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June 29, 2009

Board of Directors
Southwestern Indiana
Mental Health Center, Inc.
415 Mulberry Street
Evansville, IN 47713-1230

We have reviewed the audit report prepared by Harding, Shymanski & Company, PSC, Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. 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 the Southwestern Indiana Mental Health Center, Inc., as of June 30, 2008, 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.

STATE BOARD OF ACCOUNTS

***SOUTHWESTERN INDIANA
MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation***

Financial Report

June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwestern Indiana Mental Health Center, Inc.
415 Mulberry Street
Evansville, Indiana 47713-1230

HARDING SHYMANSKI
AND COMPANY P.S.C.

Certified Public Accountants
and Consultants

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Evansville, IN 47735-3677

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We have audited the accompanying balance sheet of Southwestern Indiana Mental Health Center, Inc., a Not-for-Profit Corporation, as of June 30, 2008, and the related statements of support, revenue, and expenses and changes in net assets, cash flows – total funds, and functional expenses for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2007 financial statements and, in our report dated September 17, 2007, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Indiana Mental Health Center, Inc., a Not-for-Profit Corporation, as of June 30, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, September 9, 2008 on our consideration of Southwestern Indiana Mental Health Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Southwestern Indiana Mental Health Center, Inc. taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Evansville, Indiana
September 9, 2008

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation

STATEMENTS OF SUPPORT, REVENUE, AND EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2008 with Comparative Totals for 2007

	2008			TOTAL ALL FUNDS	
	Current Fund	Replacement and Expansion Fund	Board Designated Fund	2008	2007
Changes in unrestricted net assets					
Support and revenue					
Public support					
Contributions	687	0	27,276	27,963	28,117
County funds					
Gibson	177,365	0	0	177,365	170,794
Posey	244,948	0	0	244,948	235,874
Vanderburgh	770,857	0	0	770,857	742,300
Warrick	323,950	0	0	323,950	311,949
State funds					
Mental health	3,831,045	0	0	3,831,045	3,590,221
Substance abuse	345,773	0	0	345,773	347,385
Federal funds					
Mental health	917,957	0	0	917,957	840,116
Substance abuse	1,263,520	0	0	1,263,520	1,189,718
	<u>7,876,102</u>	<u>0</u>	<u>27,276</u>	<u>7,903,378</u>	<u>7,456,474</u>
Net service revenue	<u>5,947,321</u>	<u>0</u>	<u>0</u>	<u>5,947,321</u>	<u>6,450,537</u>
Other revenue (expense)					
Interest income	99,570	7,428	135,186	242,184	320,677
Miscellaneous income	626,722	0	41,484	668,206	619,407
Loss on sale of property and equipment	(106)	0	0	(106)	(3,420)
Mental Health Funds Recovery Program income	1,032,125	0	0	1,032,125	635,173
Provision for uncollectible accounts	(814,884)	0	0	(814,884)	(864,151)
	<u>943,427</u>	<u>7,428</u>	<u>176,670</u>	<u>1,127,525</u>	<u>707,686</u>
Total unrestricted support and revenue	<u>14,766,850</u>	<u>7,428</u>	<u>203,946</u>	<u>14,978,224</u>	<u>14,614,697</u>
Expenses	<u>14,210,054</u>	<u>0</u>	<u>2,905</u>	<u>14,212,959</u>	<u>13,800,834</u>
Increase in unrestricted net assets	<u>556,796</u>	<u>7,428</u>	<u>201,041</u>	<u>765,265</u>	<u>813,863</u>
Unrestricted net assets at beginning of year	6,360,690	140,861	3,439,531		
Other changes in unrestricted net assets (deficit)					
Property and equipment acquisition	136,752	(42,781)	(93,971)		
Transfer of funds - depreciation	(389,991)	280,396	109,595		
Net Board designated funds	<u>(1,032,234)</u>	<u>0</u>	<u>1,032,234</u>		
Unrestricted net assets at end of year	<u>5,632,013</u>	<u>385,904</u>	<u>4,688,430</u>		

See notes to financial statements.

