

**RIVERBEND**  
**CENTER FOR MENTAL HEALTH, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

# RIVERBEND CENTER FOR MENTAL HEALTH, INC.

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## **INTRODUCTORY SECTION**

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**

**Board Members and Administrative Personnel**

**September 30, 2021**

**Appointed Board Members**

Kathy Yordy	Colbert County
Regina Wright	Colbert County
Mary Gates	Colbert County
Mike Mayfield	Franklin County
Deborah Wilson	Franklin County
Angela Townsel	Franklin County
Heath Haddock	Lauderdale County
Sylvester White	Lauderdale County
Robert Sherrod	Lauderdale County
Linda Austin	City of Florence
Freda Coleman-Reed	City of Florence
Andrea Hunt	City of Florence
Sara Bonfield	City of Muscle Shoals
Carolyn Menne	City of Muscle Shoals
Pam Marks Gargis	City of Muscle Shoals
Tom Heflin	City of Sheffield
Steve Stanley	City of Sheffield
Dewey King	City of Sheffield
Penelope Johnson	City of Tuscumbia
Vacant	City of Tuscumbia
Bengie Keeton	City of Tuscumbia
Heath Grimes	City of Russellville
Tim Guinn	City of Russellville
Vacant	City of Russellville
Vacant	Town of Rogersville
Vacant	Town of Rogersville
Vacant	Town of Rogersville
Paul Abernathy	Town of Killen
Dimple Newell	Town of Killen
Mary McGee	Town of Killen

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**

**Board Members and Administrative Personnel**

**September 30, 2021**

**Officers**

Deborah Wilson	Chairperson
Linda Austin	Vice Chairperson
Steven Berkowitz	Treasurer, Ex officio
Rhonda Pendley	Secretary, Ex officio

**Administrative Personnel**

Elizabeth “Liz” James	Chief Executive Officer
Valerie Wesson	Clinical Director
Steven Berkowitz	Finance Director
Rhonda Pendley	Administrative Assistant

## **FINANCIAL SECTION**



Charles L. Watkins, CPA  
M. Buddy Johnsey, III, CPA

*Member of*  
American Institute of CPA's  
AICPA Private Companies  
Practice Section  
Alabama Society of CPA's

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors  
Riverbend Center for Mental Health, Inc.  
Florence, Alabama

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Riverbend Center for Mental Health, Inc., as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Riverbend Center for Mental Health, Inc.'s basic financial statements as listed in the table of contents.

### 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Riverbend Center for Mental Health, Inc., as of September 30, 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules on pages 4 through 9 and pages 31 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Riverbend Center for Mental Health, Inc.'s basic financial statements. The introductory section and the report on compliance with Department of Mental Health contract are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The report on compliance with Department of Mental Health contract is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the report on compliance with Department of Mental Health contract is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2022, on our consideration of the Riverbend Center for Mental Health, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Riverbend Center for Mental Health's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Riverbend Center for Mental Health, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Watkins Johnsey Professional Group, P.C." in a cursive script.

The Watkins Johnsey Professional Group, P.C.  
Florence, Alabama  
July 29, 2022

RIVERBEND CENTER FOR MENTAL HEALTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2021

**INTRODUCTION**

This section of Riverbend Center for Mental Health's (the "Center") annual financial report presents a discussion and analysis of the Center's financial performance during the fiscal year ended September 30, 2021. This discussion and analysis should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes, and this discussion are the responsibility of the management of Riverbend Center for Mental Health.

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of resources of the Center exceeded its liabilities and deferred inflows of resources as of September 30, 2021 and 2020, resulting in net position of \$10,213,832 and \$7,032,873, respectively. The Center's revenues exceeded its expenses by \$3,180,960 for FY 2021 and \$2,277,569 for FY 2020.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Riverbend Center for Mental Health prepares its financial statements in accordance with Governmental Accounting Standards Board ("GASB") statements. The Center has properly implemented GASB Statement Number 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Management's Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the GASB in their Statement No. 34. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. Over time, increases and decreases in the Center's net position are one indicator of whether its financial health is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis. Activities on this statement are reported as either operating or non-operating. The utilization of capital assets is reflected as depreciation expense, which amortizes the cost of an asset over its estimated useful life.

The statement of cash flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities. This statement reports the sources and uses of cash during the fiscal year and can provide a measure of the Center’s ability to meet its financial obligations as they mature.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Statement of Net Position**

<b>Assets</b>	<b><u>FY 2021</u></b>	<b><u>FY 2020</u></b>
Current Assets .....	\$6,656,348	\$4,076,964
Noncurrent Assets .....	4,075	4,075
Capital Assets, Net of Depreciation ...	1,121,913	1,144,932
Net Pension Asset .....	3,518,097	3,891,295
<b>Total Assets</b> .....	<b>\$11,300,433</b>	<b>\$9,117,266</b>
<b>Deferred Outflows of Resources</b>		
Pensions .....	\$843,499	\$331,582
<b>Liabilities</b>		
Current Liabilities .....	\$788,562	\$828,770
Noncurrent Liabilities .....	0	0
<b>Total Liabilities</b> .....	<b>\$788,562</b>	<b>\$828,770</b>
<b>Deferred Inflows of Resources</b>		
Pensions .....	\$1,141,538	\$1,587,205
<b>Net Position</b>		
Net Investment in Capital Assets .....	\$1,121,913	\$1,144,932
Restricted–pensions .....	3,220,058	2,635,672
Unrestricted .....	5,871,861	3,252,269
<b>Total Net Position</b> .....	<b>\$10,313,832</b>	<b>\$7,032,873</b>

The Center’s current assets are primarily made up of cash and receivables. The Center’s noncurrent assets are utility deposits, which were required to activate utility service at various Center locations.

