

Audited Financial Statements

**MON YOUGH COMMUNITY SERVICES, INC.**

For the Years Ended June 30, 2015 and 2014

Audited Financial Statements

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For the Years Ended June 30, 2015 and 2014

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## **Independent Auditor's Report**

Board of Directors  
**MON YOUGH COMMUNITY SERVICES, INC.**  
McKeesport, Pennsylvania

We have audited the accompanying financial statements of Mon Yough Community Services, Inc. (a Pennsylvania nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 basis for our audit opinion.

Board of Directors  
**MON YOUGH COMMUNITY SERVICES, INC.**  
(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mon Yough Community Services, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountants

March 30, 2016  
Pittsburgh, Pennsylvania

# MON YOUGH COMMUNITY SERVICES, INC.

## Statements of Financial Position

At June 30, 2015 and 2014

	2015	2014
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents:		
Unrestricted	\$ 3,506,853	\$ 2,572,173
Restricted	27,627	23,582
Investments	2,126,667	2,070,237
Accounts receivable:		
Pennsylvania Department of Human Services – Title XIX Waiver	1,371,043	853,456
Allegheny County contract	670,094	1,380,872
Miscellaneous	75,361	71,988
Private insurance and medical assistance, including managed care, net of allowance of \$80,000 and \$55,000, respectively	432,405	626,600
Prepaid expenses	116,718	91,589
<b>Total current assets</b>	<b>8,326,768</b>	<b>7,690,497</b>
<b>Fixed assets:</b>		
Land and buildings	2,874,597	2,859,597
Land improvements	87,670	87,670
Leasehold improvements	172,972	172,972
Furniture and equipment	2,276,742	2,197,790
Less: accumulated depreciation	(3,449,258)	(3,252,059)
<b>Net fixed assets</b>	<b>1,962,723</b>	<b>2,065,970</b>
<b>Total assets</b>	<b>\$ 10,289,491</b>	<b>\$ 9,756,467</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 44,088	\$ 74,891
Related party payable	138,151	224,612
Restricted funds held on behalf of others	27,627	23,582
Current portion of long-term debt	74,356	73,493
Accrued payroll and withholdings liabilities	957,350	867,875
<b>Total current liabilities</b>	<b>1,241,572</b>	<b>1,264,453</b>
<b>Long-term debt, net of current portion</b>	<b>279,661</b>	<b>289,242</b>
<b>Total liabilities</b>	<b>1,521,233</b>	<b>1,553,695</b>
<b>Net assets:</b>		
Unrestricted, undesignated	8,588,345	7,982,574
Temporarily restricted	179,913	220,198
<b>Total net assets</b>	<b>8,768,258</b>	<b>8,202,772</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,289,491</b>	<b>\$ 9,756,467</b>

*The accompanying notes are an integral part of these financial statements.*

# MON YOUGH COMMUNITY SERVICES, INC.

## Statements of Activities

For the Years Ended June 30, 2015 and 2014

	2015	2014
<b>Change in unrestricted net assets:</b>		
Support, revenues, gains and losses:		
Government grants and contracts:		
Pennsylvania Department of Human Services – Title XIX Waiver	\$ 6,276,972	\$ 5,887,513
Allegheny County contract	6,803,652	6,607,056
Private insurance and medical assistance, including managed care	4,638,279	4,562,253
Room and board	852,881	837,572
Contract revenue	454,652	467,959
Program service fees	281,784	289,121
Non-government grants and contributions	404,156	265,299
Interest and dividend income	120,498	21,477
Rental income	5,425	5,425
Other	382,709	202,108
Realized gain (loss) on investments	7,983	(466)
Unrealized gain (loss) on investments	(51,081)	62,018
Released from restriction	196,332	324,939
<b>Total support, revenues, gains and losses</b>	<b>20,374,242</b>	<b>19,532,274</b>
Expenses:		
Program services:		
Behavioral Health – Mental Health	10,525,391	10,271,583
Intellectual Disability / Title XIX	6,812,915	6,566,296
Drug and Alcohol Program	886,894	795,467
Other	862,697	737,501
Supporting services:		
Management and general	812,852	747,080
Fundraising	49,182	34,787
<b>Total expenses</b>	<b>19,949,931</b>	<b>19,152,714</b>
<b>Excess (deficiency) of support, revenues, gains and losses over expenses before other change in unrestricted net assets</b>	<b>424,311</b>	<b>379,560</b>
Other change in unrestricted assets	<b>181,460</b>	<b>191,170</b>
<b>Change in unrestricted net assets</b>	<b>605,771</b>	<b>570,730</b>
<b>Change in temporarily restricted net assets:</b>		
Non-government grants and contributions	156,047	152,412
Released to unrestricted	(196,332)	(324,939)
<b>Change in temporarily restricted net assets</b>	<b>(40,285)</b>	<b>(172,527)</b>
<b>Change in net assets</b>	<b>565,486</b>	<b>398,203</b>
<b>Net assets, beginning of year</b>	<b>8,202,772</b>	<b>7,804,569</b>
<b>Net assets, end of year</b>	<b>\$ 8,768,258</b>	<b>\$ 8,202,772</b>