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation

BALANCE SHEETS

June 30, 2008 with Comparative Totals for 2007

	2008			TOTAL ALL FUNDS	
	Current Fund	Replacement and Expansion Fund	Board Designated Fund	2008	2007
ASSETS					
Current Assets					
Cash	2,488,581	376,469	3,889,378	6,754,428	5,787,179
Accounts receivable					
Patients, less allowance for doubtful accounts 2008 \$1,073,248; 2007 \$934,203	1,411,123	0	0	1,411,123	1,279,024
Net fund receivable (payable)	(9,435)	9,435	0	0	0
Other	474,318	0	6,780	481,098	490,489
Prepaid expenses	235,568	0	0	235,568	265,865
Total current assets	4,600,155	385,904	3,896,158	8,882,217	7,822,557
Other Assets					
Note receivable from related party	0	0	450,000	450,000	450,000
Cash surrender value of life insurance	0	0	342,272	342,272	300,788
Other assets	22,151	0	0	22,151	21,745
	22,151	0	792,272	814,423	772,533
Property and Equipment	7,798,472	0	0	7,798,472	7,720,036
Less accumulated depreciation	(5,357,438)	0	0	(5,357,438)	(5,025,657)
	2,441,034	0	0	2,441,034	2,694,379
	7,063,340	385,904	4,688,430	12,137,674	11,289,469

See notes to financial statements.

	2008			TOTAL ALL FUNDS	
	Current Fund	Replacement and Expansion Fund	Board Designated Fund	2008	2007
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	214,056	0	0	214,056	231,099
Accrued expenses	823,208	0	0	823,208	737,724
Deferred revenue	394,063	0	0	394,063	379,564
Total current liabilities	1,431,327	0	0	1,431,327	1,348,387
Unrestricted Net Assets	5,632,013	385,904	4,688,430	10,706,347	9,941,082
	7,063,340	385,904	4,688,430	12,137,674	11,289,469

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation

STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008 with Comparative Totals for 2007

	PROGRAMS				
	MENTAL HEALTH				
	Inpatient	Residential	Partial Hospi- talization	Outpatient	Consultation and Education
Payroll	240,817	910,249	565,723	3,562,835	191,491
Employee benefits	62,583	236,555	147,020	925,906	49,765
Operating supplies	0	71,417	32,204	3,741	0
Operating expenses	7,579	81,400	28,272	213,917	10,452
Office expenses	1,909	30,938	14,395	63,460	3,950
Travel and transportation	838	20,678	12,396	43,479	1,888
Building expenses	2,051	193,762	171,182	220,703	8,422
Purchased services	353,791	10,497	3,825	34,327	29,298
Total costs before depreciation	669,568	1,555,496	975,017	5,068,368	295,266
Depreciation of property and equipment	1,867	21,289	22,892	85,973	7,005
Total costs	671,435	1,576,785	997,909	5,154,341	302,271

See notes to financial statements.

PROGRAMS							SUPPORTIVE SERVICE	TOTAL PROGRAMS AND SUPPORTIVE SERVICE	
ADDICTION SERVICES									
Inpatient	Residential	Partial Hospitalization	Outpatient	Consultation and Education	Detoxification	Total Program Services	Management and General	2008	2007
4,140	559,637	89,108	438,798	18,021	187,324	6,768,143	1,803,933	8,572,076	8,552,819
1,076	145,438	23,158	114,034	4,683	48,682	1,758,900	468,803	2,227,703	2,012,979
0	9,302	4,387	0	0	1,395	122,446	0	122,446	124,594
134	28,882	9,910	37,477	1,712	8,539	428,274	410,988	839,262	723,380
38	14,259	2,288	8,812	347	4,919	145,315	29,840	175,155	161,123
14	9,567	927	3,599	129	2,557	96,072	12,537	108,609	126,546
32	68,607	9,844	58,472	1,403	24,327	758,805	164,709	923,514	986,724
0	238,898	0	64,622	6,179	47,640	789,077	62,221	851,298	739,735
5,434	1,074,590	139,622	725,814	32,474	325,383	10,867,032	2,953,031	13,820,063	13,427,900
39	62,748	9,017	34,966	1,153	22,251	269,200	120,791	389,991	364,416
<u>5,473</u>	<u>1,137,338</u>	<u>148,639</u>	<u>760,780</u>	<u>33,627</u>	<u>347,634</u>	<u>11,136,232</u>	<u>3,073,822</u>	<u>14,210,054</u>	<u>13,792,316</u>

