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August 12, 2016

Board of Directors
Southwestern Behavioral Healthcare, Inc.
415 Mulberry Street
Evansville, IN 47713

We have reviewed the audit report prepared by Harding, Shymanski & Company, PSC, for the period July 1, 2014 to June 30, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Southwestern Behavioral Healthcare, Inc., as of June 30, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.
A Not-for-Profit Corporation

Financial Report

June 30, 2015 and 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT

HARDING, SHYMANSKI & COMPANY, P.S.C.
Certified Public Accountants and Consultants

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Board of Directors
Southwestern Behavioral Healthcare, Inc.
415 Mulberry Street
Evansville, Indiana 47713-1230

Report on the Financial Statements

We have audited the accompanying financial statements of Southwestern Behavioral Healthcare, Inc., a Not-for-Profit Corporation, which comprise the statement of financial position as of June 30, 2015, the related statements of activities and changes in net assets, functional expenses, 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 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 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 reasonable basis for our audit opinion.

Evansville, IN ■ Louisville, KY

McGladrey Alliance is a premier affiliation of independent and consulting firms. McGladrey Alliance members maintain their name, autonomy and independence and are responsible for their own client arrangements, delivery of services and maintenance of client relationships.

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Southwestern Behavioral Healthcare, Inc., a Not-for-Profit Corporation, 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.

Report on Summarized Comparative Information

We have previously audited Southwestern Behavioral Healthcare, Inc., a Not-for-Profit Corporation's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 8, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2015, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Corporation's internal control over financial reporting and compliance.

Harding, Shymanski & Company, P.S.C.

Evansville, Indiana
October 13, 2015

SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.
A Not-for-Profit Corporation

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2015 with Comparative Totals for 2014

	2015	2014
Changes in unrestricted net assets		
Support and revenue		
Public support		
Contributions	**5,515**	3,198
County funds		
Gibson	**220,652**	214,954
Posey	**304,731**	296,862
Vanderburgh	**958,997**	934,234
Warrick	**403,014**	392,608
Other grants	**29,952**	22,303
Meaningful Use Funds	**89,250**	21,250
Mental Health Funds Recovery Program	**1,015,062**	779,452
State funds		
Mental health	**4,179,963**	3,927,396
Substance abuse	**119,128**	119,158
Federal funds		
Mental health	**544,416**	692,720
Substance abuse	**1,295,962**	1,205,510
Total public support	**9,166,642**	8,609,645
Net service revenue	**7,288,592**	6,600,302
Provision for uncollectible accounts	**(358,635)**	(381,854)
Net service revenue less provision for uncollectible accounts	**6,929,957**	6,218,448
Other revenue		
Service contract	**157,956**	64,115
Miscellaneous	**91,650**	119,424
Gain on sale of property and equipment	**3,287**	0
Total other revenue	**252,893**	183,539
Total support and revenue	**16,349,492**	15,011,632
Expenses		
Program services	**11,700,141**	11,782,218
Management and general	**3,645,685**	3,106,745
Total expenses	**15,345,826**	14,888,963
Increase in unrestricted net assets	**1,003,666**	122,669
Unrestricted net assets at beginning of year	**4,801,892**	4,679,223
Unrestricted net assets at end of year	**5,805,558**	4,801,892

See notes to financial statements.

SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.
A Not-for-Profit Corporation

STATEMENTS OF FINANCIAL POSITION
June 30, 2015 with Comparative Totals for 2014

	2015	2014
ASSETS		
Current Assets		
Cash	**3,619,546**	3,180,401
Accounts receivable		
Patients, less allowance for contractuals and doubtful accounts 2015 $440,900; 2014 $333,761	**714,975**	544,790
County funds	**111,796**	0
Affiliate	**2,169**	7,291
Hoosier Assurance Program	**716,272**	357,680
Mental Health Funds Recovery Program	**590,809**	356,634
Other	**185,786**	99,889
Prepaid expenses	**225,285**	239,057
Other	**10,000**	10,000
Total current assets	**6,176,638**	4,795,742
Other Assets		
Cash surrender value of life insurance	**320,506**	284,870
Investments	**312,815**	292,752
Total other assets	**633,321**	577,622
Property and Equipment	**2,604,709**	2,510,306
Less accumulated depreciation	**(1,735,138)**	(1,729,166)
Total property and equipment, net	**869,571**	781,140
Total assets	**7,679,530**	6,154,504
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable		
Trade	**182,965**	155,981
Affiliate	**1,316**	2,431
Accrued expenses	**948,731**	950,828
Deferred revenue	**488,890**	9,375
Total current liabilities	**1,621,902**	1,118,615
Deferred Compensation	**252,070**	233,997
Total liabilities	**1,873,972**	1,352,612
Unrestricted Net Assets	**5,805,558**	4,801,892
Total liabilities and net assets	**7,679,530**	6,154,504