*The accompanying notes are an integral part of these financial statements.*

**MON YOUGH COMMUNITY SERVICES, INC.**

Statement of Functional Expenses

For the Year Ended June 30, 2015

	Program Services				Total Program Services	Supporting Services		Total
	Behavioral Health – Mental Health	Intellectual Disability / Title XIX	Drug and Alcohol Program	Other		Management and General	Fund- raising	
<b>Expenses:</b>								
Wages and salaries	\$ 5,359,015	\$ 3,723,100	\$ 491,188	\$ 303,613	\$ 9,876,916	\$ 1,133,561	\$ -	\$ 11,010,477
Employee benefits	1,111,798	770,320	102,276	62,965	2,047,359	184,812	-	2,232,171
Consultants and contracted personnel	114,103	131,898	6,224	292,315	544,540	840,149	45,582	1,430,271
Payroll taxes	389,896	270,875	35,736	22,089	718,596	82,472	-	801,068
Rent	547,115	180,393	18,567	25,360	771,435	8,323	-	779,758
Utilities	117,942	161,642	13,612	7,165	300,361	32,849	-	333,210
Purchased treatments	576,357	-	6,332	-	582,689	-	-	582,689
Office expenses	269,116	140,763	11,962	12,526	434,367	153,209	3,600	591,176
Other operating expenses	171,416	130,159	28,094	22,530	352,199	44,225	-	396,424
Treatment and supportive supplies	327,920	36,408	19,939	3,666	387,933	7,152	-	395,085
Renovations	102,600	65,610	4,587	3,856	176,653	385,329	-	561,982
Depreciation	29,410	73,967	608	25,452	129,437	132,619	-	262,056
Insurance	91,942	80,944	6,112	6,305	185,303	7,964	-	193,267
Housekeeping	84,652	54,918	10,095	5,563	155,228	12,147	-	167,375
Interest expense	538	21,469	-	(285)	21,722	-	-	21,722
Staff travel	67,437	7,413	4,404	3,920	83,174	10,292	-	93,466
Staff development	30,247	6,528	6,324	2,490	45,589	42,739	-	88,328
Advertising and promotion	2,275	23	3,161	80	5,539	5,622	-	11,161
Administration expense	1,131,462	959,317	117,040	62,893	2,270,712	(2,270,612)	-	100
Client transportation	150	(2,832)	633	194	(1,855)	-	-	(1,855)
<b>Total expenses</b>	<b>\$ 10,525,391</b>	<b>\$ 6,812,915</b>	<b>\$ 886,894</b>	<b>\$ 862,697</b>	<b>\$ 19,087,897</b>	<b>\$ 812,852</b>	<b>\$ 49,182</b>	<b>\$ 19,949,931</b>