The Center’s current liabilities are primarily made up of accounts payable, accrued payroll expense, and compensated absences.

## Statement of Revenues, Expenses, and Changes in Net Position

	<b><u>FY 2021</u></b>	<b><u>FY 2020</u></b>
Net Position – Beginning of Year .....	\$7,032,873	\$4,755,304
<b>Operating Revenues:</b>		
Patient fees, net .....	\$839,634	\$969,518
Federal grants and contracts .....	3,516,531	4,154,953
State grants and contracts .....	4,604,176	4,037,713
Local grants and contracts .....	223,000	212,500
Other operating revenues .....	362,218	402,921
<b>Total operating revenues .....</b>	<b>\$9,545,559</b>	<b>\$9,777,605</b>
<b>Operating Expenses:</b>		
Administrative services .....	\$586,792	\$540,321
Mental health services .....	2,908,507	2,953,949
Substance abuse and prevention services .....	624,523	577,755
Residential services .....	1,739,381	1,887,727
Psychiatric services .....	1,836,926	2,531,113
Depreciation .....	85,528	83,040
<b>Total operating expenses .....</b>	<b>\$7,781,657</b>	<b>\$8,573,905</b>
<b>Operating Income (Loss) .....</b>	<b>\$1,763,902</b>	<b>\$1,203,700</b>
Nonoperating Revenues (Expenses) .....	\$1,417,057	\$1,073,869
<b>Change in Net Position .....</b>	<b>\$3,180,959</b>	<b>\$2,277,569</b>
Net Position – End of Year .....	\$10,213,832	\$7,032,873

Approximately 69% of the Center’s funding comes from its contracts with the Alabama Department of Mental Health and the Medicaid reimbursements that are associated with those contracts. Approximately 80% of the Center’s funds are spent on programs and 20% on overhead. Payroll and payroll related items are the largest expenditures that the Center has and represents approximately 78% of Riverbend’s cost. During fiscal year 2021, the Center increased its net position by \$3,180,959.

## Statement of Cash Flows

	<u>FY 2021</u>	<u>FY 2020</u>
Cash Provided (Used) by:		
Operating Activities .....	\$724,274	\$425,254
Noncapital Financing Activities .....	1,446,017	1,393,182
Capital and Related Financing Activities .....	(71,526)	(122,836)
Investing Activities .....	5,556	14,435
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	<b>\$2,104,321</b>	<b>\$1,710,035</b>
Cash and Cash Equivalents, Beginning of Year .....	\$3,203,097	\$1,493,062
<b>Cash and Cash Equivalents, End of Year .....</b>	<b>\$5,307,418</b>	<b>\$3,203,097</b>

The Center experienced an increase in cash and cash equivalents in the amount of \$2,104,321. This increase correlates with the Center's positive change in overall Net Position. Operating and Noncapital Financing Activities include COVID-19 related funds—\$1,396,188 from the Paycheck Protection Program; \$292,597 from the State of Alabama; and \$16,241 from Personal Protective Equipment reimbursement.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The Center capitalizes assets that cost \$5,000 or more. During FY 2021, there were additions of one Ford pickup truck totaling \$5,500, one copier totaling \$8,825, three HVAC units totaling \$42,510, and replacement of two roofs totaling \$14,991. During FY 2021, retirement of assets totaled \$9,017 and depreciation of current capital assets totaled \$85,528. This activity resulted in the Center having capital assets in the net amount of \$1,121,913. This investment in capital assets includes land, buildings, improvements other than buildings, equipment, furniture and fixtures, and vehicles. Please see Note 7 in the Notes to Financial Statements for a more detailed analysis of capital assets.

### Long-term Debt

The Center maintains an unsecured line of credit in the amount of \$300,000 with Bank Independent. The Center did not draw on these available funds during FY 2021.

## **BUDGET ANALYSIS**

The approved budget of revenues and expenses reflected an increase in net position of \$21,250. The actual increase in net position at FY 2021 year-end was \$3,180,959.

Actual operating revenues were \$1,727,112 more than budgeted revenues. This increase over budget was largely due to COVID-19 related funds in the amount of \$1,705,026.

Actual expenses were \$1,432,598 less than budgeted primarily as a result of the retirement expense adjustment required by GASB standards significantly reducing the Center's retirement expense by \$584,000. In addition, the budget was created three months into the COVID-19 pandemic and so we had difficulty predicting expenses.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The economic viability of the Center is directly related to the Center's ability to maintain its contract with the Alabama Department of Mental Health. The Center is also eligible to participate in Medicaid Rehabilitation Option programs as a result of its relationship with the Alabama Department of Mental Health. Approximately 69% of the Center's funding results from this contractual relationship. At the time that the Fiscal Year 2022 budgets were prepared, the Fiscal Year 2022 contracts with the Alabama Department of Mental Health had not been signed.