See notes to financial statements.

SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.
A Not-for-Profit Corporation

STATEMENTS OF CASH FLOWS
Year Ended June 30, 2015 with Comparative Totals for 2014

	2015	2014
Cash Flows from Operating Activities		
Increase in unrestricted net assets	**1,003,666**	122,669
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	**148,475**	154,348
Excess of increase in cash surrender value over premiums paid on life insurance	**(15,645)**	(37,808)
Net unrealized gain on investments	**(10,963)**	(40,054)
Provision for uncollectible accounts	**358,635**	381,854
Gain on sale of property and equipment	**(3,287)**	0
Changes in assets and liabilities:		
Decrease (increase)		
Accounts receivable		
Patients	**(528,820)**	87,072
County funds	**(111,796)**	299,883
Affiliate	**5,122**	(6,773)
Hoosier Assurance Program	**(358,592)**	(307,680)
Mental Health Funds Recovery Program	**(234,175)**	(147,383)
Other	**(85,897)**	19,502
Prepaid expenses	**13,772**	(28,824)
Increase (decrease)		
Accounts payable		
Trade	**26,984**	(148,808)
Affiliate	**(1,115)**	1,904
Accrued expenses	**(2,097)**	206,058
Deferred revenue	**479,515**	(6,510)
Deferred compensation	**18,073**	46,724
Net cash provided by operating activities	**701,855**	596,174
Cash Flows from Investing Activities		
Premiums paid on life insurance policies	**(19,991)**	(9,995)
Proceeds from sale of property and equipment	**4,500**	0
Purchase of property and equipment	**(238,119)**	(78,146)
Purchase of investments	**(9,100)**	(14,955)
Net cash used in investing activities	**(262,710)**	(103,096)
Net increase in cash	**439,145**	493,078
Cash at beginning of year	**3,180,401**	2,687,323
Cash at end of year	**3,619,546**	3,180,401

See notes to financial statements.

SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.
A Not-for-Profit Corporation

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2015 with Comparative Totals for 2014

	MENTAL HEALTH AND ADDICTION PROGRAM SERVICES								SUPPORTIVE SERVICES	TOTAL PROGRAM AND SUPPORTIVE SERVICES	
	Mental Health and Addiction Outpatient and Assessment Centers	Community Based Child & Family Mental Health Services	Community Based Adult Mental Health Services	Supervised Group Living	Residential, Detox and Outpatient Addiction Center	Medication Management	Other Services	Total Program Services	Management and General	2015	2014
Salaries and wages	1,767,863	892,146	880,249	754,974	1,223,331	1,350,816	331,904	7,201,283	437,373	7,638,656	7,454,732
Employee benefits	511,946	267,073	275,900	263,241	361,823	233,206	77,174	1,990,363	130,694	2,121,057	2,066,838
Supplies	4,866	9,439	2,533	85,945	19,188	1,179	1,999	125,149	31,588	156,737	184,238
Purchased services	1,316	204	0	380	351,295	0	207,655	560,850	236,849	797,699	754,270
Management fee	0	0	0	0	0	0	0	0	2,451,300	2,451,300	2,277,786
Program activities	213	3,131	4,641	5,568	5,724	0	462	19,739	0	19,739	25,746
Marketing and outreach	2,446	0	0	0	6,288	0	200	8,934	11,741	20,675	32,290
Travel, meetings, and education	35,988	77,497	44,419	4,830	3,583	8,686	6,051	181,054	16,644	197,698	210,286
Office and communications	52,571	25,509	23,743	13,498	13,958	927	12,522	142,728	3,568	146,296	170,089
Insurance	0	0	0	0	0	42,128	0	42,128	82,894	125,022	119,943
Building and equipment maintenance	18,000	428	6,620	1,280	4,527	0	65	30,920	1,740	32,660	119,889
Minor equipment	4,288	17,204	12,022	3,576	5,303	815	131	43,339	33,809	77,148	49,503
Building rent	254,181	113,603	212,880	156,672	404,256	0	15,120	1,156,712	95,500	1,252,212	1,180,474
Depreciation	70,086	2,730	10,866	3,471	61,322	0	0	148,475	0	148,475	154,348
Other expense	5,320	4,298	2,417	8,238	7,495	14,559	6,140	48,467	111,985	160,452	88,531
Total expenses	2,729,084	1,413,262	1,476,290	1,301,673	2,468,093	1,652,316	659,423	11,700,141	3,645,685	15,345,826	14,888,963