*The accompanying notes are an integral part of these financial statements.*

**MON YOUGH COMMUNITY SERVICES, INC.**

Statement of Functional Expenses

For the Year Ended June 30, 2014

	Program Services				Total Program Services	Supporting Services		Total
	Behavioral Health – Mental Health	Intellectual Disability / Title XIX	Drug and Alcohol Program	Other		Management And General	Fund- raising	
Expenses:								
Wages and salaries	\$ 5,020,222	\$ 3,636,851	\$ 441,839	\$ 225,882	\$ 9,324,794	\$ 827,969	\$ -	\$ 10,152,763
Employee benefits	1,136,819	778,522	93,451	51,934	2,060,726	127,546	-	2,188,272
Payroll taxes	365,837	265,026	32,198	16,461	679,522	60,336	-	739,858
Consultants and contracted personnel	136,921	108,575	7,240	284,800	537,536	1,000,534	32,744	1,570,814
Rent	526,298	184,542	19,266	26,140	756,246	32,825	-	789,071
Utilities	96,312	144,392	9,192	5,905	255,801	23,313	-	279,114
Purchased treatments	784,422	-	9,073	-	793,495	-	-	793,495
Office expenses	252,022	143,134	18,265	11,519	424,940	212,021	2,043	639,004
Other operating expenses	176,309	128,228	21,551	20,848	346,936	65,696	-	412,632
Treatment and supportive supplies	301,724	53,088	14,263	4,060	373,135	3,626	-	376,761
Renovations	63,807	53,996	5,782	6,744	130,329	300,647	-	430,976
Depreciation	37,280	44,632	626	25,435	107,973	133,483	-	241,456
Insurance	80,628	72,740	4,702	3,927	161,997	5,081	-	167,078
Interest expense	3,551	18,325	-	1,409	23,285	528	-	23,813
Housekeeping	90,216	44,307	6,647	5,087	146,257	13,017	-	159,274
Staff travel	58,698	5,691	4,531	3,187	72,107	3,415	-	75,522
Staff development	56,149	11,884	8,534	929	77,496	24,168	-	101,664
Client transportation	4,980	(4,074)	5,537	-	6,443	-	-	6,443
Advertising and promotion	-	15	657	-	672	4,032	-	4,704
Administration expense	1,079,388	876,422	92,113	43,234	2,091,157	(2,091,157)	-	-
<b>Total expenses</b>	<b>\$ 10,271,583</b>	<b>\$ 6,566,296</b>	<b>\$ 795,467</b>	<b>\$ 737,501</b>	<b>\$ 18,370,847</b>	<b>\$ 747,080</b>	<b>\$ 34,787</b>	<b>\$ 19,152,714</b>

*The accompanying notes are an integral part of these financial statements.*



# MON YOUGH COMMUNITY SERVICES, INC.

## Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014

	2015	2014
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 565,486	\$ 398,203
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	262,056	241,456
Realized (gain) loss on investments	(7,983)	466
Unrealized (gain) loss on investments	51,081	(62,018)
(Gain) loss on sale of vehicles	(9,069)	(4,647)
Change in:		
Accounts receivable	384,013	(1,065,741)
Other deferred assets	-	-
Prepaid expenses	(25,129)	10,554
Accounts payable	(30,803)	(66,095)
Related party payable	(86,461)	(261,474)
Restricted funds held on behalf of others	4,045	(7,110)
Deferred revenue	-	-
Accrued payroll and withholdings liabilities	89,475	(273,804)
	<b>1,196,711</b>	<b>(1,090,210)</b>
<b>Cash flows from investing activities:</b>		
(Purchase) of investments	(947,732)	(2,000,000)
Proceeds from sale of investments	848,205	64,645
Net (decrease) in investments	-	(73,330)
(Purchase) of property and equipment	(158,810)	(248,284)
Proceeds from sale of vehicles	9,069	6,030
	<b>(249,268)</b>	<b>(2,250,939)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on long-term debt	(86,333)	(150,465)
Proceeds from issuance of long-term debt	77,615	78,209
	<b>(8,718)</b>	<b>(72,256)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>938,725</b>	<b>(3,413,405)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,595,755</b>	<b>6,009,160</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,534,480</b>	<b>\$ 2,595,755</b>
<b>Supplemental information:</b>		
Interest paid on indebtedness	<b>\$ 21,722</b>	<b>\$ 23,813</b>

*The accompanying notes are an integral part of these financial statements.*

# MON YOUGH COMMUNITY SERVICES, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2015 and 2014

### **Note 1. Organization**

Mon Yough Community Services, Inc. (Agency) is a nonprofit organization formed for the purpose of promoting wellness, recovery, community integration, and inclusion for individuals who face the challenges of substance abuse, mental health problems, and developmental disabilities throughout Southwestern Pennsylvania.

The Agency has an Affiliation Agreement with Western Psychiatric Institute and Clinic of UPMC Presbyterian (WPIC) to manage and operate any and all programs of the Agency, as further discussed in Note 16.

### **Note 2. Summary of Significant Accounting Policies**

#### **A. Basis of Accounting**

The Agency's financial statements were prepared using the accrual basis of accounting. Expenses are recognized in the period incurred. Revenues are recognized in the period in which they are earned.

#### **B. Basis of Presentation**

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

*Unrestricted net assets* – Net assets that are not subject to any donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed or other legal restrictions on the use of the assets that may be met either by actions of the Agency and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed or other legal restrictions that the principal be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned for either general or donor-imposed purposes.

The Agency reports gifts of cash and other assets as restricted support if they are received with donor-imposed restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Donor restrictions that are met within the same year as received are reflected as unrestricted contributions in the Statements of Activities.

# MON YOUGH COMMUNITY SERVICES, INC.

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

## **Note 2. Summary of Significant Accounting Policies (Continued)**

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

### **D. Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, cash and cash equivalents include all highly liquid instruments with maturities of three months or less when purchased.

