



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B50081

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

May 24, 2018

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

We have reviewed the report prepared by Southwestern Behavioral Healthcare, Inc. and opined upon by Harding, Shymanski & Company, PSC, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Southwestern Behavioral Healthcare, Inc. as of June 30, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Harding, Shymanski & Company, PSC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The 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, 2017 and 2016***

# *CONTENTS*

---

Independent Auditor's Report	Page 2
------------------------------	--------

---

## Financial Statements:

Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6
Statements of Cash Flows	7
Statements of Functional Expenses	8
Notes to Financial Statements	9

## Supplementary Information:

Schedule of Expenditures of Federal and State Awards	21
Notes to Schedule of Expenditures of Federal and State Awards	22

## ***INTERNAL CONTROL STRUCTURE AND COMPLIANCE MATTERS***

### Reports Required by Government Auditing Standards:

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	23
--	----

### Reports Required by Uniform Guidance:

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	25
Schedule of Findings and Questioned Costs	28
Summary Schedule of Prior Audit Findings	29

## INDEPENDENT AUDITOR'S REPORT



**HARDING, SHYMANSKI  
& 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

545 S. Third Street, Suite 102  
Louisville, KY 40202-1935

(502) 584-4142  
Fax (502) 581-1653

[www.hsccpa.com](http://www.hsccpa.com)

An Independently  
Owned Member,  
RSM US Alliance

Board of Directors  
Southwestern Behavioral Healthcare, Inc.

### ***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, 2017, 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.

## ***INDEPENDENT AUDITOR'S REPORT (CONTINUED)***

### ***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, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

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 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 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.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

***Other Reporting Required by Government Auditing Standards***



In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017, on our consideration of the Corporation's internal control over financial reporting and on 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.

*Wardig, Szymanski & Company, P.S.C.*

Evansville, Indiana  
September 26, 2017

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

STATEMENTS OF FINANCIAL POSITION  
June 30, 2017 with Comparative Totals for 2016

	2017	2016
<b>ASSETS</b>		
Current Assets		
Cash	\$ 6,171,778	\$ 5,112,763
Accounts receivable		
Patients, less allowance for contractals and doubtful accounts		
2017 \$428,700; 2016 \$467,400	937,385	895,860
County funds	119,061	0
Affiliates - net	1,482	1,917
Hoosier Assurance Program	180,588	202,497
Mental Health Funds Recovery Program	738,526	641,110
Other	198,177	216,925
Prepaid expenses	251,587	246,832
<b>Total current assets</b>	<b>8,598,584</b>	<b>7,317,904</b>
Other Assets		
Investment in joint venture	6,448	6,452
Cash surrender value of life insurance	367,412	343,728
Investments	373,699	329,153
<b>Total other assets</b>	<b>747,559</b>	<b>679,333</b>
Property and Equipment, Net	832,301	809,966
<b>Total assets</b>	<b>\$ 10,178,444</b>	<b>\$ 8,807,203</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable		
Trade	\$ 237,000	\$ 174,830
Affiliates - net	4,352	2,290
Accrued expenses	807,139	818,236
Deferred revenue	522,434	507,558
<b>Total current liabilities</b>	<b>1,570,925</b>	<b>1,502,914</b>
Deferred Compensation	229,644	233,168
<b>Total liabilities</b>	<b>1,800,569</b>	<b>1,736,082</b>
Unrestricted Net Assets	8,377,875	7,071,121
<b>Total liabilities and net assets</b>	<b>\$ 10,178,444</b>	<b>\$ 8,807,203</b>

See notes to financial statements.

