

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7-11
OTHER REPORTS:	
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	12-13
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	14
SCHEDULE OF FINDINGS AND RESPONSES	15

ROBERT BAKER and ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Georgia Behavioral Health Services, Inc.
Macon, Georgia

We have audited the accompanying consolidated financial statements of Georgia Behavioral Health Services, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016, and the related consolidated statements of activities, 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 the 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 in 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgia Behavioral Health Services, Inc. and its Subsidiaries as of December 31, 2016, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017, on our consideration of Georgia Behavioral Health Services, Inc.'s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing on 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 *Governmental Auditing Standards* in consideration of Georgia Behavioral Health Services, Inc.'s internal control over financial reporting and compliance.

ROBERT BAKER and ASSOCIATES

Handwritten signature of Robert Baker and Associates in cursive script.

Certified Public Accountants

Albany, Georgia

June 30, 2017

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2016

ASSETS

CURRENT ASSETS	
Cash in Bank	\$ 2,094,647
Cash - Restricted	23,573
Accounts Receivable	405,601
Prepaid Expenses	<u>128,573</u>
Total Current Assets	\$ <u>2,652,394</u>
CAPITAL ASSETS	
Land	\$ 45,725
Building and Equipment - Net of Accumulated Depreciation	<u>2,707,444</u>
Total Capital Assets	\$ <u>2,753,169</u>
OTHER ASSETS	
Marketable Securities	\$ 1,006,553
Reserve Deposits	<u>63,591</u>
Total Other Assets	\$ <u>1,070,144</u>
TOTAL ASSETS	\$ <u>6,475,707</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 279,898
Payroll Benefits Payable	90,544
Due to River Edge Behavioral Health Center	452,710
Deferred Revenues	<u>10,756</u>
Total Current Liabilities	\$ <u>833,908</u>
LONG-TERM LIABILITIES	
Construction Loan Payable	\$ <u>2,174,780</u>
TOTAL LIABILITIES	\$ <u>3,008,688</u>
NET ASSETS	
Unrestricted	\$ <u>3,443,446</u>
Restricted:	
Temporarily	\$ 20,528
Permanently	<u>3,045</u>
Total Restricted Net Assets	\$ <u>23,573</u>
Total Net Assets	\$ <u>3,467,019</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>6,475,707</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2016

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
OPERATING GRANTS AND CONTRIBUTIONS			
Rental Income	\$ 185,022	\$ -	\$ 185,022
Contracted Services	7,963,441	-	7,963,441
Contributions	66,464	17,316	83,780
Investment Income (Loss)	77,917	-	77,917
Other Fees	13,922	-	13,922
Net Assets Released from Restriction	<u>4,910</u>	(<u>4,910</u>)	<u>-</u>
TOTAL OPERATING GRANTS AND CONTRIBUTIONS	\$ <u>8,311,676</u>	\$ <u>12,406</u>	\$ <u>8,324,082</u>
EXPENSES			
Program Services	\$ <u>7,440,841</u>	\$ -	\$ <u>7,440,841</u>
Support Services:			
General and Administrative	\$ 190,696	\$ -	\$ 190,696
Fundraising	<u>143,625</u>	<u>-</u>	<u>143,625</u>
Total Support Services	\$ <u>334,321</u>	\$ -	\$ <u>334,321</u>
TOTAL EXPENSES	\$ <u>7,775,162</u>	\$ -	\$ <u>7,775,162</u>
CHANGE IN NET ASSETS	\$ 536,514	\$ 12,406	\$ 548,920
NET ASSETS - BEGINNING OF YEAR	2,827,824	90,275	2,918,099
TRANSFERS	<u>79,108</u>	(<u>79,108</u>)	<u>-</u>
NET ASSETS - END OF YEAR	\$ <u>3,443,446</u>	\$ <u>23,573</u>	\$ <u>3,467,019</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2016

	SUPPORT SERVICES			
	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL
PERSONNEL:				
Salaries	\$ 5,293,423	\$ -	\$ -	\$ 5,293,423
FICA	370,775	-	-	370,775
Health Insurance	632,730	-	-	632,730
Retirement	100,235	-	-	100,235
Unemployment Compensation	<u>26,253</u>	<u>-</u>	<u>-</u>	<u>26,253</u>
Total Personnel	\$ 6,423,416	\$ -	\$ -	\$ 6,423,416
OTHER:				
Advertising	\$ -	\$ -	\$ 49	\$ 49
Client Assistance	9,563	-	-	9,563
Computers	-	15,035	-	15,035
Contracted Services	634,938	-	136,597	771,535
Depreciation	175,694	-	-	175,694
Dues	-	2,600	-	2,600
Equipment Rental	-	-	937	937
Facility Rent	-	6,218	-	6,218
Grants	650	-	-	650
Insurance and Bonding	5,916	106,758	-	112,674
Internet	-	837	-	837
Meetings	-	3,549	479	4,028
Office Supplies	85	1,117	788	1,990
Other Operating Expenses	18,868	10,624	818	30,310
Photography	-	270	545	815
Postage/Shipping	-	1,365	54	1,419
Printing and Publications	-	7,774	1,231	9,005
Professional Fees	21,837	5,018	-	26,855
Property Taxes	-	86	-	86
Recognition/Appreciation/ Development/Assistance	2,100	452	1,968	4,520
Repairs and Maintenance	17,991	956	-	18,947
Service Fees	165	1,558	-	1,723
Supplies and Materials	-	25,364	99	25,463
Telephone	-	55	-	55
Transportation	-	82	-	82
Travel	-	978	60	1,038
Utilities	582	-	-	582
Worker's Compensation	<u>129,036</u>	<u>-</u>	<u>-</u>	<u>129,036</u>
Total Expenses	\$ <u>7,440,841</u>	\$ <u>190,696</u>	\$ <u>143,625</u>	\$ <u>7,775,162</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Income	\$ 548,920
Adjustments to Reconcile Change in Net Assets To Net Cash Provided by Operating Activities:	
Depreciation Expense	175,694
Change in Accounts Receivable	(179,039)
Change in Prepaid Expenses	71,852
Change in Prepaid Insurance	(41,080)
Unrealized Gain on Marketable Securities	(38,902)
Change in Accounts Payable	212,738
Change in Deferred Revenues	<u>10,756</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>760,939</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in Reserve Deposits	\$ (918)
Change in Due to River Edge Behavioral Health Center	<u>6,499</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ <u>5,581</u>
NET INCREASE (DECREASE) IN CASH	\$ 766,520
CASH - BEGINNING OF YEAR	<u>1,351,700</u>
CASH - END OF YEAR	\$ <u><u>2,118,220</u></u>