### **E. Investments**

Investments are carried at fair value. Interest, dividends, realized and unrealized gains and losses, and investment fees are recorded as changes in unrestricted net assets in the Statements of Activities.

### **F. Fair Value Measurement**

The Agency reports investments at fair value on a recurring basis. FASB ASC 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

### **G. Accounts Receivable**

State, county and trade receivables are stated at net realizable value. The allowance for doubtful accounts is estimated based on experience, adjustments to revenue after insurance and third-party contract claims are paid, and other circumstances which may affect the ability of payors to meet their obligations. It is the Agency's policy to write off uncollectible receivables when management determines the receivable will not be collected. No allowance has been recorded for state and county receivables as management believes these amounts are fully collectible.

# **MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

## **Note 2. Summary of Significant Accounting Policies (Continued)**

### **H. Fixed Assets**

Fixed assets are recorded at cost and are capitalized and depreciated on the straight-line method over the expected useful lives of the related assets. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. Gain or loss resulting from the retirements or other disposition of assets is included in the Statements of Activities.

The Agency holds title to fixed assets purchased with funds awarded from the County in perpetuity unless the Agency goes out of business or ceases to contract with the County. At that time, all assets purchased with County funds revert back to the possession of the County. The Agency does not reflect these assets within the financial statements, as the Agency believes the possibility that the condition requiring reversion to the County is unlikely to occur prior to expiration of the assets' useful lives.

### **I. Residents' Accounts**

The Agency has fiduciary responsibility to control personal funds of certain residents' accounts. On the Statements of Financial Position, a restricted cash account has been recognized as an asset with a corresponding liability titled Restricted Funds Held on Behalf of Others.

### **J. Indirect Cost Allocation Plan**

Expenses are charged to each program based on direct expenditures incurred. Expenses not directly attributable to specific program services are allocated to the various programs based upon management's utilization of an indirect cost allocation plan (ICAP). Accordingly, certain costs have been allocated among the various programs and supporting services benefited based upon the estimated level of effort involved, which includes time studies and/or budget levels.

# MON YOUGH COMMUNITY SERVICES, INC.

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

## Note 2. Summary of Significant Accounting Policies (Continued)

### K. Income Taxes

The Agency has received a determination letter from the IRS that grants an exemption from income taxes under Section 501(c)(3) of the IRC except for any income that may be a result of unrelated business transactions. Additionally, the IRS has classified the Agency as other than a private foundation.

The Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for income taxes recognized in the financial statements in accordance with Statements of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes* (FASB Accounting Standards Codification [ASC] 740, *Income Taxes*). FIN 48 provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Agency does not believe its financial statements include, or reflect, any uncertain tax positions.

The Agency's IRS Forms 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ended June 30, 2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

### L. Funding Administered by Allegheny County

The Agency receives revenues from Allegheny County funding under two methods. Under one method, payments are based on a contract rate for each unit of service provided up to the approved contract limit. At year end, actual expenses are compared to amounts drawn down from the County. Any amounts drawn down in excess of eligible costs (eligible costs less revenues from other sources) are owed back to the County. Costs incurred in excess of approved contract amounts result in a deficit for the Agency. Certain programs funded under a fee-for-service basis are not required to return amounts drawn down in excess of eligible costs to the County and are not subject to the retained revenue limits described below.

The Agency's other County funding is earned on a program-funded basis. Under this basis, the Agency is reimbursed for net eligible costs up to the approved contract limit. Costs incurred in excess of approved contract amounts result in a deficit for the Agency.

## **MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

### **Note 2. Summary of Significant Accounting Policies (Continued)**

#### **M. Funding Administered by the Commonwealth of Pennsylvania**

Under the Intellectual Disability / Title XIX fee-for-service funding, the Agency is reimbursed based on units of service billed to the Commonwealth of Pennsylvania Department of Human Services (DHS) at DHS-established payment rates for waiver services.

#### **N. Other Change in Unrestricted Net Assets**

This amount on the Statements of Activities offsets the continued participation allowance included in operating expenses. The Title 55 Chapter 4300 regulations state that the County can reimburse a continuing participation allowance for the use of space in debt-free real estate, which may not exceed an amount equal to an 8% rate of return on the total of the property value plus the cost of renovations and improvements to the property. This allowance was \$181,460 and \$191,170 at June 30, 2015 and 2014, respectively.

#### **O. Reclassifications**

Certain financial statement amounts for the year ended June 30, 2014 have been reclassified to conform to the presentation for the year ended June 30, 2015.

