

SOUTHWEST ALABAMA BEHAVIORAL
HEALTH CARE SYSTEMS,
A NON-PROFIT CORPORATION

MONROEVILLE, ALABAMA

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

SEPTEMBER 30, 2021

Audited Financial Statements
and Other Financial Information

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS,
A Nonprofit Corporation

September 30, 2021

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Southwest Alabama
Behavioral Health Care Systems
Monroeville, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of Southwest Alabama Behavioral Health Care Systems, A Non-Profit Corporation, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Southwest Alabama Behavioral Health Care Systems' 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 of material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Alabama Behavioral Health Care Systems as of September 30, 2021, and September 30, 2020 and the respective changes in financial position, and, where applicable, cash flows for the years 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 on pages 5 through 9 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 the 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 Southwest Alabama Behavioral Health Care Systems' basic financial statements. The Schedule of Revenues and Schedule of Expenditures on pages 23 and 24 have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2022 on our consideration of the Southwest Alabama Behavioral Health Care Systems' internal control over financial reporting and our tests of its 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 of internal control over financial reporting and compliance and the results of that testing, and

not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southwest Alabama Behavioral Health Care Systems' internal control over financial reporting and compliance.

Kubina, Hayles & Associates, P.C.

KUBINA, HAYLES & ASSOCIATES, P. C.
Bay Minette, Alabama
August 8, 2022

Management's Discussion and Analysis

**Southwest Alabama Behavioral Health Care Systems
Management's Discussion and Analysis
September 30, 2021**

The management of Southwest Alabama Behavioral Health Care Systems provides our discussion and analysis of the Center's financial performance for the fiscal year ended September 30, 2021. The purpose of the discussion and analysis is to provide the reader an objective and easily readable analysis of the Board's decisions and financial conditions.

Financial Highlights

- The Center's total operating revenues exceeded total operating expenses by \$382,021 (before special or non-operating items). This compares to last year's operating surplus of \$112,932.
- As of the close of the current fiscal year, the Center's assets exceeded liabilities by \$5,395,371. Of this total \$3,157,900 may be used to meet the Center's ongoing obligations.
- Cash balances increased from prior year by \$248,155 with an ending balance of \$2,809,221.
- In January 2021 the board voted to close all DD programs and both the Escambia and Monroe Adult MI Day Rehabilitation Programs effective March 1, 2021.

Overview of Financial Statements

The annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and the required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide additional detailed information. The statements are followed by a section of required information that further explains and supports the financial statements.

Condensed Financial Information/Analysis

Net assets, as noted in the Center's Balance Sheet below, may serve over time as a useful indicator of the Center's financial condition. At the close of the 2021 fiscal year, the Center's assets exceeded liabilities by \$5,395,371. \$2,237,471 of the Center's net assets reflects its investment in capital assets (e.g. land, buildings, and equipment); less any related outstanding debt incurred to acquire the asset. The balance of the unrestricted net assets \$3,157,900 may be used to meet the Center's on-going obligations.