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally and was declared as a pandemic by the World Health Organization. As a result, there have been mandates from federal, state, and local authorities impacting the delivery of services and reimbursement of such. Service delivery has been adjusted to reflect the State of Alabama mandates for essential businesses. Medicaid, Medicare, and Commercial Insurance's approval of telehealth for reimbursement has allowed medical practitioners to continue to provide needed services with little change in revenue.

Additionally, there have been unforeseen expenses pertaining to acquisition of personal protective equipment (PPE), cleaning supplies, and technology needed to allow employees to work from home. In January 2021, Riverbend was approved for the SBA Paycheck Protection Program Round 2 loan in the amount of \$1,396,188, which allowed all staff to be retained during this period of economic uncertainty and was forgiven during the fiscal year. Management is monitoring the situation on a daily basis in order to mitigate the potential impact of COVID-19 on Riverbend's operations and financial performance.

## **DISCRETELY-PRESENTED COMPONENT UNIT**

As described in the notes to the financial statements, other entity activities are included in this report because of the relationship of this legally separate entity to the Center. Financial information on the Riverbend Foundation, Inc. is referred to in the financial statements as that of the *discretely-presented component unit*. This discussion and analysis focuses on the primary government. The complete financial statements of the component unit may be obtained by written request to Elizabeth James, c/o Riverbend Foundation, Inc., 635 West College Street, Florence, Alabama 35630.

## **CONTACTING THE CENTER'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of Riverbend Center for Mental Health's financial performance for Fiscal Year 2021. Questions concerning any of the information provided in this report or request for additional information should be addressed to:

Steven Berkowitz, Finance Director  
Riverbend Center for Mental Health  
635 West College Street  
Florence, Alabama 35630

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

	<b>Primary Government</b>	<b>Component Unit</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,307,418	\$ 188,319
Investments		4,405,886
Accounts receivable (net)	1,334,616	
Prepaid expenses	14,314	
Total current assets	\$ 6,656,348	\$ 4,594,205
Noncurrent assets:		
Capital assets (net)	\$ 1,121,913	\$ -
Utility deposits	4,075	
Net pension asset	3,518,097	
Total noncurrent assets	\$ 4,644,085	\$ -
Total assets	\$ 11,300,433	\$ 4,594,205
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	\$ 843,499	\$ -
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 500,220	\$ -
Compensated absences	288,342	
Total current liabilities	\$ 788,562	\$ -
Total liabilities	\$ 788,562	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	\$ 1,141,538	\$ -
<b>NET POSITION</b>		
Net investment in capital assets	\$ 1,121,913	\$ -
Restricted-pensions	3,220,058	
Unrestricted	5,871,861	4,594,205
Total net position	\$ 10,213,832	\$ 4,594,205

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Primary Government</b>	<b>Component Unit</b>
Operating revenues:		
Patient fees, net	\$ 839,634	\$ -
Federal grants and contracts	3,516,531	
State grants and contracts	4,604,176	
Local grants and contracts	223,000	
Other operating revenues	362,218	
Contributions		500
Investment return		866,273
Total operating revenues	\$ 9,545,559	\$ 866,773
Operating expenses:		
Administrative services	\$ 586,792	\$ 11,458
Mental health services	2,908,507	
Substance abuse and prevention services	624,523	
Residential services	1,739,381	
Psychiatric services	1,836,926	
Community contributions		79,887
Depreciation	85,528	
Total operating expenses	\$ 7,781,657	\$ 91,345
Operating income	\$ 1,763,902	\$ 775,428
Nonoperating revenues (expenses):		
Investment return	\$ 5,556	\$ -
Contributions	47,125	
Miscellaneous revenues	2,704	
SBA Paycheck Protection Program	1,396,188	
Net loss on disposition of capital assets	(9,017)	
Bad debts expense	(25,499)	
Total nonoperating revenues (expenses)	\$ 1,417,057	\$ -
Change in net position	\$ 3,180,959	\$ 775,428
Total net position—beginning	7,032,873	3,818,777
Total net position—ending	\$ 10,213,832	\$ 4,594,205

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Primary Government</b>	<b>Component Unit</b>
Cash flows from operating activities:		
Receipts from patients and others	\$ 9,081,718	\$ -
Realized investment income		198,790
Receipts from contributions		500
Payments to suppliers and others	(1,503,876)	(91,345)
Payments to employees for services and benefits	(6,853,568)	
Net cash flows from operating activities	\$ 724,274	\$ 107,945
Cash flows from noncapital financing activities:		
Receipts from contributions	\$ 47,125	\$ -
Miscellaneous receipts	2,704	
Proceeds from SBA Paycheck Protection Program	1,396,188	
Net cash flows from noncapital financing activities	\$ 1,446,017	\$ -
Cash flows from capital and related financing activities:		
Purchases of capital assets	\$ (71,526)	\$ -
Net cash flows from capital and related financing activities	\$ (71,526)	\$ -
Cash flows from investing activities:		
Investment return	\$ 5,556	\$ -
Proceeds from disposition of investments		269,992
Purchases of investments		(213,772)
Net cash flows from investing activities	\$ 5,556	\$ 56,220
Net increase (decrease) in cash and cash equivalents	\$ 2,104,321	\$ 164,165
Cash and cash equivalents—beginning of the year	3,203,097	24,154
Cash and cash equivalents—end of the year	\$ 5,307,418	\$ 188,319
<i>Classified as:</i>		
Current assets	\$ 5,307,418	\$ 188,319