### **Note 3. Concentration of Credit Risk**

Cash and cash equivalents are deposited at a local financial institution. The Federal Deposit Insurance Corporation (FDIC) coverage limit per financial institution is \$250,000. At June 30, 2015 and 2014, the carrying amount of the deposits was \$3,534,480 and \$2,595,755, respectively. The bank balance was \$3,712,074 and \$2,784,943, respectively. Of the bank balance, \$3,462,074 and \$2,534,943 was uninsured at June 30, 2015 and 2014, respectively. Management is not presently concerned with the financial stability of the financial institution used by the Agency.

# MON YOUGH COMMUNITY SERVICES, INC.

## Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

### Note 4. Investments

Investments consist of mutual funds and are carried at fair value. The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended June 30:

	2015	2014
<b>Unrestricted investment return:</b>		
Interest and dividend income	\$ 112,366	\$ 10,706
Realized gains (losses)	7,983	(466)
Unrealized gains (losses)	(51,081)	62,018
Less: investment fees	<u>(12,839)</u>	<u>(2,021)</u>
Total return	<u>\$ 56,429</u>	<u>\$ 70,237</u>

### Note 5. Fair Value Measurements

The Agency reports and discloses investments at their fair value and classifies them based on the fair value hierarchy defined by FASB ASC 820, *Fair Value Measurement*. The levels of the fair value hierarchy are:

*Level 1* – Quoted market prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3* – Unobservable inputs and include situations where there is little, if any, market activity for the investment.

Assets reported at fair value on a recurring basis at June 30, 2015 and 2014 are as follows:

	<b>Level 1</b>	
	2015	2014
<b>Investments:</b>		
Mutual funds	<u>\$ 2,126,667</u>	<u>\$ 2,070,237</u>

The Agency recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between Levels 1, 2, and 3 for the years ended June 30, 2015 and 2014.

## MON YOUGH COMMUNITY SERVICES, INC.

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

### Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts restricted by donors and are available for the following purposes at June 30:

	2015	2014
Angora gardens program	\$ 153,762	\$ 99,440
Mobile concurrent documentation, training, and equipment	17,791	59,303
Organizational development, technology enhancement, and facility improvement	756	48,589
Cognitive enhancement therapy program	5,319	7,666
Intellectual disability residential program walk-in shower	-	5,000
Behavioral health initiative	2,285	-
Copiers and scanners	-	200
	<u>\$ 179,913</u>	<u>\$ 220,198</u>

### Note 7. Net Assets Released from Restriction

Net assets were released during the year from donor restrictions by incurring expenses satisfying the restricted purposes at June 30 as follows:

	2015	2014
Angora gardens program	\$ 99,440	\$ 155,884
Organizational development, technology enhancement, and facility improvement	47,833	129,813
Mobile concurrent documentation, training and equipment	41,512	-
Intellectual disability residential program walk-in shower	5,000	-
Vocational programs	-	38,242
Cognitive enhancement therapy program	2,347	1,000
Copiers and scanners	200	-
	<u>\$ 196,332</u>	<u>\$ 324,939</u>



**MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

**Note 8. Receivable from Allegheny County Contract**

The receivable from the County contract at June 30, 2015 represents the amounts due related to various programs as follows:

	<b>Behavioral Health – Mental Health</b>	<b>Intellectual Disability</b>	<b>Drug and Alcohol</b>	<b>Children, Youth, and Families</b>	<b>Total</b>
Total contract amount	\$ 5,239,598	\$ 242,745	\$ 591,429	\$ 729,880	\$ 6,803,652
Less: amount paid by Allegheny County	<u>(4,729,920)</u>	<u>(226,059)</u>	<u>(496,609)</u>	<u>(680,970)</u>	<u>(6,133,558)</u>
Due from Allegheny County contract at June 30, 2015	<u>\$ 509,678</u>	<u>\$ 16,686</u>	<u>\$ 94,820</u>	<u>\$ 48,910</u>	<u>\$ 670,094</u>

The receivable from the County contract at June 30, 2014 represents the amounts due related to various programs as follows:

	<b>Behavioral Health – Mental Health</b>	<b>Intellectual Disability</b>	<b>Drug and Alcohol</b>	<b>Children, Youth, and Families</b>	<b>Total</b>
Total contract amount	\$ 5,227,895	\$ 248,931	\$ 550,713	\$ 579,517	\$ 6,607,056
Less: amount paid by Allegheny County	<u>(4,121,718)</u>	<u>(199,337)</u>	<u>(380,940)</u>	<u>(524,189)</u>	<u>(5,226,184)</u>
Due from Allegheny County contract at June 30, 2014	<u>\$ 1,106,177</u>	<u>\$ 49,594</u>	<u>\$ 169,773</u>	<u>\$ 55,328</u>	<u>\$ 1,380,872</u>

**MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

**Note 9. Fixed Assets**

The County maintains an equity interest in certain property and equipment purchased with contract funding equal to the funded portion of the purchase price. However, the Agency capitalizes these assets as it is remote that the County will gain title to the assets during their useful life. These assets are depreciated over 60 months for County purposes, as the County is no longer considered to have an interest after five years. The County's equity in certain real estate, furniture and equipment, and leasehold improvements is summarized as follows at June 30:

<b>Mental Health / Drug and Alcohol:</b>	<b>June 30, 2014</b>	<b>Additions/ (Deletions)</b>	<b>June 30, 2015</b>
Land and buildings	\$ 402,131	\$ -	<b>\$ 402,131</b>
Furniture and equipment	475,023	57,543	<b>532,566</b>
Improvements	-	-	-
Total	<u>877,154</u>	<u>57,543</u>	<u><b>934,697</b></u>
Less: accumulated depreciation	<u>(812,170)</u>	<u>(24,799)</u>	<u><b>(836,969)</b></u>
Estimated net book value	<u><u>\$ 64,984</u></u>	<u><u>\$ 32,744</u></u>	<u><u><b>\$ 97,728</b></u></u>

Program expenses reported to the County include expenditures capitalized in accordance with accounting principles generally accepted in the United States of America.

The Agency's total fixed assets by category are presented on the Statements of Financial Position.

**Note 10. Operating Leases**

The Agency leases certain program facility space and office equipment under various operating lease agreements. For the years ended June 30, 2015 and 2014, rent expense totaled \$765,328 and \$778,249, respectively, and is allocated directly to program activities.

At June 30, 2015, future minimum annual rental payments applicable to noncancelable operating leases, primarily for real property, are as follows for the years ending June 30:

2016	\$ 739,871
2017	307,908
2018	-
2019	-
2020	-
	<u><u>\$ 1,047,779</u></u>

**MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

**Note 11. Long-Term Debt**

Long-term and capital lease obligations consist of the following:

<b>Mortgages:</b>	<b>2015</b>	2014
<p>Various mortgages payable to PNC Bank, due in monthly installments totaling \$3,369, bearing interest rates ranging from 6.00% to 7.99%, with maturities ranging from August 2020 to January 2024. The mortgages are secured by real estate of the Agency.</p>	<b>\$ 218,744</b>	\$ 241,586
<b>Installment notes:</b>		
<p>Various notes payable to PNC Bank, due in monthly installments totaling \$3,201, plus interest rates ranging from 3.49% to 4.30%, secured by vehicles, with maturities ranging from June 2017 to October 2019.</p>	<b>118,079</b>	69,979
<p>Various notes payable to Ally Financial Inc., due in monthly installments totaling \$1,700, plus interest rates ranging from 1.90% to 6.99%, secured by vehicles, with maturities ranging from May 2015 to April 2016.</p>	<b>2,838</b>	23,684
<p>Notes payable to Ford Credit, due in monthly installments totaling \$1,110, plus interest at 0.90%, secured by vehicles, with maturity of July 2016.</p>	<b>14,356</b>	27,486
	<b>354,017</b>	362,735
<p>Less: current portion</p>	<b>(74,356)</b>	(73,493)
<p>Long-term debt, net of current portion</p>	<b>\$ 279,661</b>	\$ 289,242

**MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

**Note 11. Long-Term Debt (Continued)**

The annual amounts of principal and interest payments required on long-term debt are as follows:

<b>Years Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 74,356	\$ 18,996	\$ 93,352
2017	62,969	15,735	78,704
2018	53,705	12,586	66,291
2019	55,386	9,464	64,850
2020	37,267	6,592	43,859
Thereafter	<u>70,334</u>	<u>8,983</u>	<u>79,317</u>
	<u>\$ 354,017</u>	<u>\$ 72,356</u>	<u>\$ 426,373</u>

Long-term debt interest charged to expense for the years ended June 30, 2015 and 2014 totaled \$21,722 and \$23,813, respectively. Program expenses reported to the County include certain debt payments.