See notes to financial statements.

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Southwestern Behavioral Healthcare, Inc. (Corporation) is a not-for-profit certified Indiana Community Mental Health Center providing comprehensive mental health and addiction services to residents of Vanderburgh, Gibson, Posey, and Warrick counties since 1967. The Corporation offers services at 13 locations including 6 outpatient offices, 4 adult supervised group living homes, a residential and detox center, a youth school based partial hospitalization center, and a community support services center.

Comparative Amounts

The financial statements and notes include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Financial Statement Presentation

The Corporation presents its financial statements in conformance with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) guidance with "Financial Statements of Not-For-Profit Organizations". It establishes standards for external financial reporting by not-for-profit organizations. It requires that information regarding financial position and activities be reported into three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. These classes of net assets are based on the existence or absence of donor-imposed restrictions on contributions. Unrestricted net assets are not subject to donor-imposed restrictions and may be designated for specific purposes by the Corporation's Board of Directors. The Corporation has no temporarily or permanently restricted net assets.

Support and Expenses

The Corporation reports on the accrual basis of accounting. Expenses are recorded when incurred and revenue is recognized at the net realizable amounts in the period earned.

Contributions received and unconditional promises to give cash and other assets are reported at fair value on the date the contribution or promise is received as an increase in net assets. The gifts are reported as either temporarily or permanently restricted if they are received with donor-imposed stipulations that limit the use of the donated assets. When a donor time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same reporting year as received are included unrestricted net assets.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Support and Expenses (Continued)

Gifts of long-lived assets with restrictions on how the assets must be maintained or used and contributions with donor-imposed restrictions for the purchase long-lived assets are considered to have met the restrictions upon the asset being placed in service, absent explicit donor stipulations on how long the assets must be maintained.

Concentration of Credit Risk

Financial instruments, which potentially subject the Corporation to concentrations of credit risk, consist principally of cash and accounts receivable. At times, such cash in banks may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Accounts Receivable

Accounts receivable are stated net of an allowance for contractual discounts and doubtful accounts. The allowance is based on experience, third-party payor contracts, aging of the accounts, and other circumstances which may affect the ability of the patients to meet their obligations. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines that it is reasonable the receivable will not be collected.

Investments

Investments are recorded at fair market value.

Property, Equipment, and Depreciation

Property and equipment are stated at cost, with the exception of donations to the Corporation which are stated at fair market value at the date of the gift if a value can be measured on an objective basis. Provisions for depreciation of property and equipment have been computed on the straight-line method over the estimated useful life.

Improvements to leased property owned by affiliates are being amortized over the estimated useful life of the improvement rather than the lease term, if shorter. An annual assessment is performed by management to determine the likelihood of whether the carrying value of the improvements has been impaired. Improvements to property under leases with affiliates had a net book value of $394,136 and $426,472 at June 30, 2015 and 2014, respectively.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among the program services and management and general categories based on the actual direct expenditures and other methods.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2015 and 2014 was $17,207 and $26,872, respectively.

Subsequent Events Evaluation

The Corporation has evaluated subsequent events through October 13, 2015, the date on which the financial statements were available to be issued.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain items in the June 30, 2014 financial statements have been reclassified to conform to the June 30, 2015 classifications.

