

Audited Financial Statements

**MON YOUGH COMMUNITY SERVICES, INC.**

For the Years Ended June 30, 2016 and 2015

Audited Financial Statements

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For the Years Ended June 30, 2016 and 2015

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## **McKeever Varga & Senko**

*Certified Public Accountants*

*Personal Financial Planners*

*Business Consultants*

### **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, 2016 and 2015, 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, 2016 and 2015, 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.

A handwritten signature in cursive script that reads "McKeeven Vange & Senko".

Certified Public Accountants

March 31, 2017  
Pittsburgh, Pennsylvania

# MON YOUGH COMMUNITY SERVICES, INC.

## Statements of Financial Position

At June 30, 2016 and 2015

	2016	2015
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents:		
Unrestricted	\$ 3,619,792	\$ 3,506,853
Restricted	34,522	27,627
Investments	2,094,074	2,126,667
Accounts receivable:		
Pennsylvania Department of Human Services – Title XIX Waiver	1,132,266	1,371,043
Allegheny County contract	1,282,243	670,094
Miscellaneous	133,891	75,361
Private insurance and medical assistance, including managed care, net of allowance of \$80,000 and \$55,000, respectively	447,536	432,405
Prepaid expenses	99,215	116,718
<b>Total current assets</b>	<b>8,843,539</b>	<b>8,326,768</b>
<b>Fixed assets:</b>		
Land and buildings	5,306,073	2,874,597
Land improvements	87,670	87,670
Leasehold improvements	172,972	172,972
Furniture and equipment	2,365,658	2,276,742
Less: accumulated depreciation	(3,713,381)	(3,449,258)
<b>Net fixed assets</b>	<b>4,218,992</b>	<b>1,962,723</b>
<b>Total assets</b>	<b>\$ 13,062,531</b>	<b>\$ 10,289,491</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 88,050	\$ 44,088
Related party payable	202,494	138,151
Restricted funds held on behalf of others	34,522	27,627
Current portion of long-term debt	1,706,131	74,356
Accrued payroll and withholdings liabilities	1,035,253	957,350
<b>Total current liabilities</b>	<b>3,066,450</b>	<b>1,241,572</b>
<b>Long-term debt, net of current portion</b>	<b>216,692</b>	<b>279,661</b>
<b>Total liabilities</b>	<b>3,283,142</b>	<b>1,521,233</b>
<b>Net assets:</b>		
Unrestricted, undesignated	9,565,404	8,588,345
Temporarily restricted	213,985	179,913
<b>Total net assets</b>	<b>9,779,389</b>	<b>8,768,258</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,062,531</b>	<b>\$ 10,289,491</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, 2016 and 2015

	2016	2015
<b>Change in unrestricted net assets:</b>		
Support, revenues, gains and losses:		
Government grants and contracts:		
Pennsylvania Department of Human Services – Title XIX Waiver	\$ 6,554,048	\$ 6,276,972
Allegheny County contract	6,954,287	6,803,652
Private insurance and medical assistance, including managed care	5,228,244	4,638,279
Room and board	860,386	852,881
Contract revenue	505,765	454,652
Program service fees	304,564	281,784
Non-government grants and contributions	216,789	404,156
Interest and dividend income	108,974	120,498
Rental income	5,073	5,425
Other	299,979	382,709
Realized gain (loss) on investments	(103,426)	7,983
Unrealized gain (loss) on investments	(16,742)	(51,081)
Released from restriction	162,968	196,332
<b>Total support, revenues, gains and losses</b>	<b>21,080,909</b>	<b>20,374,242</b>
Expenses:		
Program services:		
Behavioral Health – Mental Health	10,830,391	10,525,391
Intellectual Disability / Title XIX	7,153,006	6,812,915
Drug and Alcohol Program	962,275	886,894
Other	1,055,215	862,697
Supporting services:		
Management and general	280,955	812,852
Fundraising	7,493	49,182
<b>Total expenses</b>	<b>20,289,335</b>	<b>19,949,931</b>
<b>Excess (deficiency) of support, revenues, gains and losses over expenses before other change in unrestricted net assets</b>	<b>791,574</b>	<b>424,311</b>
Other change in unrestricted assets	<b>185,490</b>	<b>181,460</b>
<b>Change in unrestricted net assets</b>	<b>977,064</b>	<b>605,771</b>
<b>Change in temporarily restricted net assets:</b>		
Non-government grants and contributions	197,035	156,047
Released to unrestricted	(162,968)	(196,332)
<b>Change in temporarily restricted net assets</b>	<b>34,067</b>	<b>(40,285)</b>
<b>Change in net assets</b>	<b>1,011,131</b>	<b>565,486</b>
<b>Net assets, beginning of year</b>	<b>8,768,258</b>	<b>8,202,772</b>
<b>Net assets, end of year</b>	<b>\$ 9,779,389</b>	<b>\$ 8,768,258</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, 2016