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 with Comparative Totals for 2007

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Southwestern Indiana Mental Health Center, Inc. is a nonprofit health care provider of psychiatric services to the residents of Gibson, Posey, Vanderburgh, and Warrick Counties.

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, 2008, 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 as set forth in Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." SFAS No. 117 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 externally (donor) imposed restrictions on contributions.

For internal purposes, the assets, liabilities, and net assets of the Corporation are reported in fund groups as follows:

Current Unrestricted Fund

Funds presently available for use by the Corporation at the discretion of the Board of Directors.

Replacement and Expansion Fund

Funds represent resources designated by the Board of Directors for the acquisition of property and equipment and the corresponding depreciation. Uses of current funds for property and equipment acquisitions, principal debt payments, and depreciation are accounted for as transfers between funds.

Board Designated Fund

Designated funds have been stipulated to be used at the discretion of the Board of Directors.

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 with Comparative Totals for 2007

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

Support and Expenses

The Corporation reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets 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, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Revenue from contracts is recognized in the period which the contracts specify and related expenses are incurred. Income earned from investments is accounted for in the fund owning the assets under the accrual basis.

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 is in excess of the FDIC insurance limit. Credit risk with respect to cash is minimized by using a high-credit quality financial institution. The Corporation attempts to minimize accounts receivable credit risk by establishing an allowance for possible losses on accounts receivable based upon factors surrounding historical trends and other information.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Corporation provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, 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 the receivable will not be collected.

Property, Equipment, and Depreciation

Additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed correctly. 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 beginning with the year following acquisition.

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 with Comparative Totals for 2007

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

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.

Note 2 – Property and Equipment

Property and equipment at June 30, 2008 and 2007 consisted of the following:

	2008		2007	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	617,732	0	617,732	0
Buildings	4,383,169	3,330,290	4,376,466	3,163,997
Furniture, fixtures, and equipment	<u>2,797,571</u>	<u>2,027,148</u>	<u>2,725,838</u>	<u>1,861,660</u>
	<u>7,798,472</u>	<u>5,357,438</u>	<u>7,720,036</u>	<u>5,025,657</u>

Depreciation expense for the years ended June 30, 2008 and 2007 was \$389,991 and \$364,416, respectively.

Note 3 – Note Receivable from Related Party

At June 30, 2008, the Corporation had a note receivable from a related party of \$450,000. The note provides for interest only to be paid monthly at 5.96 percent, is unsecured, and is due February 21, 2012.

Note 4 – Operating Line of Credit

The Corporation has an operating line of credit with a bank, which is unsecured with an interest rate at Wall Street prime, and is due December 31, 2008. There were no outstanding borrowings as of both years ended June 30, 2008 and 2007. Maximum borrowings available under this line of credit are \$2,000,000.

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.

A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 with Comparative Totals for 2007

Note 5 – Commitment and Contingency

The Corporation along with two other related not-for-profit organizations maintains a self-funded health insurance plan which covers substantially all of its employees. The plan includes stop-loss provisions at which point conventional insurance coverage is applicable. The Corporation and the other two related organizations are liable for claims up to \$50,000 per employee and aggregate claims up to \$1,377,107 for the year ended June 30, 2008, for which the Corporation's portion is \$1,215,094. Self-insurance costs are estimated as claims are incurred. Group health insurance expense for the years ended June 30, 2008 and 2007 was \$951,953 and \$711,462, 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. Management believes that the claims are overstated; however, management has accrued \$61,250 to cover any estimated claims. This is currently being appealed by the Corporation's counsel.