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**  
**(Continued)**

	<b>Primary Government</b>	<b>Component Unit</b>
<i>Reconciliation of operating income (loss) to net cash flows from operating activities:</i>		
Operating income	\$ 1,763,902	\$ 775,428
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	\$ 85,528	\$ -
Unrealized (gain) loss on investments		(667,483)
Change in assets and liabilities:		
Accounts receivable	(489,340)	
Prepaid expenses	(11,221)	
Net pension asset	373,198	
Deferred outflows of resources-pensions	(511,917)	
Accounts payable and accrued expenses	(3,011)	
Compensated absences	(37,198)	
Deferred inflows of resources-pensions	(445,667)	
Total adjustments	\$ (1,039,628)	\$ (667,483)
Net cash flows from operating activities	\$ 724,274	\$ 107,945

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The Riverbend Center for Mental Health, Inc. (Center) is a locally operated, public not-for-profit facility formed to provide the residents of Colbert, Franklin, and Lauderdale counties access to a comprehensive array of professional medical and rehabilitative services for the diagnosis and treatment of mental illness, substance abuse, and emotional conditions. The Center was organized as a public corporation under Act No. 310, Acts of Alabama, Regular Session, 1967, approved September 5, 1967. The Colbert, Franklin, and Lauderdale County Commissions authorized the incorporation of the Center, and, together with other local governments located within these counties, appoint the members of the Center's board of directors.

The reporting entity is composed of the primary government and its component unit, which is included to ensure the financial statements are not misleading.

The primary government of the Center consists of all funds that are not legally separate from the Center. The primary government includes the Center departments that provide the following services: mental health services, substance abuse and prevention services, residential services, and psychiatric services, as well as administrative staff to provide support services. The operation and control of these activities are provided by the Board of Directors through the budgetary process. For financial reporting purposes, the Center's basic financial statements include all funds for which the Center is financially accountable. Financial accountability, as defined by the Governmental Accounting Standards Board, exists if the Center appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Center.

The Riverbend Foundation, Inc. (Foundation) board is appointed by the Center's Board of Directors and the Center has the ability to impose its will on the Foundation. Based upon the foregoing criteria and information, the Center considers the Foundation to be a discretely presented component unit for financial reporting purposes. Complete financial statements for the Foundation may be obtained by written request to Riverbend Foundation, Inc., 635 West College Street, Florence, Alabama 35630.

**B. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Financial information of the Center, the primary government, and the Riverbend Foundation, Inc., its component unit, is presented as follows:

*Management's discussion and analysis* introduces the basic financial statements and provides an analytical overview of the Center's financial activities.

*Government-wide financial statements* consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These financial statements report all of the non-fiduciary activities of the primary government and its component unit.

The Center reports its operations as a business-type activity. Business-type activities are defined as those that are financed in whole or in part by fees charged to external parties for goods or services.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The statement of net position presents the financial condition of the business-type activities of the Center at year-end. The statement of revenues, expenses, and changes in net position presents the operating and nonoperating revenues and expenses and the change in net position.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION**

**Business-type Activities**

The Center's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses are accounted for through a single enterprise fund with all revenues recorded when earned and all expenses recorded at the time liabilities are incurred.

The basic financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Center distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the Center's principal ongoing operations. Operating revenues include (a) charges paid by the recipient of the goods or services offered by the program and (b) Federal, State, and Local grants and contracts. Operating expenses are those that are clearly identifiable with a specific program or function. Revenues and expenses not classified as operating are presented as nonoperating revenues or expenses.

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first, then unrestricted resources as they are needed.

**Discretely Presented Component Unit**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with GAAP.

The Foundation's financial statements are presented in accordance with professional standards, which require information regarding its financial position and its activities be presented according to two classes of net assets:

- ◆ *Net assets without donor restrictions*—Net assets that are not subject to donor-imposed stipulations.
- ◆ *Net assets with donor restrictions*—Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation, and/or the passage of time, or are maintained in perpetuity by the Foundation. When the donor-imposed stipulation ends or the Foundation satisfies an action, the Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The Foundation reports contributions received as support, depending on the existence and/or nature of any donor restrictions.

**D. ASSETS, LIABILITIES, AND NET POSITION**

**Deposits and Investments—Business-type Activities**

For financial statement presentation, the Center considers cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with an original maturity of three (3) months or less from the date of acquisition.

**Deposits and Investments—Discretely Presented Component Unit**

For financial statement presentation, the Foundation considers all highly liquid investments with a maturity of three (3) months or less to be cash equivalents.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values.

**Patient Receivables**

Unpaid fees for patient services are recorded as a receivable in the records of the Center. An appropriate amount has been reserved as uncollectible based upon prior history of uncollected receivables.

**Government and Other Receivables**

Unpaid services under government grants and contracts, and other contracts are recorded as a receivable in the records of the Center. This amount represents fees for services, reimbursements, draws on contractual obligations, or budgeted appropriations. An appropriate amount has been reserved as uncollectible based upon prior history of uncollected receivables.

**Prepaid Expenses**

Payments made to vendors that will benefit periods beyond the fiscal year end are recorded as prepaid items.