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year Ended June 30, 2017 with Comparative Totals for 2016

	2017	2016
Changes in unrestricted net assets		
Support and revenue		
Public support		
Contributions	\$ 675	\$ 755
County funds		
Gibson	233,763	226,498
Posey	322,839	312,805
Vanderburgh	1,015,981	984,404
Warrick	426,961	413,691
Other grants	19,627	115,062
Meaningful Use Funds	80,750	22,608
Mental Health Funds Recovery Program	1,447,565	1,243,575
State funds		
Mental health	4,108,464	4,237,817
Substance abuse	118,629	119,128
Federal funds		
Mental health	432,588	516,782
Substance abuse	1,196,290	1,194,626
Total public support	<u>9,404,132</u>	<u>9,387,751</u>
Net service revenue	8,952,957	8,215,546
Provision for uncollectible accounts	<u>(301,128)</u>	<u>(461,112)</u>
Net service revenue less provision for uncollectible accounts	<u>8,651,829</u>	<u>7,754,434</u>
Other revenue (expense)		
Service contract income	301,877	321,652
Miscellaneous	150,706	132,081
Gain (loss) on sale of property and equipment	5,777	(432)
Loss on investment in joint venture	<u>(4)</u>	<u>(3,548)</u>
Total other revenue	<u>458,356</u>	<u>449,753</u>
Total support and revenue	<u>18,514,317</u>	<u>17,591,938</u>
Expenses		
Program services	13,228,671	12,515,139
Management and general	<u>3,978,892</u>	<u>3,811,236</u>
Total expenses	<u>17,207,563</u>	<u>16,326,375</u>
Increase in unrestricted net assets	1,306,754	1,265,563
Unrestricted net assets at beginning of year	<u>7,071,121</u>	<u>5,805,558</u>
Unrestricted net assets at end of year	<u>\$ 8,377,875</u>	<u>\$ 7,071,121</u>

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2017 with Comparative Totals for 2016

	2017	2016
Cash Flows from Operating Activities		
Increase in unrestricted net assets	\$ 1,306,754	\$ 1,265,563
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation	215,776	186,782
Excess of increase in cash surrender value over premiums paid on life insurance	(9,464)	(17,516)
Net unrealized gain on investments	(39,146)	(11,338)
Provision for uncollectible accounts	301,128	461,112
In-kind contributions of equipment	0	3,353
(Gain) loss on sale of property and equipment	(5,777)	432
Loss on investment in joint venture	4	3,548
Changes in assets and liabilities:		
Decrease (increase)		
Accounts receivable		
Patients	(342,653)	(641,997)
County funds	(119,061)	111,796
Affiliate	435	252
Hoosier Assurance Program	21,909	513,775
Mental Health Funds Recovery Program	(97,416)	(50,301)
Other	18,748	(31,139)
Prepaid expenses	(4,755)	(21,547)
Increase (decrease)		
Accounts payable		
Trade	62,170	(8,135)
Affiliate	2,062	974
Accrued expenses	(11,097)	(130,495)
Deferred revenue	14,876	18,668
Deferred compensation	(3,524)	(18,902)
<b>Net cash provided by operating activities</b>	<b>1,310,969</b>	<b>1,634,885</b>
Cash Flows from Investing Activities		
Premiums paid on life insurance policies	(14,220)	(5,706)
Proceeds from sale of property and equipment	9,473	35
Purchase of property and equipment	(241,807)	(130,997)
Purchase of investments	(5,400)	(5,000)
<b>Net cash used in investing activities</b>	<b>(251,954)</b>	<b>(141,668)</b>
Net increase in cash	1,059,015	1,493,217
Cash at beginning of year	5,112,763	3,619,546
Cash at end of year	<u>\$ 6,171,778</u>	<u>\$ 5,112,763</u>

See notes to financial statements.

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

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017 with Comparative Totals for 2016