Note 6 – Patient Trust Fund

The Corporation is the fiduciary for a patient trust fund. As fiduciary, the Corporation deposits benefit checks received on behalf of patients of the Community Support Services and then disburses these funds to careholders in the community and to patients for their living expenses. Cash on hand for the years ended June 30, 2008 and 2007 was \$82,261 and \$105,009, respectively.

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.

A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 with Comparative Totals for 2007

Note 7 – Net Service Revenue

The service allowance represents an adjustment made to standard billings for services rendered based on each individual's ability to pay. This adjustment is a function of household income and family size.

	2008		2007	
	<u>Gross Service Revenue</u>	<u>Service Allowance</u>	<u>Net Service Revenue</u>	<u>Net Service Revenue</u>
Consultation and education	508,970	229,616	279,354	264,934
Partial hospitalization	1,582,411	750,274	832,137	976,973
Inpatient	502,210	453,888	48,322	71,964
Outpatient	7,255,313	3,042,509	4,212,804	4,468,148
Residential	3,798,329	3,223,625	574,704	668,518
	<u>13,647,233</u>	<u>7,699,912</u>	<u>5,947,321</u>	<u>6,450,537</u>

Note 8 – Tax Status

The Corporation is a nonprofit health agency exempt from income tax under Section 501(c)(3) of the U.S. 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.

Note 9 – Retirement Plan

The Corporation had a defined benefit retirement plan covering substantially all of its employees through April 30, 2008. The Corporation's policy is to fund pension costs accrued. Pension costs for the years ended June 30, 2008 and 2007 were \$433,955 and \$481,738, respectively.

Effective May 1, 2008, the Corporation converted to a defined contribution plan. The plan is for all employees who are 21 years of age, have completed one year of service, and have worked 1,000 hours during the plan year. Employees may participate by contributing a percentage of their salary, a portion up to 100 percent in 2008 of which 50 percent up to five percent is matched by the Corporation, and an additional three percent profit-sharing contribution is made by the Corporation. Contributions made by the Corporation for the year ended June 30, 2008 were \$17,835.

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.

A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 with Comparative Totals for 2007

Note 10 – Related Party Transactions

The Corporation is related through common Board members to other not-for-profit corporations. Transactions with the related not-for-profit corporations for the years ended June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Service contracts - management services	120,312	117,888
Rental expense	416,700	423,682
Consulting expense	52,750	0
Donation expense	27,000	0
Employee benefit expense	2,050	0

The accompanying balance sheets include the following related party amounts:

Notes receivable - Mulberry Center, Inc.	450,000	450,000
Accounts receivable - other	9,865	0
Prepaid expenses	0	34,725
Accounts payable	34,725	0

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 with Comparative Totals for 2007

Note 11 – Leases

The Corporation is obligated under operating leases for offices throughout the counties it serves. Generally, the Corporation is required to pay executory costs such as maintenance and insurance. At June 30, 2008, aggregate future minimum rental payments required under these leases, which expire July 31, 2021, are as follows:

<u>Years Ending June 30,</u>	<u>Other</u>	<u>Related Parties</u>	<u>Total</u>
2008	40,677	416,700	457,377
2009	35,674	416,700	452,374
2010	37,104	347,900	385,004
2011	6,224	297,600	303,824
2012	0	297,600	297,600
Thereafter	<u>0</u>	<u>2,142,500</u>	<u>2,142,500</u>
	<u>119,679</u>	<u>3,919,000</u>	<u>4,038,679</u>

Total rental expense under all operating leases for the years ended June 30, 2008 and 2007 was \$480,626 and \$487,198, respectively.

Note 12 – Third Party Payer

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, 2008 and 2007 was 26 and 29.8 percent, respectively.