Note 2 – Property and Equipment

Property and equipment at June 30, 2015 and 2014 consisted of the following:

	2015		2014	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Furniture, fixtures, and equipment	2,119,666	1,644,231	2,025,263	1,670,595
Leasehold improvements	485,043	90,907	485,043	58,571
	2,604,709	1,735,138	2,510,306	1,729,166

Depreciation expense for the years ended June 30, 2015 and 2014 was $148,475 and $154,348, respectively.

Note 3 – Commitment and Contingencies

The Corporation, along with three other affiliated not-for-profit corporations, participate in a self-funded health insurance plan that covers substantially all of its employees. The Corporation and other affiliated not-for-profit corporations are liable for claims up to $75,000 plus administrative fees per employee, and aggregate claims up to $2,212,863 annually. Self-insurance costs are accrued as claims are incurred. The Corporation's portion of health insurance expense for the years ended June 30, 2015 and 2014 was $1,092,525 and $1,023,275, respectively.

The Corporation has been reviewed by the Health Care Excel Surveillance and Utilization Review team. As a result of their review, it was determined that Medicaid had overpaid funds to the Corporation. Management believes that the claims are overstated; however, management has accrued $61,250 at June 30, 2015 in accounts payable. There is a reasonable possibility the amount could be more or less depending on the result of the review.

The Corporation maintains medical professional liability insurance with a limit of $250,000 per occurrence ($750,000 annual aggregate) pursuant to the Indiana Medical Malpractice Act (Act). The Act provides coverage of $1,250,000 per occurrence ($7,500,000 annual aggregate), of which the first $250,000 per occurrence would be covered by the Corporation's medical professional liability insurance and the remainder by the State of Indiana Patient Compensation Fund (Fund).

In addition, the Corporation, along with two other affiliated not-for-profit corporations, share in general liability coverage of $1,000,000 per occurrence ($3,000,000 annual aggregate), professional liability coverage of $1,000,000 per occurrence ($3,000,000 annual aggregate), and umbrella liability coverage of $5,000,000 per occurrence and in the aggregate.

Note 4 – Fiduciary Trustee

The Corporation has been engaged as the financial trustee for certain patients. As part of the fiduciary responsibilities, the Corporation deposits Social Security benefits received on behalf of the patient and manages the disbursement of living and other expenses.

The funds are held in an account separate from the Corporation's operating cash account. The trustee funds held at June 30, 2015 and 2014 were $75,011 and $62,483, respectively, and presented as cash and accrued expenses on the statements of financial position. Since the Corporation is the agent to transfer assets between the patient and a third party, these amounts have not been recorded on the Corporation's statements of activities and changes in net assets.

Note 5 – Net Service Revenue

Patient service revenue is reported net of charity care discounts and contractual allowances.

Charity Care

The Corporation provides services to the residents of Vanderburgh, Gibson, Posey, and Warrick counties regardless of their ability to pay.

Uninsured patients and insured patients with no or less than full coverage for mental health and addictions services can be eligible for a reduction of service fees under the Corporation's charity care policy.

The charity care policy is a graduated discount scale up to 150 percent of Federal Poverty Income Guidelines, published by the Department of Health and Human Services, and is based on income, number of dependents, and other pertinent financial information as described in the policy.

Contractual Allowances

The Corporation has contractual agreements with certain third-party payors that include payment rates that differ from established service rates.

Estimated contractual allowances are accrued for services billed to third-party payors until payment has been received and the contractual difference applied to individual patient accounts.