**Contributions—Discretely Presented Component Unit**

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received, if any, that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions, which increases that net asset class. When net assets with donor restrictions expire, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Assets—Business-type Activities**

All capital assets are reported at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair value at the date of donation. The Center’s capitalization levels are \$5,000 for tangible personal property, buildings, and building improvements. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. The Center has no general infrastructure assets.

All capital assets are depreciated, except for land, inexhaustible land improvements, and construction in progress. Depreciation is computed using the straight-line method over the following estimated useful lives:

<b>Description</b>	<b>Years</b>
Buildings and building improvements	20 – 50
Land improvements—exhaustible	20
Machinery and equipment	10 – 15
Vehicles	8 – 10
Office and computer equipment and furniture	5 – 20

**Compensated Absences**

The Center accrues its liability for earned but unpaid compensated absences. The Center’s annual leave policy provides for leave ranging from twelve to twenty-four (12–24) days based on years of service. Earned annual leave may accumulate to a maximum of forty (45) days and be carried forward to successive years. Upon separation of employment, employees are paid for up to twenty-two (22) days of unused annual leave at the rate of pay in effect at the time of separation. The sick leave policy provides that substantially all full-time employees receive twelve (12) days per year. Unused sick leave may accumulate to a maximum of one hundred fifty (150) days and is carried forward to successive years. Upon separation of employment, employees with at least five (5) years of continuous employment may be paid unused sick leave time for up to eighty (80) hours. For employees who were hired prior to January 1, 2013 (Tier 1 employees), unused sick leave may be certified to the Retirement Systems of Alabama towards creditable service time upon retirement.

**Pensions**

The Employees’ Retirement System of Alabama (ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of GASB. Under these requirements, the ERS is considered a component unit of the State of Alabama and is included in the State’s Annual Comprehensive Financial Report.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Position**

Net position is reported on the government-wide financial statements and is classified for accounting and reporting purposes into the following net position categories:

- ◆ *Net investment in capital assets*—Capital assets, net of accumulated depreciation, reduced by the outstanding principal balances of debt that are attributable to the acquisition, construction, or improvement of those assets.
- ◆ *Restricted*—Constraints imposed on net position by external creditors, grantors, contributors, laws or regulation of other government, or law through constitutional provision or enabling legislation.
- ◆ *Unrestricted*—Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Center.

When both restricted and unrestricted resources are available for use, it is the policy of the Center to use restricted resources first, then unrestricted resources as they are needed.

**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, the disclosure of contingent 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.

**NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Process**

The Center's annual budgeting process is the financial planning tool used to establish the estimated revenues and expenses for the year. The annual budget is developed by management after reviewing revenue forecasts, the impact of funding increases or decreases, prior year actual results, current program levels, new operating requirements, and the overall economic climate. Budgets may be amended during the fiscal year when approved by the Board. Transfers may be made between budgeted line items without prior board approval when there is no increase or decrease to the total budget. The budget-to-actual results are reviewed periodically throughout the year.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 3—DEPOSITS AND INVESTMENTS**

**Business-type Activities**

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Center will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Center's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Center has adopted an investment policy that (a) effectively limits any future investments to those allowed by state law, (b) establishes a target value whereby the current investment would be sold, and (c) directs any future donations of marketable securities be promptly sold.

**Discretely Presented Component Unit**

Financial instruments that potentially subject the Foundation to concentrations of credit risk include cash and cash equivalents with financial institutions, which, at times, may exceed federal insured limits. The Foundation's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). At September 30, 2021, there were no uninsured balances.

The Foundation owns marketable securities, consisting of amounts both donated and purchased. The securities are intended to provide investment income to be used for the Foundation's programs.

**NOTE 4—DONATED SERVICES, MATERIALS, AND FACILITIES**

**Discretely Presented Component Unit**

The Foundation receives minimal amounts of donated services, materials, and facilities. No amounts have been recognized in the financial statements because the criteria for recognition under professional standards have not been satisfied.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 5—FAIR VALUE MEASUREMENTS**

**Discretely Presented Component Unit**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the reporting entity has the ability to access.

Level 2      Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2021.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the reporting entity are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the reporting entity are deemed to be actively traded.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 5—FAIR VALUE MEASUREMENTS** (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of September 30, 2021:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds	\$ 4,405,886	\$ -	\$ -	\$ 4,405,886
Total assets at fair value	\$ 4,405,886	\$ -	\$ -	\$ 4,405,886

Investment return is summarized as follows:

Interest and dividends	\$ 84,880
Net realized and unrealized gains	796,385
Investment fees	(14,992)
Total investment return	<u>\$ 866,273</u>

**NOTE 6—RECEIVABLES AND PAYABLES**

**Business-type Activities**

Receivables at September 30, 2021 were as follows:

	<b>DMH</b>			<b>Totals</b>
	<b>Patients</b>	<b>Contract</b>	<b>Others</b>	
Accounts receivable	\$ 84,719	\$ 1,317,445	\$ 88,838	\$ 1,491,002
Less: allowance for doubtful accounts	21,180	110,851	24,355	156,386
Accounts receivable (net)	<u>\$ 63,539</u>	<u>\$ 1,206,594</u>	<u>\$ 64,483</u>	<u>\$ 1,334,616</u>

Payables at September 30, 2021 were as follows:

	<b>Vendors</b>	<b>Due to Other Governments</b>	<b>Salaries and Benefits</b>	<b>Totals</b>
	Accounts payable and accrued expenses	\$ 81,554	\$ 519	\$ 706,489