	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	\$ 5,529,983	\$ 3,889,465	\$ 558,132	\$ 336,901	\$ 10,314,481	\$ 1,273,331	\$ -	\$ 11,587,812
Employee benefits	1,120,197	779,352	108,639	70,188	2,078,376	296,145	-	2,374,521
Payroll taxes	404,235	284,316	40,799	24,627	753,977	93,079	-	847,056
Rent	538,320	189,609	24,568	21,493	773,990	23,538	-	797,528
Other operating expenses	210,509	119,687	30,270	27,646	388,112	25,669	-	413,781
Advertising	-	-	-	-	-	7,544	-	7,544
Purchased treatments	581,518	-	6,300	-	587,818	-	-	587,818
Consultants and contracted personnel	88,489	159,663	5,901	431,828	685,881	618,788	-	1,304,669
Office supplies	222,590	160,722	15,272	13,338	411,922	127,667	7,493	547,082
Depreciation	61,747	79,384	638	25,409	167,178	116,132	-	283,310
Renovations	91,516	49,929	4,541	10,505	156,491	134,649	-	291,140
Interest expense	31,025	18,944	-	-	49,969	-	-	49,969
Utilities	125,008	154,970	12,298	4,244	296,520	25,357	-	321,877
Treatment and supportive supplies	335,416	42,149	14,967	5,585	398,117	4,739	-	402,856
Housekeeping	75,105	48,326	11,060	4,454	138,945	12,217	-	151,162
Staff travel	57,210	7,477	3,013	6,640	74,340	12,797	-	87,137
Insurance	87,853	76,802	4,627	5,961	175,243	7,228	-	182,471
Client transportation	3,734	2,183	-	-	5,917	-	-	5,917
Staff development	17,021	6,861	2,075	413	26,370	19,315	-	45,685
Administration expense	1,248,915	1,083,167	119,175	65,983	2,517,240	(2,517,240)	-	-
<b>Total expenses</b>	<b>\$ 10,830,391</b>	<b>\$ 7,153,006</b>	<b>\$ 962,275</b>	<b>\$ 1,055,215</b>	<b>\$ 20,000,887</b>	<b>\$ 280,955</b>	<b>\$ 7,493</b>	<b>\$ 20,289,335</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	
Expenses:								
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
Administrative 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.

## Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,011,131	\$ 565,486
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	283,310	262,056
Net (gains) losses on investments	120,168	43,098
(Gain) loss on sale of vehicles	(3,225)	(9,069)
Change in:		
Accounts receivable	(447,033)	384,013
Prepaid expenses	17,503	(25,129)
Accounts payable	43,962	(30,803)
Related party payable	64,343	(86,461)
Restricted funds held on behalf of others	6,895	4,045
Accrued payroll and withholdings liabilities	77,903	89,475
<b>Net cash provided by (used for) operating activities</b>	<b>1,174,957</b>	<b>1,196,711</b>
<b>Cash flows from investing activities:</b>		
(Increase) decrease in restricted cash	(6,895)	(4,045)
Proceeds from sale of investments	2,273,472	(947,732)
(Purchase) sale of investments	(2,361,047)	848,205
(Purchase) of property and equipment	(2,539,579)	(158,810)
Proceeds from sale of vehicles	3,225	9,069
<b>Net cash provided by (used for) investing activities</b>	<b>(2,630,824)</b>	<b>(253,313)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on long-term debt	(76,194)	(86,333)
Proceeds from issuance of long-term debt	1,645,000	77,615
<b>Net cash provided by (used for) financing activities</b>	<b>1,568,806</b>	<b>(8,718)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>112,939</b>	<b>934,680</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,506,853</b>	<b>2,572,173</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,619,792</b>	<b>\$ 3,506,853</b>
<b>Supplemental information:</b>		
Interest paid on indebtedness	<b>\$ 46,969</b>	<b>\$ 21,722</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, 2016 and 2015

### **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 did not have any permanently restricted net assets at June 30, 2016.