	MENTAL HEALTH AND ADDICTION PROGRAM SERVICES							SUPPORTIVE SERVICES	TOTAL PROGRAM AND SUPPORTIVE SERVICES	2017	2016
	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		
Salaries and wages	\$ 2,048,707	\$ 1,158,002	\$ 871,215	\$ 703,408	\$ 1,360,672	\$ 1,665,371	\$ 281,984	\$ 8,089,359	\$ 474,050	\$ 8,563,409	\$8,093,705
Employee benefits	708,017	421,628	330,804	288,958	473,942	319,186	78,634	2,621,169	166,802	2,787,971	2,478,067
Supplies	12,594	13,150	1,670	76,236	26,198	1,011	0	130,859	28,735	159,594	165,702
Purchased services	148	0	0	0	362,799	390	45,462	408,799	305,777	714,576	768,068
Management fee	0	0	0	0	0	0	2,800	2,800	2,631,320	2,634,120	2,565,120
Program activities	72	3,349	2,727	3,301	6,933	0	0	16,382	453	16,835	21,424
Marketing and outreach	1,786	730	0	0	0	155	0	2,671	5,733	8,404	15,883
Travel, meetings, and education	54,140	159,786	47,470	2,574	7,883	15,360	4,248	291,461	11,212	302,673	245,936
Office and communications	47,518	25,152	18,679	15,285	13,799	2,825	16,412	139,670	5,611	145,281	145,376
Insurance	0	0	0	0	0	44,096	0	44,096	95,771	139,867	136,027
Building and equipment maintenance	14,264	3,942	5,980	9,609	13,487	0	0	47,282	17,054	64,336	46,285
Minor equipment	21,933	6,374	1,686	6,835	6,233	1,730	325	45,116	4,758	49,874	83,238
Building rent	309,271	48,704	199,548	154,817	406,831	0	28,452	1,147,623	119,364	1,266,987	1,263,333
Depreciation	63,267	18,256	12,824	3,238	62,970	0	0	160,555	55,221	215,776	186,782
Other expense	4,427	2,087	3,470	15,775	7,507	14,849	32,714	80,829	57,031	137,860	111,429
Total expenses	\$ 3,286,144	\$ 1,861,160	\$ 1,496,073	\$ 1,280,036	\$ 2,749,254	\$ 2,064,973	\$ 491,031	\$ 13,228,671	\$ 3,978,892	\$ 17,207,563	\$ 16,326,375

See notes to financial statements.

# ***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

## ***A Not-for-Profit Corporation***

### NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

---

#### ***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 in Vanderburgh, Gibson, Posey, and Warrick counties since 1967. The Corporation offers services at 13 locations including six outpatient offices, four adult supervised group living homes, a residential and detox center, a youth 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, 2016, 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.

***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

***A Not-for-Profit Corporation***

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

---

***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 of 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.

***Investment in Joint Venture***

The Corporation has a 16.67 percent interest in Trillium, Inc., a non-profit 501(c)(3) corporation formed as a partnership between six Indiana Community Mental Health Centers. The equity method of accounting is being used for the joint venture. The Corporation uses the equity method for investments of less than 20 percent because the Corporation has the ability to exercise significant influence over this entity. Under the equity method of accounting, the Corporation's share of the net income (loss) of the affiliate is recognized as income (loss) in the Corporation's statement of activities and changes in net assets and the investment account is adjusted accordingly. Also, capital contributions made to the affiliate are treated as an increase to the investment account and dividends received from the affiliate are treated as a reduction in the investment account. As of June 30, 2017 and 2016, the investment in joint venture was \$6,448 and \$6,452, respectively.

***Investments***

Investments are recorded at fair market value. Realized and unrealized gains and losses are included in other income, along with interest and dividends in the statement of activities and changes in net assets.

***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

***A Not-for-Profit Corporation***

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

---

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

***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 \$387,545 and \$363,074 at June 30, 2017 and 2016, respectively.

***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, 2017 and 2016 was \$560 and \$12,365, respectively.

***Subsequent Events Evaluation***

The Corporation has evaluated subsequent events through September 26, 2017, 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.

# ***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

## ***A Not-for-Profit Corporation***

### NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

---

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

##### ***Recent Accounting Pronouncements***

###### ***Leases***

In February 2016, Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, and interim periods for years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Corporation is currently evaluating the impact the adoption of this guidance will have on the financial statements.