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 7—CAPITAL ASSETS**

**Business-type Activities**

Capital asset activity for the fiscal year was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Nondepreciable assets:				
Land and improvements	\$ 217,223	\$ -	\$ -	\$ 217,223
Depreciable assets:				
Buildings and improvements	3,185,204	14,991		3,200,195
Equipment and furniture	909,329	56,535	(138,626)	827,238
Total capital assets	\$ 4,311,756	\$ 71,526	\$ (138,626)	\$ 4,244,656
Less: accumulated depreciation	3,166,824	85,528	(129,609)	3,122,743
Net capital assets	\$ 1,144,932	\$ (14,002)	\$ (9,017)	\$ 1,121,913

**NOTE 8—LONG-TERM OBLIGATIONS**

**Business-type Activities**

During the fiscal year, the Center had available, as a source of short-term financing an unsecured line of credit of \$300,000 with a financial institution. The line of credit is scheduled to mature on June 10, 2022 and is renewable upon consent of both parties.

**NOTE 9—LEASE COMMITMENTS**

**Business-type Activities**

The Center has entered into various operating leases, which are on a month-to-month basis. The current year lease expense amounted to \$20,562.

**NOTE 10—ECONOMIC DEPENDENCY**

**Business-type Activities**

During the fiscal year, the Center recognized 30% of operating revenues from Medicaid and 55% of operating revenues from contracts with DMH.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 11—PENSION AND DEFERRED COMPENSATION PLANS**

**Business-type Activities**

**Plan Description**—The Employees’ Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, state police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control, which consists of 13 trustees. Effective October 1, 2021, Act 390 of the Legislature of 2021 will create two additional representatives and change the composition of representatives within the ERS Board of Control. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

**Benefits Provided**—State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. Any employees who had any creditable service prior to January 1, 2013 are referred to as “Tier 1” employees. Tier 1 employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity’s election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest three of the last ten years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 members of the ERS are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest five of the last ten years) for each year of service.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and are determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 11—PENSION AND DEFERRED COMPENSATION PLANS** (Continued)

The ERS serves approximately 853 local participating employers. As of September 30, 2020, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	28,672
Terminated employees entitled to,	
but not yet receiving, benefits	1,974
Terminated employees not	
entitled to a benefit	14,133
Active members	56,369
Post-DROP participants who	
are still in active service	97
Total	101,245

**Contributions**—Effective October 1, 2012, Tier 1 members of the ERS were required by statute to contribute 7.50% of earnable compensation. Tier 2 members of the ERS contribute 6% of earnable compensation to the ERS as required by statute.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the plan. For the year ended September 30, 2021, the Center’s average active employee contribution rate was 6.74% of covered payroll, and the Center’s average contribution rate to fund the normal and accrued liability costs was 0.00% of pensionable payroll.

The Center’s contractually required contribution rate for the year ended September 30, 2021 was 0.37% of pensionable payroll for Tier 1 and Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2018, a percentage of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Center were \$19,036 for the year ended September 30, 2021.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 11—PENSION AND DEFERRED COMPENSATION PLANS** (Continued)

*Net Pension Asset*—The Center’s net pension asset was measured as of September 30, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of September 30, 2019 that was rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following table:

(a) Total pension liability as of September 30, 2019	\$ 13,394,163
(b) Discount rate	7.70%
(c) Entry age normal cost for the period	
October 1, 2019—September 30, 2020	460,366
(d) Transfers among employers	(30,193)
(e) Actual benefit payments and refunds for the period	
October 1, 2019—September 30, 2020	(817,879)
(f) Total pension liability as of September 30, 2020	
[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 14,268,991

*Actuarial Assumptions*—The total pension liability as of September 30, 2020 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

Inflation	2.75%	
Salary increases	3.25% - 5.00%	
Investment rate of return	7.70%, net of pension plan investment expense	

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2018 were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 11—PENSION AND DEFERRED COMPENSATION PLANS** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	3.0%	1.5%

\* Includes assumed rate of inflation of 2.50%

**Discount Rate**—The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Asset**—The following table presents the changes in net pension asset:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at September 30, 2019	\$ 13,394,163	\$ 17,285,458	\$ (3,891,295)
Changes for the year:			
Service cost	\$ 460,366	\$ -	\$ 460,366
Interest	999,862		999,862
Difference between expected and actual experience	262,672		262,672
Contributions - employer		-	-
Contributions - employee		375,465	(375,465)
Net investment income		974,237	(974,237)
Benefit payments, including refunds of employee contributions	(817,879)	(817,879)	-
Transfers among employers	(30,193)	(30,193)	-
Net changes	\$ 874,828	\$ 501,630	\$ 373,198
Balances at September 30, 2020	\$ 14,268,991	\$ 17,787,088	\$ (3,518,097)

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 11—PENSION AND DEFERRED COMPENSATION PLANS** (Continued)

**Sensitivity of the Net Pension Asset to Changes in the Discount Rate**—The following table presents the Center’s net pension asset calculated using the discount rate of 7.70%, as well as what the Center’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Center's net pension liability (asset)	\$ (1,796,012)	\$ (3,518,097)	\$ (4,954,603)

**Pension Plan Fiduciary Net Position**—Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor’s report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**—For the year ended September 30, 2021, the Center recognized pension expense of \$(565,252). At September 30, 2021, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on plan investments	\$ 555,261	\$ -
Changes of assumptions	79,173	
Differences between expected and actual experience	209,065	1,141,538
Employer contributions subsequent to the measurement date	-	
Totals	\$ 843,499	\$ 1,141,538

The Center reported \$0 as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date, which will be recognized in the year ending September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

<b>Year Ended September 30</b>	<b>Amount</b>
2022	\$ (289,658)
2023	(125,201)
2024	44,733
2025	72,087
2026	-

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 11—PENSION AND DEFERRED COMPENSATION PLANS** (Continued)

**Deferred Compensation Plan**

The Center offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 administered by the Retirement Systems of Alabama. The plan, available to all full-time Center employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. As required by Federal regulations, these plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.