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, 2016 and 2015

## **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, 2016 and 2015

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

### **H. Fixed Assets**

Fixed assets are recorded at cost. The cost of property and equipment in excess of \$5,000 is 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, 2016 and 2015

## 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, 2015, 2014, and 2013 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, 2016 and 2015

### **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 \$185,490 and \$181,460 at June 30, 2016 and 2015, respectively.

#### **O. Reclassifications**

Certain financial statement amounts for the year ended June 30, 2015 have been reclassified to conform to the presentation for the year ended June 30, 2016.

### **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, 2016 and 2015, the carrying amount of the deposits was \$3,654,314 and \$3,534,480, respectively. The bank balance was \$4,126,240 and \$3,712,074, respectively. Of the bank balance, \$3,876,240 and \$3,462,074 was uninsured at June 30, 2016 and 2015, 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, 2016 and 2015

### 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:

	2016	2015
<b>Unrestricted investment return:</b>		
Interest and dividend income	\$ 103,211	\$112,366
Realized gains (losses)	(103,426)	7,983
Unrealized gains (losses)	(16,742)	(51,081)
Less: investment fees	<u>(15,636)</u>	<u>(12,839)</u>
Total return	<u>\$ (32,593)</u>	<u>\$ 56,429</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, 2016 and 2015 are as follows:

	<b>Level 1</b>	
	2016	2015
<b>Investments:</b>		
Mutual funds	<u>\$ 2,094,074</u>	<u>\$ 2,126,667</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, 2016 and 2015.

**MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2016 and 2015

**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:

	<b>2016</b>	2015
Angora gardens program	<b>\$ 149,155</b>	\$ 153,762
Mobile concurrent documentation, training, and equipment	<b>96</b>	17,791
Organizational development, technology enhancement, and facility improvement	-	756
Cognitive enhancement therapy program	<b>5,319</b>	5,319
CCBH self-directed care funds	<b>36,000</b>	-
Behavioral health initiative	<b>23,415</b>	2,285
	<u><b>\$ 213,985</b></u>	<u>\$ 179,913</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:

	<b>2016</b>	2015
Angora gardens program	<b>\$ 142,231</b>	\$ 99,440
Mobile concurrent documentation, training and equipment	<b>17,695</b>	41,512
Organizational development, technology enhancement, and facility improvement	<b>757</b>	47,833
Cognitive enhancement therapy program	-	2,347
Intellectual disability residential program walk-in shower	-	5,000
Behavioral health initiative	<b>2,285</b>	-
Copiers and scanners	-	200
	<u><b>\$ 162,968</b></u>	<u>\$ 196,332</u>



**MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2016 and 2015

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

The receivable from the County contract at June 30, 2016 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	\$ 5,117,551	\$ 222,351	\$ 566,735	\$ 1,024,300	\$ 6,930,937
Less: amount paid by Allegheny County	<u>(4,140,046)</u>	<u>(185,101)</u>	<u>(412,725)</u>	<u>(886,125)</u>	<u>(5,623,997)</u>
Less: amounts due to Allegheny County	<u>-</u>	<u>-</u>	<u>(20,468)</u>	<u>-</u>	<u>(20,468)</u>
Due from Allegheny County contract at June 30, 2016	<u>\$ 977,505</u>	<u>\$ 37,250</u>	<u>\$ 133,542</u>	<u>\$ 138,175</u>	<u>\$ 1,286,472</u>

Adjustments consist of \$20,468 that the Agency self-reported to the County as billing errors as a result of an internal compliance audit. These amounts are not reflected in the financial statements as revenue.