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 with Comparative Totals for 2007

Note 13 – Subsequent Events

The Corporation and related entities are now in the process of reorganization. Completion of the reorganization will not take place until appropriate rulings regarding the tax exempt status of the corporations involved in the reorganization have been obtained. As a part of the reorganization, the Corporation will change its name from Southwestern Indiana Mental Health Center, Inc. to Southwestern Behavioral Healthcare, Inc. Southwestern Healthcare, Inc. will be the parent company that oversees and provides administrative services to its affiliates, as well as directs funds where needed. A minimum of five of the nine members of the Board of Southwestern Healthcare, Inc. must be members of the Board of the Corporation and two other supported affiliates. The reorganization will be recorded similar to the pooling-of-interest method, whereby, assets and liabilities will be recorded at their carrying value at the date of the reorganization.

Effective July 1, 2008, Southwestern Indiana Mental Health Center, Inc. began legally doing business as Southwestern Behavioral Healthcare, Inc.

--- SUPPLEMENTARY INFORMATION ---

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2008

<u>U.S. Department of Health and Human Services</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Expenditures</u>
Federal Awards		
Passed through Indiana Division of Mental Health and Addiction:		
Major Program:		
Substance Abuse Prevention and Treatment Block Grant (July 1, 2007 - June 30, 2008)	93.959	1,263,520
Community Mental Health Block Grant (July 1, 2007 - June 30, 2008)	93.958	723,903
Nonmajor Program:		
Mental Health Services Homeless Grant (July 1, 2007 - June 30, 2008)	93.150	76,359
Seriously Emotionally Disturbed (July 1, 2007 - June 30, 2008)	93.958	<u>117,695</u>
Total Department of Health and Human Services		2,181,477
State Awards		
Indiana Division of Mental Health and Addiction:		
Community Mental Health Services and Substance Abuse Prevention and Treatment (July 1, 2007 - June 30, 2008)	N/A	<u>4,176,818</u>
Total Indiana Family and Social Service Administration		<u><u>6,358,295</u></u>

See auditor's report.

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation

SCHEDULES OF EXPENSES – CURRENT FUND
Year Ended June 30, 2008 with Comparative Totals for 2007

	2008	2007
Payroll		
Addiction services	1,105,564	1,116,763
Administration	1,803,934	1,603,110
Consultation and education - mental health	191,491	230,904
Detoxification	187,324	200,586
Inpatient services	244,956	202,454
Outpatient - mental health	3,562,835	3,665,018
Partial hospitalization	565,723	634,296
Residential - mental health	910,249	899,688
	<u>8,572,076</u>	<u>8,552,819</u>
Employee Benefits		
Flexible benefit plan	6,072	4,265
Insurance - group health	951,953	711,462
Insurance - group life	25,711	25,516
Long-term disability	86,899	87,012
Miscellaneous	25,975	23,712
Retirement plan	451,790	481,738
Taxes - social security	587,278	583,705
Taxes - unemployment compensation	21,534	28,419
Vacation earned	7,529	(2,578)
Workmen's compensation	62,962	69,728
	<u>2,227,703</u>	<u>2,012,979</u>
Operating Supplies	<u>122,446</u>	<u>124,594</u>
Operating Expenses	<u>839,262</u>	<u>723,380</u>
Office Expenses	<u>175,155</u>	<u>161,123</u>
Travel and Transportation	<u>108,609</u>	<u>126,546</u>

See auditor's report.

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.