The Center has no fiduciary relationship with the trust. In accordance with professional standards, the plan assets are not reported in the Center's financial statements.

**NOTE 12—RISK MANAGEMENT**

**Business-type Activities**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center maintains commercial insurance coverage for its buildings and contents, automobile liability, employee dishonesty, director's and officer's liability, and employee injury. The Center pays an annual premium based on the amount of coverage. Settled claims from these risks have not exceeded the Center's coverage in the last three fiscal years.

The Center is also exposed to risks of loss related to employee health benefits. Effective March 1, 1996, the Center adopted a self-funded employee benefits plan, which includes health, dental, and pharmacy benefits. The plan is administered by Blue Cross/Blue Shield of Alabama for an administrative fee of 10.6% of claims paid. Under this plan, the Center assumes liability for costs in excess of employee contributions. In order to further limit its potential liability, the Center carries catastrophic coverage on employees where claims exceed a specific deductible of \$60,000 per covered individual per policy year, subject further to an aggregating specific deductible of \$15,000 per policy year. All benefit costs below this catastrophic level are paid by the Center.

The estimated liability for unpaid claims at September 30, 2021 of \$111,695 has been accrued in the accompanying financial statements. The following is a reconciliation of the activity in the Center's self-funded employee benefits plan:

Claims liability, October 1, 2020	\$	112,019
Provision for claims		1,124,757
Payment of claims		<u>(1,125,081)</u>
Claims liability, September 30, 2021	\$	<u><u>111,695</u></u>

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 13—COMMITMENTS AND CONTINGENCIES**

**Business-type Activities**

**Grant Programs**

The Center has received federal and state grants, Medicare, and Medicaid funding for specific purposes and services all of which are subject to review and audit by government agencies. Such audits could lead to requests for reimbursements to the agency for amounts disallowed under the terms of the contracts/grants.

**Claims/Lawsuits**

The Center is party to certain legal actions arising in the ordinary course of business. In management's opinion, the Center has adequate insurance coverage and/or legal defenses, if needed, and do not believe that they will materially affect operations or financial position.

**NOTE 14—TAX AND CORPORATE STATUS**

**Business-type Activities**

In addition to being created by an Act of the State Legislature, the Center is also a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Center has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income during the fiscal year.

**Discretely Presented Component Unit**

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activity. Therefore, the Foundation has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation, and has concluded that, as of September 30, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations for years prior to 2017.

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
**(Continued)**

**NOTE 15—SUBSEQUENT EVENT**

The Center evaluated its financial statements for subsequent events through the date the financial statements were available to be issued. In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The extent of the impact of COVID-19 on the Center’s operational and financial performance will depend on certain developments including the duration and spread of the outbreak and the impact on the Center’s consumers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Center’s financial condition or results of activities is uncertain.