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>

**MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2016 and 2015

**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, 2015</b>	<b>Additions/ (Deletions)</b>	<b>June 30, 2016</b>
Land and buildings	\$ 402,131	\$ -	<b>\$ 402,131</b>
Furniture and equipment	532,566	22,420	<b>554,986</b>
Total	<u>934,697</u>	<u>22,420</u>	<b><u>957,117</u></b>
Less: accumulated depreciation	<u>(836,969)</u>	<u>(25,941)</u>	<b><u>(862,910)</u></b>
Estimated net book value	<u>\$ 97,728</u>	<u>\$ (3,521)</u>	<b><u>\$ 94,207</u></b>

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, 2016 and 2015, rent expense totaled \$783,223 and \$765,328, respectively, and is allocated directly to program activities.

At June 30, 2016, future minimum annual rental payments applicable to noncancelable operating leases, primarily for real property, are as follows for the years ending June 30:

2017	\$ 414,543
2018	87,469
2019	<u>76,800</u>
	<u><u>\$ 578,812</u></u>

**MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2016 and 2015

**Note 11. Long-Term Debt**

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

<b>Mortgages:</b>	<b>2016</b>	2015
<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>\$ 191,128</b>	\$ 218,744
<b>Installment notes:</b>		
<p>Two notes payable to Ameriserv Financial Bank, due in monthly installments totaling \$14,232, plus interest rates of rates of 3.75% and 4.45%, secured by real estate of the Agency. Maturities are October 2030 and January 2021. Both notes were paid in full in July 2016.</p>	<b>1,730,587</b>	118,079
<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>	-	2,838
<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>	<u><b>1,109</b></u>	<u>14,356</u>
	<b>1,922,823</b>	354,017
<p>Less: current portion</p>	<u><b>(1,706,131)</b></u>	<u>(74,356)</u>
<p>Long-term debt, net of current portion</p>	<u><b>\$ 216,692</b></u>	<u>\$ 279,661</u>

**MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2016 and 2015

**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>
2017	\$ 1,706,131	\$ 20,992	\$ 1,727,123
2018	53,705	12,586	66,291
2019	55,386	6,592	61,978
2020	37,267	4,547	41,814
2021	20,986	2,996	23,982
Thereafter	<u>49,348</u>	<u>4,435</u>	<u>53,783</u>
	<u>\$ 1,922,823</u>	<u>\$ 52,148</u>	<u>\$ 1,974,971</u>

Long-term debt interest charged to expense for the years ended June 30, 2016 and 2015 totaled \$49,969 and \$21,722, 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 \$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, 2016 and 2015. The expiration date on this line of credit was June 29, 2016 and it was not renewed.

## MON YOUGH COMMUNITY SERVICES, INC.

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2016 and 2015

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

2. 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, 2016 and June 30, 2015, there were no borrowings against the line of credit. The expiration date on this line of credit was April 13, 2016 and was not renewed.

Interest on the lines of credit charged to expense totaled \$-0- for the years ended June 30, 2016 and 2015.

### **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, 2016 and 2015 totaled \$102,296 and \$97,742, 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, 2016 and 2015 were \$7,544 and \$11,161, respectively.

## MON YOUGH COMMUNITY SERVICES, INC.

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2016 and 2015

### **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, 2016 and 2015, the management fee approximated \$290,000 and \$208,000, respectively. Of the total management fee, salaries and benefits contracted employees totaled approximately \$229,000 for the year ended June 30, 2016 and for three full-time and six part-time contracted management employees totaled approximately \$424,900 for the year ended June 30, 2015.

In addition to the Management Agreement, the Agency pays WPIC for five full-time IT employees, which along with network fees, totaled approximately \$293,000 and \$247,000 for the years ended June 30, 2016 and 2015, respectively. Physician contracts totaling approximately \$77,000 and \$82,000 were also paid to WPIC during the fiscal years ended June 30, 2016 and 2015, 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 \$423,780 and \$335,000 at June 30, 2016 and 2015, 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, 2016 and 2015 were approximately \$1,970,000 and \$1,850,000, respectively.

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

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2016 and 2015

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

For the years ended June 30, 2016 and 2015, the Agency derived approximately 62% 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.

### **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.

**MON YOUGH COMMUNITY SERVICES, INC.**

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2016 and 2015

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

Subsequent events were evaluated through March 31, 2017, which is the date the financial statements were available to be issued.