A Not-for-Profit Corporation

SCHEDULES OF EXPENSES – CURRENT FUND (CONTINUED)

Year Ended June 30, 2008 with Comparative Totals for 2007

	2008	2007
Building Expenses		
Rent - buildings	464,980	470,698
Rent - equipment	15,646	16,501
Repairs and maintenance	201,340	288,845
Supplies	38,591	39,803
Utilities	202,957	170,877
	<u>923,514</u>	<u>986,724</u>
Purchased Services		
Consultants	140,007	96,569
Emergency service	67,903	66,297
Family care	10,497	29,029
Food service	261,458	255,822
Inpatient - direct	353,791	274,949
Other	17,642	17,069
	<u>851,298</u>	<u>739,735</u>
Depreciation	<u>389,991</u>	<u>364,416</u>
Total Expenses	<u><u>14,210,054</u></u>	<u><u>13,792,316</u></u>

See auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Southwestern Indiana Mental Health Center, Inc.
415 Mulberry Street
Evansville, Indiana 47713-1230

**HARDING SHYMANSKI
AND COMPANY P.S.C.**

Certified Public Accountants
and Consultants

21 S.E. Third Street, Suite 500
P.O. Box 3677
Evansville, IN 47735-3677

(812) 464-9161
Fax (812) 465-7811

An Independently
Owned Member of the
RSM McGladrey Network

We have audited the financial statements of Southwestern Indiana Mental Health Center, Inc., a Not-for-Profit Corporation, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 9, 2008. 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 of America.

Compliance

As part of obtaining reasonable assurance about whether Southwestern Indiana Mental Health Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwestern Indiana Mental Health Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwestern Indiana Mental Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the audit committee, management, the Indiana State Board of Accounts, the Indiana State Division of Mental Health, and the U.S. Department of Health and Human Services. However, this report is a matter of public record and its distribution is not limited.

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

Evansville, Indiana
September 9, 2008

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Southwestern Indiana Mental Health Center, Inc.
415 Mulberry Street
Evansville, Indiana 47713-1230

Compliance

HARDING SHYMANSKI
AND COMPANY P.S.C.

Certified Public Accountants
and Consultants

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Evansville, IN 47735-3677

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We have audited the compliance of Southwestern Indiana Mental Health Center, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Southwestern Indiana Mental Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Southwestern Indiana Mental Health Center, Inc.'s management. Our responsibility is to express an opinion on Southwestern Indiana Mental Health Center, Inc.'s compliance based on our audit.

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 of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Southwestern Indiana Mental Health Center, Inc.'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. Our audit does not provide a legal determination on Southwestern Indiana Mental Health Center, Inc.'s compliance with those requirements.

In our opinion, Southwestern Indiana Mental Health Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Internal Control Over Compliance

The management of Southwestern Indiana Mental Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Southwestern Indiana Mental Health Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Southwestern Indiana Mental Health Center, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Corporation's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance of a federal program will not be prevented or detected by the Corporation's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management, the Indiana State Board of Accounts, the Indiana State Division of Mental Health, and the U.S. Department of Health and Human Services. However, this report is a matter of public record and its distribution is not limited.

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

Evansville, Indiana
September 9, 2008

SOUTHWESTERN INDIANA MENTAL HEALTH CENTER, INC.
A Not-for-Profit Corporation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Summary of Auditor's Results

1. An unqualified report was issued on the financial statements of Southwestern Indiana Mental Health Center, Inc. for the year ended June 30, 2008.
2. No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed.
3. No material noncompliance was disclosed.
4. No significant deficiencies or material weaknesses in internal control over compliance were disclosed.
5. An unqualified report was issued on compliance for major programs.
6. There were no audit findings for the year ended June 30, 2008.
7. The major programs are identified in the Schedule of Expenditures of Federal and State Awards.
8. Type A programs are federal programs with federal awards expended during the audit period of \$300,000 or more -- Substance Abuse Prevention and Treatment Program and Community Mental Health Block Grant.
Type B programs are federal programs with federal awards expended during the audit period of less than \$300,000 -- Mental Health Services Homeless Program and Seriously Emotionally Disturbed.
9. Southwestern Indiana Mental Health Center, Inc. qualified as a low-risk auditee under applicable provisions of OMB Circular A-133 for the year ended June 30, 2008.

Findings Related to the Financial Statements Required to be Reported in Accordance with *Government Auditing Standards*

There were no audit findings for the year ended June 30, 2008.

Findings and Questioned Costs for Federal Awards

There were no audit findings or questioned costs for the year ended June 30, 2008.