation'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 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 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 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. Accordingly, this report is not suitable for any other purpose.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 29, 2016

Orchard Place and Orchard Place Foundation
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2016

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- (a) Type of auditor’s report issued: Unmodified opinion
- (b) Internal control over financial reporting:
 - Material weakness identified? No
 - Significant deficiency identified that is not considered to be material weakness? None reported
- (c) Noncompliance material to financial statements noted? No

Federal Awards

- (d) Internal control over major programs:
 - Material weakness identified? No
 - Significant deficiency identified that is not considered to be material weakness? None reported
- (e) Type of auditor’s report issued on compliance for major programs: Unmodified opinion
- (f) Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?
No
- (g) Identification of major programs:
CFDA #93.575 – Child Care and Development Block Grant
- (h) Dollar threshold used to distinguish between type A and type B programs: \$750,000
- (i) Auditee qualified as low-risk auditee: Yes

SECTION II—FINANCIAL STATEMENT FINDINGS

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance related to the financial statements were reported.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters regarding significant deficiencies, material weaknesses, or instances of noncompliance with federal program requirements, including questioned costs, were reported.