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MD&A**

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**

**Last 10 Fiscal Years Ending September 30**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Total pension liability</b>										
Service cost	\$ 460,366	\$ 462,703	\$ 472,423	\$ 499,126	\$ 500,931	\$ 527,589	\$ 528,752	\$ -	\$ -	\$ -
Interest	999,862	965,558	971,926	983,279	940,571	890,168	826,403			
Changes of benefit terms	-	-	-	-	-	-	-			
Differences between expected and actual experience	262,672	(357,200)	(868,332)	(1,138,926)	(142,686)	(240,379)	-			
Changes of assumptions	-	-	69,365	-	183,516	-	-			
Benefit payments, including refunds of employee contributions	(817,879)	(599,825)	(681,804)	(572,798)	(562,589)	(532,106)	(584,074)			
Transfers among employers	(30,193)	83,303	(5,835)	137,326	15,700	-	-			
<b>Net change in total pension liability</b>	\$ 874,828	\$ 554,539	\$ (42,257)	\$ (91,993)	\$ 935,443	\$ 645,272	\$ 771,081	\$ -	\$ -	\$ -
<b>Total pension liability—beginning</b>	13,394,163	12,839,624	12,881,881	12,973,874	12,038,431	11,393,159	10,622,078			
<b>Total pension liability—ending (a)</b>	<u>\$ 14,268,991</u>	<u>\$ 13,394,163</u>	<u>\$ 12,839,624</u>	<u>\$ 12,881,881</u>	<u>\$ 12,973,874</u>	<u>\$ 12,038,431</u>	<u>\$ 11,393,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Plan fiduciary net position</b>										
Contributions—employer	\$ -	\$ -	\$ 18,673	\$ 3,468	\$ 46,069	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions—employee	375,465	416,998	371,085	381,069	386,827	432,381	460,817			
Net investment income	974,237	433,992	1,448,497	1,796,347	1,304,344	151,620	1,382,005			
Benefit payments, including refunds of employee contributions	(817,879)	(599,825)	(681,804)	(572,798)	(562,589)	(532,106)	(584,074)			
Transfers among employers	(30,193)	83,303	(5,835)	137,326	15,700	(34,479)	17,505			
<b>Net change in plan fiduciary net position</b>	\$ 501,630	\$ 334,468	\$ 1,150,616	\$ 1,745,412	\$ 1,190,351	\$ 17,416	\$ 1,276,253	\$ -	\$ -	\$ -
<b>Plan fiduciary net position—beginning</b>	17,285,458	16,950,990	15,800,374	14,054,962	12,864,611	12,847,195	11,570,942			
<b>Plan fiduciary net position—ending (b)</b>	<u>\$ 17,787,088</u>	<u>\$ 17,285,458</u>	<u>\$ 16,950,990</u>	<u>\$ 15,800,374</u>	<u>\$ 14,054,962</u>	<u>\$ 12,864,611</u>	<u>\$ 12,847,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net pension liability (asset)—ending (a - b)</b>	<u>\$ (3,518,097)</u>	<u>\$ (3,891,295)</u>	<u>\$ (4,111,366)</u>	<u>\$ (2,918,493)</u>	<u>\$ (1,081,088)</u>	<u>\$ (826,180)</u>	<u>\$ (1,454,036)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	124.66%	129.05%	132.02%	122.66%	108.33%	106.86%	112.76%			
<b>Covered payroll</b>	\$ 5,528,870	\$ 5,449,478	\$ 5,251,654	\$ 5,387,375	\$ 5,390,483	\$ 5,420,917	\$ 5,784,479			
<b>Net pension liability (asset) as a percentage of covered payroll</b>	-63.63%	-71.41%	-78.29%	-54.17%	-20.06%	-15.24%	-25.14%			

**RIVERBEND CENTER FOR MENTAL HEALTH, INC.**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**Last 10 Fiscal Years**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 18,673	\$ 3,470	\$ 46,069	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	18,673	3,470	46,069				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,215,276	\$ 5,528,870	\$ 5,449,478	\$ 5,251,654	\$ 5,387,375	\$ 5,390,483	\$ 5,420,917	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.36%	0.06%	0.85%	0.00%			

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported.

Contributions for fiscal year 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	N/A years
Asset valuation method:	5-year smoothed market
Inflation:	2.75%
Salary increases:	3.25% – 5.00%, including inflation
Investment rate of return:	7.70%, net of pension plan investment expense, including inflation

**OTHER REPORTING REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS***



Charles L. Watkins, CPA  
M. Buddy Johnsey, III, CPA

*Member of*  
American Institute of CPA's  
AICPA Private Companies  
Practice Section  
Alabama Society of CPA's

**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 Members of the Board of Directors  
Riverbend Center for Mental Health, Inc.  
Florence, Alabama

We have audited the financial statements of the business-type activities and the discretely presented component unit of Riverbend Center for Mental Health, Inc., as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Riverbend Center for Mental Health, Inc.'s basic financial statements, and have issued our report thereon dated July 29, 2022. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of Riverbend Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Riverbend Foundation, Inc.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Riverbend Center for Mental Health, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riverbend Center for Mental Health, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Riverbend Center for Mental Health, 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.



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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Riverbend Center for Mental Health, Inc.'s financial statements are free from 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "The Watkins Johnsey Professional Group, P.C.".

The Watkins Johnsey Professional Group, P.C.  
Florence, Alabama  
July 29, 2022

## **SUPPLEMENTARY INFORMATION**



Charles L. Watkins, CPA  
M. Buddy Johnsey, III, CPA

*Member of*  
American Institute of CPA's  
AICPA Private Companies  
Practice Section  
Alabama Society of CPA's

## REPORT ON COMPLIANCE WITH DEPARTMENT OF MENTAL HEALTH CONTRACT

Members of the Board of Directors  
Riverbend Center for Mental Health, Inc.  
Florence, Alabama

We have audited contract/grant/agreement numbers G1-033749, G1-135924, G1-342028, and G1-417437 between the Department of Mental Health (DMH) and Riverbend Center for Mental Health, Inc., as of and for the year ended September 30, 2021.

Compliance with DMH contracts/grants/agreements and all laws, rules, and regulations applicable to Riverbend Center for Mental Health, Inc. is the responsibility of Riverbend Center for Mental Health, Inc.'s management. As part of obtaining reasonable assurance about whether the contract/grant/agreement and all applicable laws, rules, and regulations were complied with, we performed certain tests of transactions and made other determinations as outlined in each requirement of Section 12, *Audit for Compliance with the Contract* of the DMH Audit Guidelines. Revenues and expenditures were analyzed to determine if they were in compliance with applicable terms and conditions of the contract/grant/agreement. Funds claimed as match for federal programs were audited to determine if they were allowable and adequate to match the federal funds received.

The results of our tests disclosed no material instances of noncompliance with the DMH contract/grant/agreement and all applicable laws and regulations.

This report is intended for the information of management and DMH. However, this report is a matter of public record and its distribution is not limited.

The Watkins Johnsey Professional Group, P.C.  
Florence, Alabama  
July 29, 2022



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