Note 5 – Net Service Revenue (Continued)

Contractual Allowances (Continued)

A reconciliation of the amount of services provided to patients at established rates to net service revenue as presented in the statements of activities and changes in net assets is as follows:

	2015	2014
Gross service revenue	13,831,947	13,596,609
Charity discount	(3,648,359)	(4,453,487)
Contractual allowance	(2,894,996)	(2,542,820)
Net service revenue	7,288,592	6,600,302

Note 6 – Investments and Fair Value Measurements

Under FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Corporation uses various methods including market, income, and cost approaches. Based on these approaches, the Corporation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

Note 6 – Investments and Fair Value Measurements (Continued)

While the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended June 30, 2015 and 2014, there were no changes to the Corporation's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

The following is a description of the valuation methodology used for instruments measured at fair value:

Investments in Mutual Funds

The fair value of mutual funds is the market value based on quoted market prices, if available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that are observable inputs due to the limited market activity of the instrument.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

At June 30, 2015 and 2014, the balances of assets measured at fair value on a recurring basis are as follows:

	Fair Value	Level 1	Level 2	Level 3
June 30, 2015				
Investments in mutual funds	312,815	312,815	0	0
June 30, 2014				
Investments in mutual funds	292,752	292,752	0	0

The net unrealized investment gain for the years ended June 30, 2015 and 2014 was $10,963 and $40,054, respectively.

Note 7 – Tax Status

The Internal Revenue Service has ruled that the Corporation is exempt from the payment of federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Corporation has been classified as an organization that is not a private foundation and has been designated as a "publicly-supported" organization.

Management evaluated the Corporation's uncertain tax positions and concluded that the Corporation had taken no uncertain tax positions that require adjustment to the financial statements.

The Corporation is subject to income tax examinations for its U.S. federal income taxes and state jurisdictions. The statute of limitations for assessment of federal and state income taxes expired with respect to tax returns through 2011.

Note 8 – Defined Contribution Plan

The Corporation has a 401(k) defined contribution plan that allows for both pre-tax and after-tax employee deferral contributions up to the Internal Revenue Service defined limits. Employees hired after February 1, 2014 are automatically enrolled with a salary deferral of three percent, unless otherwise elected. Employees hired after January 1, 2015 receive an auto escalation of one percent of their deferral amount each year up to a maximum of ten percent, unless otherwise elected.

An employee who is 21 years of age and has completed one year of service with a minimum of 1,000 hours in that year of service will begin to receive an employer matching contribution on the next enrollment date of July 1 or January 1. The matching contribution is 50 percent of employees' deferrals up to five percent of their gross pay. Additionally, the employee will be eligible for an annual employer discretionary contribution if the employee was employed on December 31 of the plan year, was an active participant at any time during the plan year, and had 1,000 or more hours during the plan year. The discretionary contribution for the years ended June 30, 2015 and 2014 was three percent of eligible employees' gross pay. Total contributions made by the Corporation for the years ended June 30, 2015 and 2014 were $288,076 and $264,504, respectively.

Employees vest in employer contributions based on a six-year grading schedule.

Note 9 – Deferred Compensation Plans

The Corporation is a participating employer in a 457(b) deferred compensation plan available for certain highly compensated employees. Contributions are 100 percent employee deferrals and therefore, employees are immediately vested in all deferred amounts. The ultimate payment of the deferred compensation is subject to conditions specified within the plan. Under certain circumstances, benefits are payable to a beneficiary. Until paid or made available to the participant or beneficiary, all deferred amounts and investments earnings related to deferral amounts are solely the property and rights of the Corporation and are subject to claims of the Corporation's general creditors. Participant's rights under the 457(b) Plan are equal to those of a general creditor of the Corporation. As of June 30, 2015 and 2014, the 457(b) Plan assets totaled $252,070 and $233,997, respectively, and are included in investments and in deferred compensation in the accompanying statements of financial position.

Note 10 – Related Party Transactions

The Corporation is related through common Board members to other not-for-profit corporations. Transactions with the affiliated not-for-profit corporations for the years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Grant income	10,750	10,475
Service contract income	65,544	36,823
Purchased services	1,961	4,800
Management fee expense	2,451,300	2,277,786
Building rent	1,192,392	1,121,872

The accompanying statements of financial position include the following related party amounts:

	2015	2014
Accounts receivable	2,169	7,291
Prepaid rent	99,366	96,266
Accounts payable	1,316	2,431

Note 11 – Leases

The Corporation is obligated under operating leases with two affiliated corporations for offices throughout the counties it serves. At June 30, 2015, aggregate future minimum rental payments required under these leases, which expire on various dates through July 31, 2021, are as follows:

Years Ending June 30,	Other	Related Parties	Total
2016	61,074	828,572	889,646
2017	8,714	334,800	343,514
2018	0	334,800	334,800
2019	0	334,800	334,800
2020	0	311,100	311,100
Thereafter	0	64,350	64,350
	69,788	2,208,422	2,278,210

The Corporation also leases certain property under short-term operating lease agreements. Total rental expense under all operating leases for the years ended June 30, 2015 and 2014 was $1,252,212 and $1,181,923, respectively.