**Note 12. Lines of Credit**

The Agency has three separate lines of credit through a local bank as follows:

1. A \$150,000 non-revolving line of credit secured by substantially all assets of the Agency. Advances on the line are payable on demand and bear interest at the LIBOR rate plus 235 basis points. The outstanding principal balance and any unpaid interest shall be due and payable on demand or on the expiration date. The line of credit agreement allows the Agency to convert borrowings to term acquisition loans for any outstanding amounts upon request prior to the expiration of the agreement. Term borrowings reduce the available line of credit. At June 30, 2015 and 2014, \$-0- and \$111,209 remained available, respectively and \$96,689 and \$38,791 were converted to loans, respectively. The line of credit expired on March, 17, 2015 and was not renewed.
2. A \$500,000 revolving line of credit extended by the bank on an annual basis. The line is secured by the property at 500 Market Street, McKeesport, Pennsylvania. Advances on the line are payable on demand and carry an interest rate of 0.75% over prime rate. The outstanding balance on the line was \$-0- at June 30, 2015 and 2014.

## MON YOUGH COMMUNITY SERVICES, INC.

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

### **Note 12. Lines of Credit (Continued)**

3. On April 13, 2015, the Agency entered into an agreement for a \$250,000 non-revolving equipment line of credit extended by the bank on an annual basis. Advances on the line are payable on demand and bear interest at the LIBOR rate plus 235 basis points. The outstanding principal balance and any unpaid interest shall be due and payable on demand or on the expiration date. The line of credit agreement allows the Agency to convert borrowings to term acquisition loans for any outstanding amounts upon request prior to the expiration of the agreement. Term borrowings reduce the available line of credit. At June 30, 2015, there were no borrowings against the line of credit.

Interest on the lines of credit charged to expense totaled \$-0- for the years ended June 30, 2015 and 2014.

### **Note 13. Retirement Plan**

The Agency maintains a defined contribution (money purchase) plan under Section 403(b) of the Internal Revenue Code (Code) covering all eligible employees. Employees may contribute any percentage of compensation not to exceed Code limitations. The Agency matches the employee contribution elected together with a discretionary matching contribution as determined on an annual basis. Contributions to the plan for the years ended June 30, 2015 and 2014 totaled \$97,742 and \$87,544, respectively.

### **Note 14. Donated Services**

The Agency receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying Statements of Activities because the criteria for recognition of such volunteer efforts have not been satisfied.

### **Note 15. Advertising Costs**

The Agency uses advertising to promote its programs and expenses the cost of advertising as incurred. Total advertising costs expensed for the years ended June 30, 2015 and 2014 were \$11,161 and \$4,704, respectively.

## MON YOUGH COMMUNITY SERVICES, INC.

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

### **Note 16. Related Party Transactions**

The Agency has an Affiliation Agreement with Western Psychiatric Institute and Clinic of UPMC Presbyterian (WPIC) since 2001. The current agreement began July 1, 2013 and is for an initial period of ten years with renewal options of five year periods at the expiration of the initial term. Under the terms of the Affiliation Agreement, the Agency remains an independent legal entity and receives no direct financial assistance from WPIC.

The Agency is a nonmember nonprofit corporation, the affairs of which are governed solely by its Board of Directors. Four members of its Board of Directors, while not compensated by the Agency, are paid employees of WPIC.

The Agency also has an exclusive management and consultative services agreement (Management Agreement) with WPIC. The current agreement began July 1, 2013 and is for an initial period of ten years with renewal options of five year periods at the expiration of the initial term. Under the terms of the Management Agreement, WPIC has been engaged to manage and operate any and all of the Agency's behavioral health programs for a fee to be determined annually. For the years ended June 30, 2015 and 2014, the management fee approximated \$208,000 and \$612,000, respectively. Of the total management fee, salaries and benefits for five part-time contracted employees totaled approximately \$140,000 for the year ended June 30, 2015 and for three full-time and six part-time contracted management employees totaled approximately \$391,000 for the year ended June 30, 2014.

In addition to the Management Agreement, the Agency pays WPIC for five full-time IT employees, which along with network fees, totaled approximately \$532,000 and \$369,000 for the years ended June 30, 2015 and 2014, respectively. Physician contracts totaling approximately \$77,000 and \$82,000 were also paid to WPIC during the fiscal years ended June 30, 2015 and 2014, respectively.

WPIC provides the Agency with working capital advances in order to maintain sufficient liquidity. These outstanding advances, payable upon demand and bearing interest at 8.50%, approximated \$335,000 and \$341,000 at June 30, 2015 and 2014, respectively.

The Agency contracts with UPMC Health Plan, sponsored by UPMC Health System, Inc. which is affiliated with WPIC, as its healthcare insurance provider. Expenses related to the health insurance plan for the years ended June 30, 2015 and 2014 were approximately \$1,850,000 and \$1,807,000, respectively.