###### ***Revenue Recognition from Contracts with Customers***

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Corporation will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. ASU 2014-09, as deferred by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Corporation has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

**SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.**

***A Not-for-Profit Corporation***

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

---

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

***Recent Accounting Pronouncements (Continued)***

***Presentation of Financial Statements***

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance amends the requirements for financial statements and notes presented by a not-for-profit entity to a) present on the face of the consolidated balance sheet amounts for two classes of net assets at the end of the period, rather than for the currently required three classes; b) present on the face of the consolidated statement of activities and changes in net assets the amount of the change in either of the two classes of net assets rather than that of the currently required three classes; c) provide enhanced disclosures in the notes to the financial statements; d) report investment return net of external and direct internal investment expenses; and e) utilize, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The update is effective for fiscal year ending December 31, 2018. Early adoption is permitted. The Corporation is currently assessing the impact of implementing ASU No. 2016-14 on its financial statements.

***Note 2 – Property and Equipment***

Property and equipment at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Furniture, fixtures, and equipment	\$ 2,221,384	\$ 2,116,926
Leasehold improvements	<u>545,345</u>	<u>486,433</u>
	2,766,729	2,603,359
Accumulated depreciation	<u>(1,934,428)</u>	<u>(1,793,393)</u>
	<u>\$ 832,301</u>	<u>\$ 809,966</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$215,776 and \$186,782, respectively.

# ***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

## ***A Not-for-Profit Corporation***

### NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

---

#### ***Note 3 – Commitment and Contingencies***

The Corporation, along with three other affiliated not-for-profit corporations, participated in a self-funded health insurance plan that covers substantially all of its employees. As of January 1, 2016, one of the affiliates dissolved. The Corporation and remaining two affiliates continue to participate in the plan. 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 \$2,288,130 annually. Self-insurance costs are accrued as claims are incurred. The Corporation's portion of health insurance expense for the years ended June 30, 2017 and 2016 was \$1,674,582 and \$1,434,521, respectively.

The Corporation was reviewed by the Health Care Excel Surveillance and Utilization Review team in 1999 and 2005. As a result of the reviews, it was determined that Medicaid had overpaid funds to the Corporation. An estimated \$61,250 is included in accounts payable at June 30, 2017 and 2016. There is a reasonable possibility the amount could be more or less depending on the final results 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, 2017 and 2016 were \$117,107 and \$106,778, 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.

***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

***A Not-for-Profit Corporation***

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

---

***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.

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:

	<u>2017</u>	<u>2016</u>
Gross service revenue	\$ 17,152,280	\$ 15,914,985
Charity discount	(2,540,509)	(3,387,045)
Contractual allowance	<u>(5,658,814)</u>	<u>(4,312,394)</u>
Net service revenue	<u>\$ 8,952,957</u>	<u>\$ 8,215,546</u>

***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

***A Not-for-Profit Corporation***

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

---

***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.

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, 2017 and 2016, 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.

***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

***A Not-for-Profit Corporation***

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

---

***Note 6 – Investments and Fair Value Measurements (Continued)***

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.

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, 2017 and 2016, the balances of assets measured at fair value on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2017</u>				
Investments in mutual funds	\$ 373,699	\$ 373,699	\$ 0	\$ 0
<u>June 30, 2016</u>				
Investments in mutual funds	\$ 329,153	\$ 329,153	\$ 0	\$ 0

The net unrealized investment gain for the years ended June 30, 2017 and 2016 was \$39,146 and \$11,338, 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.

***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

***A Not-for-Profit Corporation***

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

---

***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. New employees 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 contribution on the next enrollment date of July 1 or January 1. The employer contribution is three percent their gross pay. Additionally, the employee will be eligible for an annual employer matching 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 matching contribution for the years ended June 30, 2017 and 2016 was 50 percent of the employees' deferrals up to five percent of their gross pay. Total contributions made by the Corporation for the years ended June 30, 2017 and 2016 were \$289,097 and \$296,306, 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. Deferred compensation payments of \$34,685 and \$31,530 were made during the years ended June 30, 2017 and 2016, respectively. 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, 2017 and 2016, the 457(b) Plan assets totaled \$229,644 and \$233,168, respectively, and are included in investments and in deferred compensation in the accompanying statements of financial position.

**SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.**

**A Not-for-Profit Corporation**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

**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, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Grant income	\$ 1,537	\$ 7,448
Service contract income	14,363	21,995
Purchased services	0	1,297
Management fee expense	2,634,120	2,565,120
Building rent	1,218,303	1,202,259

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

Accounts receivable	\$ 1,482	\$ 1,917
Prepaid rent	100,832	102,655
Accounts payable	4,352	2,290

**Note 11 – Leases**

The Corporation is obligated under operating leases with an affiliated corporation and other organizations for offices throughout the counties it serves. At June 30, 2017, aggregate future minimum rental payments required under these leases, which expire on various dates through July 31, 2021, are as follows:

<u>Years Ending June 30,</u>	<u>Other</u>	<u>Affiliates</u>	<u>Total</u>
2018	\$ 15,826	\$ 1,304,113	\$ 1,319,939
2019	1,578	1,064,619	1,066,197
2020	0	375,192	375,192
2021	0	74,256	74,256
2022	0	4,950	4,950
	<u>\$ 17,404</u>	<u>\$ 2,823,130</u>	<u>\$ 2,840,534</u>

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, 2017 and 2016 was \$1,271,722 and \$1,268,568, respectively.

***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

***A Not-for-Profit Corporation***

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

---

***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, 2017 and 2016 was 31 and 32 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, 2017

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Entity Identifying Number</u>	<u>Total Expenditures</u>
<b>Federal Awards</b>			
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 (July 1, 2016 - June 30, 2017)	93.959 93.959	16313 16530	\$ 1,016,290 180,000
Community Mental Health Block Grant (July 1, 2016 - June 30, 2017)	93.958	16313	283,432
Social Services Block Grant (July 1, 2016 - June 30, 2017)	93.667	16313	<u>149,156</u>
Total Department of Health and Human Services Expenditures of Federal Awards			<u>1,628,878</u>
<b>State Awards</b>			
Indiana Family and Social Services Administration, Division of Mental Health and Addiction: (July 1, 2016 - June 30, 2017)	N/A N/A N/A N/A N/A	16313 17173 16863 17160 20869	3,768,378 230,000 103,715 120,000 <u>5,000</u>
Total Expenditures of State Awards			<u>4,227,093</u>
Total Expenditures of Federal and State Awards			<u>\$ 5,855,971</u>

See notes to the schedule of expenditure of federal and state awards.

***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

***A Not-for-Profit Corporation***

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2017

---

***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, 2017. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

***Note 3 – Indirect Cost Rate***

The Corporation has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.



**HARDING, SHYMANSKI  
& 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

545 S. Third Street, Suite 102  
Louisville, KY 40202-1935

(502) 584-4142  
Fax (502) 581-1653

[www.hsccpa.com](http://www.hsccpa.com)

An Independently  
Owned Member,  
RSM US Alliance

***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***

Board of Directors  
Southwestern Behavioral Healthcare, Inc.

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, 2017, 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 September 26, 2017.

***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.

**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.

*Wardig, Szymanski & Company, P.S.C.*

Evansville, Indiana  
September 26, 2017

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



**HARDING, SHYMANSKI  
& 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

545 S. Third Street, Suite 102  
Louisville, KY 40202-1935

(502) 584-4142  
Fax (502) 581-1653

[www.hsccpa.com](http://www.hsccpa.com)

An Independently  
Owned Member,  
RSM US Alliance

Board of Directors  
Southwestern Behavioral Healthcare, Inc.

***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 Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2017. 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 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 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 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 the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (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, 2017.

***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 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 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 THE UNIFORM GUIDANCE (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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Wardig, Szymanski & Company, P.S.C.*

Evansville, Indiana  
September 26, 2017

**SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.**

***A Not-for-Profit Corporation***

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

---

**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 federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.959	Substance Abuse Prevention and Treatment Block Grant (July 1, 2016 - June 30, 2017)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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.

***SOUTHWESTERN BEHAVIORAL HEALTHCARE, INC.***

***A Not-for-Profit Corporation***

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2017

---

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*.