Note 12 – Concentration in Revenue

The Corporation participates in the Medicaid program. Revenue derived from this program as a percentage of public support and net service revenue for the years ended June 30, 2015 and 2014 was 30 and 34 percent, respectively.

- - - SUPPLEMENTARY INFORMATION - - -

SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.
A Not-for-Profit Corporation

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Expenditures
Federal Awards			
U.S. Department of Health and Human Services			
Passed through Indiana Family and Social Services Administration, Division of Mental Health and Addiction:			
Substance Abuse Prevention and Treatment Block Grant	93.959	A55-5-82-15-HO-2721	1,115,962
(July 1, 2014 - June 30, 2015)	93.959	A55-3-82-13-WF-2721	180,000
Mental Health Services Homeless Grant	93.150	A55-2-82-12-Y2-2721	1,489
(July 1, 2014 - June 30, 2015)	93.150	A55-4-82-14-Y3-2721	19,203
	93.150	A55-5-82-15-Y3-2721	54,428
Community Mental Health Block Grant	93.958	A55-5-82-15-HO-2721	231,201
(July 1, 2014 - June 30, 2015)	93.958	A55-3-82-13-2I-2721	6,370
	93.958	A55-4-82-14-2I-2721	50,000
Social Services Block Grant			
(July 1, 2014 - June 30, 2015)	93.667	A55-5-82-15-HO-2721	149,156
Total Department of Health and Human Services			1,807,809
U.S. Department of Education			
Passed through Indiana Family and Social Services Administration, Division of Disability and Rehabilitative Services:			
Rehabilitation Services - Vocational Rehabilitation			
(July 1, 2014 - June 30, 2015)	84.126	VR1-9-82-09-0X-2721	32,569
Total Federal Awards			1,840,378
State Awards			
Indiana Family and Social Services Administration,			
Division of Mental Health and Addiction:	N/A	A55-5-82-15-HO-2721	4,151,062
(July 1, 2014 - June 30, 2015)	N/A	A55-3-82-13-2G-2721	110,000
	N/A	A55-4-82-14-GB-2721	13,029
	N/A	A55-5-82-15-3A-2721	25,000
Total State Awards			4,299,091
Total Federal and State Awards			6,139,469

See independent auditor's report.

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state grant activity of Southwestern Behavioral Healthcare, Inc. under programs of the federal and state of Indiana governments for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

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An Independently Owned Member, McGladrey Alliance

Board of Directors
Southwestern Behavioral Healthcare, Inc.
415 Mulberry Street
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We have audited, 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, the financial statements of Southwestern Behavioral Healthcare, Inc., a Not-for-Profit Corporation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Evansville, IN ■ Louisville, KY

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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 (CONTINUED)

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harding, Shymanski & Company, P.S.C.

Evansville, Indiana
October 13, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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Report on Compliance for Each Major Federal Program

We have audited Southwestern Behavioral Healthcare, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources Issued by the Indiana State Board of Accounts* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2015. The Corporation'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources Issued by the Indiana State Board of Accounts*. Those standards and OMB Circular A-133 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 the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)

Auditor's Responsibility (Continued)

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 the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the Corporation'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 a 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)

Report on Internal Control Over Compliance (Continued)

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Harding, Shymanski & Company, P.S.C.

Evansville, Indiana
October 13, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	No

Major programs:

CFDA Number	Name of Federal Award
93.959	Substance Abuse Prevention and Treatment Block Grant (July 1, 2014 - June 30, 2015)

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

Findings – Financial Statement Audit

No matters were reported.

Findings and Questioned Costs – Major Federal Award Programs Audit

No matters were reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

The prior year single audit disclosed no findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from the prior audit's *Summary of Prior Audit Findings*.