## **MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

### **Note 17. Grant Award Contingencies**

For the years ended June 30, 2015 and 2014, the Agency derived approximately 64% of its revenue and public support from contracts maintained directly with Allegheny County (County) and the Pennsylvania Department of Human Services (DHS). The funding originates at the federal, state, and county levels of government. The contracts are entered into on an annual basis and are subject to potential changes based upon government spending patterns. A substantial reduction in the level of this support, if this were to occur, may have a material effect on the Agency's programs and activities.

The Agency's financial and program records are subject to examination by appropriate government authorities in accordance with terms of the various grant awards and contracts. The government authorities are authorized to review actual expenditures and to make necessary adjustments in subsequent reimbursements or request refunds of grant amounts, if warranted. Management believes that the Agency's records and financial statements comply with the terms of the grants and awards.

### **Note 18. Legal Contingencies**

The Agency is involved in certain litigation matters arising in the normal course of business. Since the eventual outcome of these matters cannot be predicted, no provision for these matters has been provided in the financial statements. Management believes that the impact of these matters on the Agency, if any, will not result in a material adverse effect on its financial performance, changes in net assets, or cash flows.

On January 24, 2014, Mon Yough Community Services, Inc. filed an appeal with the Office of Developmental Programs (ODP) through its attorneys Fox Rothschild, LLP, for the following claims:

- 1) ODP improperly classified reimbursement rates for Allegheny County,
- 2) ODP failed to comply with methodology in Pennsylvania Code when setting geographic areas, and
- 3) ODP's fee schedule rates violated the implied covenant of Good Faith and Fair Dealing and the Pennsylvania Code by ignoring that Mon Yough Community Services, Inc. must comply with the terms of Individual Service Plans (ISPs) and is entitled to be paid the reasonable cost for the services provided.

# MON YOUGH COMMUNITY SERVICES, INC.

## Notes to Financial Statements

For the Years Ended June 30, 2015 and 2014

### **Note 18. Legal Contingencies (Continued)**

On January 16, 2015, Mon Yough Community Services, Inc. filed an additional appeal. The appeals were based on actual and projected losses in four ODP procedure codes. In June of 2015, the Agency agreed to a settlement with ODP to receive reimbursement in the amount of \$137,241. Full payment was received on July 15, 2015.

### **Note 19. Evaluation of Subsequent Events**

In September 2015, Mon Yough Community Services (MYCS) Board of Directors voted to become a subsidiary of University of Pittsburgh Medical Center (UPMC). MYCS will maintain its own brand identity, tax id, provider number and licenses. In the future, MYCS financial statements will be consolidated under UPMC Presbyterian Shadyside (UPMC). UPMC plans to use Western Psychiatric Institute and Clinic (WPIC) as the management arm to create a regional community based behavioral health network.

UPMC has committed to supporting MYCS as a community based mental health provider serving the Mon Valley area for a minimum of ten years and preserving its mission, identity and reputation. They will also provide \$3,000,000 in capital to operate and expand programming in the Mon Valley area. Those payments are expected to be received in increments of \$300,000 a year for ten years. UPMC has committed to spending \$3,000,000 in capital to be used for the relocation of two residential programs. They have also committed to build and maintain a new E-record system and to keep the same management team in place at MYCS. The effective date of this transaction would be July 1, 2016.

During September 2015, MYCS purchased a facility located at 1109 Long Run Road in the area of White Oak, PA to house an 18 bed Senior Personal Care Home. The property was purchased for approximately \$950,000. MYCS spent approximately \$1,230,450 to renovate the building. MYCS has arranged a loan of \$1,645,000 to finance this project. MYCS currently operates this program in leased space, but the lease expired December 31, 2015 and the landlord has elected not to renew the lease. MYCS plans to move in to the new facility in May of 2016.

MYCS also has two other residential programs (13 and 15 bed programs) for which the leases at the current facilities expire December 31, 2016 and for which the landlord does not intend to renew the lease. Purchasing property and completing suitable build-out space for these programs is expected to cost an additional \$3,000,000.



**MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2015 and 2014

**Note 19. Evaluation of Subsequent Events (Continued)**

Subsequent to the financial statement date, but before issuing the financial statements, there has been a change in certain investment values that management believes are temporary. As such, management has elected to record the Investments at June 30, 2015 at their reported value at that point in time. These changes in value, if they were to be other than temporary, could affect the financial statements by as much as \$104,000.

Subsequent events were evaluated through March 30, 2016, which is the date the financial statements were available to be issued.