**Southwest Alabama Behavioral Health Care Systems
Management's Discussion and Analysis
September 30, 2021**

Condensed Financial Information/Analysis - Continued

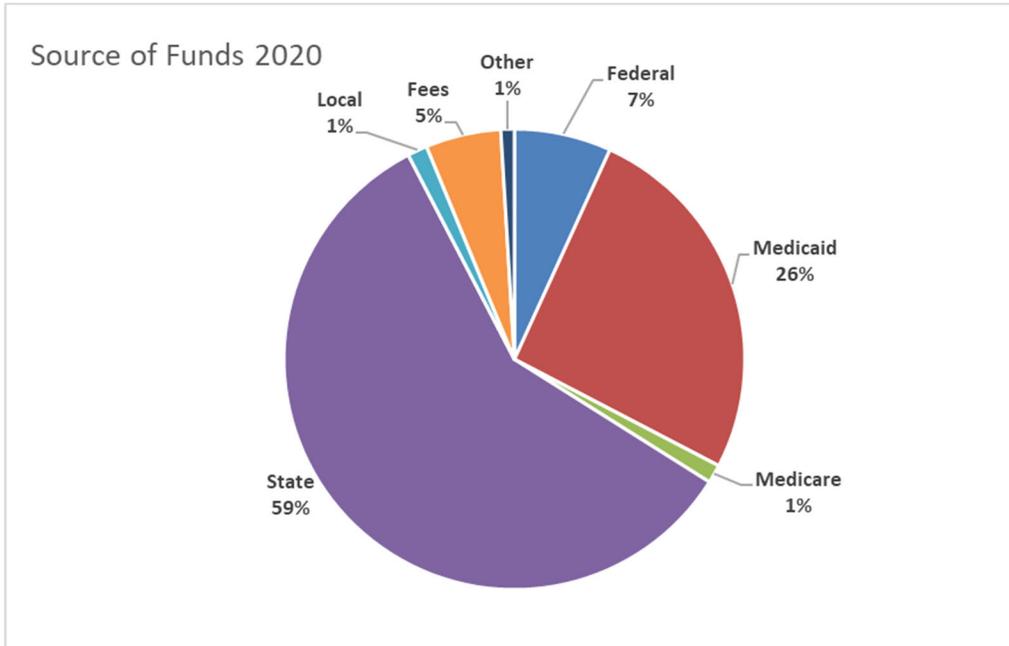
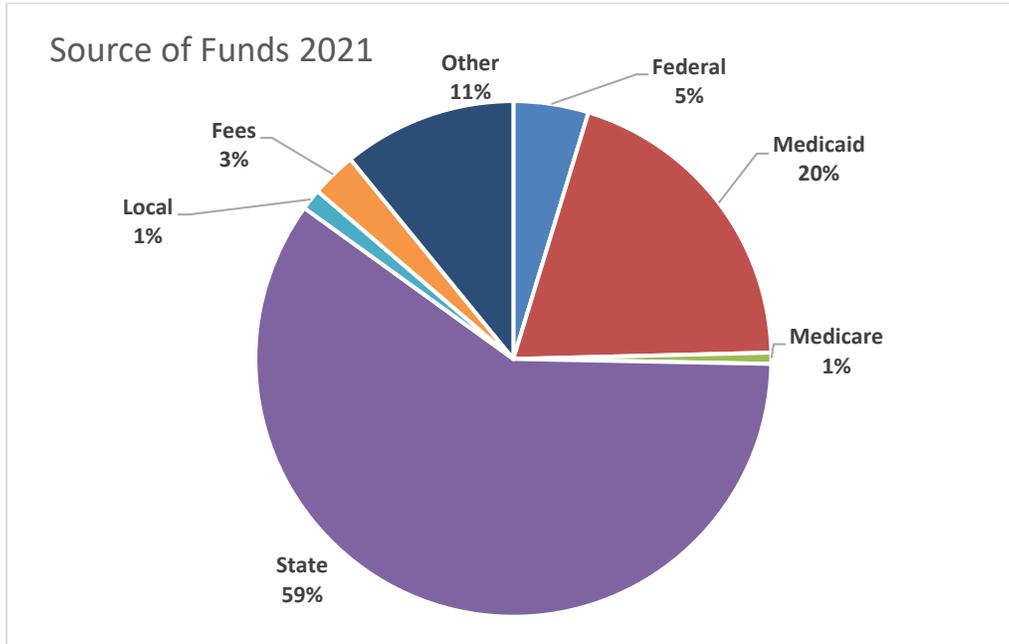
Condensed Balance Sheet		
September 30,		
Assets	<u>2021</u>	<u>2020</u>
Current Assets	\$ 3,194,413	\$ 3,164,673
Other Noncurrent Assets	242,571	257,278
Capital Assets-Net of Depreciation	<u>2,237,471</u>	<u>1,874,967</u>
Total Assets	<u>\$ 5,674,455</u>	<u>\$ 5,296,918</u>
Liabilities		
Current Liabilities	\$ 127,800	\$ 113,709
Noncurrent Liabilities		
-Long Term Debt	-0-	-0-
CARES Act Payroll Protection	-0-	798,109
Noncurrent Liabilities		
-Accrued Comp. Absences	<u>151,284</u>	<u>170,026</u>
Total Liabilities	<u>\$ 279,084</u>	<u>\$ 1,081,844</u>
Net Position		
Net Investment in Capital Assets	\$ 2,237,471	\$ 1,874,967
Unrestricted	<u>3,157,900</u>	<u>2,340,107</u>
Total Net Position	<u>\$ 5,395,371</u>	<u>\$ 4,215,074</u>
Total Liabilities and Net Position	<u>\$ 5,674,455</u>	<u>\$ 5,296,918</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets		
For the year Ended September 30,		
	<u>2021</u>	<u>2020</u>
Operating Revenue	\$ 7,307,458	\$ 7,146,732
Operating Expense	<u>6,925,437</u>	<u>7,033,800</u>
Operating Income	382,021	112,932
Net Nonoperating Revenues (Expenses)	<u>798,276</u>	<u>187</u>
Increase (Decrease) in Net Position	\$ 1,180,297	\$ 113,119
Net Position - Beginning	<u>4,215,074</u>	<u>4,101,955</u>
Net Position - Ending	<u>\$ 5,395,371</u>	<u>\$ 4,215,074</u>