NOTES TO THE FINANCIAL STATEMENTS:

Interest Paid	\$ -
Income Tax Paid	\$ -

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF OPERATIONS

The purpose of the Corporation is to expand access and provide prevention and health care services to certain uninsured and underinsured of Central Georgia in such a way that benefits River Edge Behavioral Health Center either directly or indirectly.

CONTRIBUTED SERVICES

During the year ended December 31, 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

It is the Organization's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

FINANCIAL STATEMENT PRESENTATION

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE 2 - DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2016, are summarized as follows:

As reported in the Statement of Net Assets:

Cash and Cash Equivalents	\$ 2,094,647
Cash - Restricted	<u>23,573</u>
Total	\$ <u>2,118,220</u>
Cash deposited with financial institutions	\$ <u>2,118,220</u>

Interest rate risk. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk - deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2016, the Agency did not have any balances exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2016 consisted of the following:

City of Macon	\$ 281,541
Others	<u>124,060</u>
Total	\$ <u>405,601</u>

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - SUBSIDIARIES

Georgia Behavioral Health Services, Inc. recorded a loss of \$80,584 from their wholly-owned subsidiary First Neighborhood, LLC. First Neighborhood, LLC was established in 2010 to provide low-income housing in the Macon, Georgia area. At December 31, 2016, First Neighborhood, LLC had total assets of \$1,800,488 and member's equity (deficit) of \$(620,329).

Georgia Behavioral Health Services, Inc. recorded a surplus of \$388,970 from their wholly-owned subsidiary Affordable Business Solutions, LLC. Affordable Business Solutions, LLC was established in 2011 to provide supported employment services to clients of River Edge Behavioral Health Center. At December 31, 2016, Affordable Business Solutions, LLC had total assets of \$1,331,691 and member's equity of \$1,170,383.

Georgia Behavioral Health Services, Inc. recorded a loss of \$75,205 from their wholly-owned subsidiary Third Neighborhood, LLC. Third Neighborhood, LLC was established in 2014 as a single asset entity to provide low income housing in the Macon, Georgia area. At December 31, 2016, Third Neighborhood, LLC had total assets of \$1,339,625 and member's equity of \$1,212,581.

NOTE 5 - MARKETABLE SECURITIES

The following table gives investment cost and unrealized appreciation (depreciation) by type of investments as of December 31, 2016:

		<u>Fair Value</u> <u>Measurements Using:</u>	
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
Mutual Funds	\$ <u>953,651</u>	\$ <u>52,902</u>	\$ <u>1,006,553</u>
Total	\$ <u>953,651</u>	\$ <u>52,902</u>	\$ <u>1,006,553</u>

Investment expenses incurred totaled \$10,541 for the year ended December 31, 2016.

FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820-10-50, *Fair Value Measurements*, provides a framework for measuring fair value under generally accepted accounting principles. The framework applies to all financial instruments that are being measured and reported on a fair value basis.

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - MARKETABLE SECURITIES - CONTINUED

As defined in ASC 820-10-50, 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 Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the assets or liability, including assumptions about risk and/or risk inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilized 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 Organization 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 - Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services, identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

For the year ended December 31, 2016, the application of valuation techniques applied to similar assets and liabilities have been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

The preceding methods described may produce a fair value circulation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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 fair value measurement at the reporting date.

The following table set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ <u>1,006,553</u>	\$ _____ -	\$ _____ -	\$ <u>1,006,553</u>
Total assets at fair value	\$ <u>1,006,553</u>	\$ _____ -	\$ _____ -	\$ <u>1,006,553</u>

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - RELATED PARTY TRANSACTIONS

Georgia Behavioral Health Services, Inc. and its subsidiaries are indebted to River Edge Behavioral Health Center, a related party, in the amount of \$452,710. Georgia Behavioral Health Services, Inc, which is the sole member of Affordable Business Solutions, LLC, received \$500,000 from Affordable Business Solutions, LLC during 2016 for contracted services.

NOTE 7 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 30, 2017, the date on which the financial statements were available to be issued.

OTHER REPORTS

ROBERT BAKER and ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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*

To The Board of Directors
Georgia Behavioral Health Services, Inc.
Macon, Georgia

We have audited, in accordance with the auditing standard 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 Georgia Behavioral Health Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Georgia Behavioral Health Services, Inc.'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 Georgia Behavioral Health Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness on the Georgia Behavioral Health Services, Inc.'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.

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 Georgia Behavioral Health Services, Inc.'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ROBERT BAKER and ASSOCIATES

Handwritten signature in cursive script that reads "Robert Baker and Associates".

Certified Public Accountants

Albany, Georgia

June 30, 2017

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2016

Auditor Reference
Number

-NONE-

GEORGIA BEHAVIORAL HEALTH SERVICES, INC.

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2016

Auditor Reference
Number

-NONE-