**Southwest Alabama Behavioral Health Care Systems
Management's Discussion and Analysis
September 30, 2021**

Sources of Funds

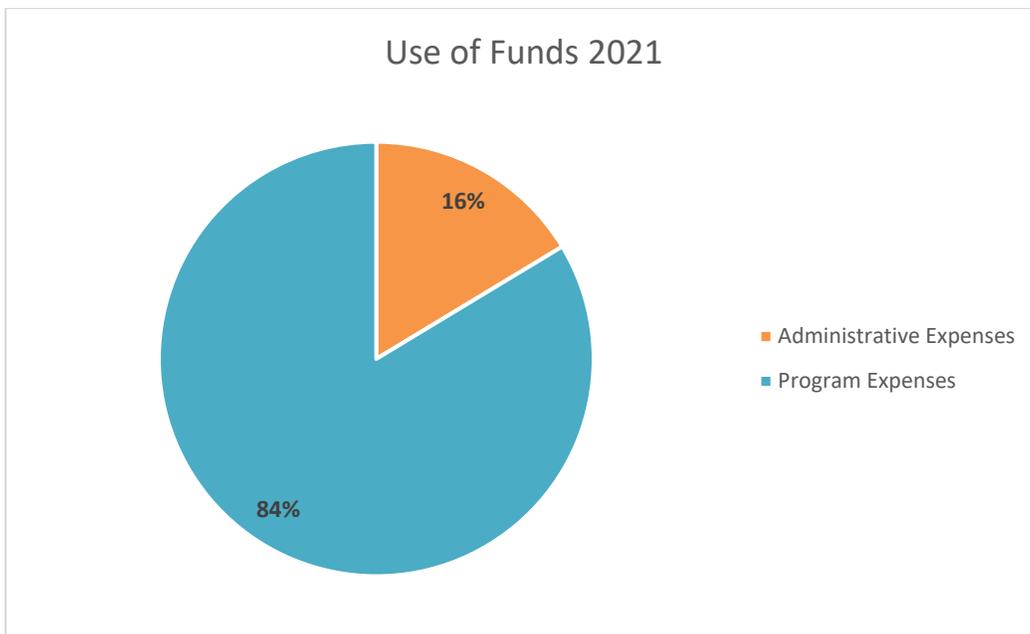
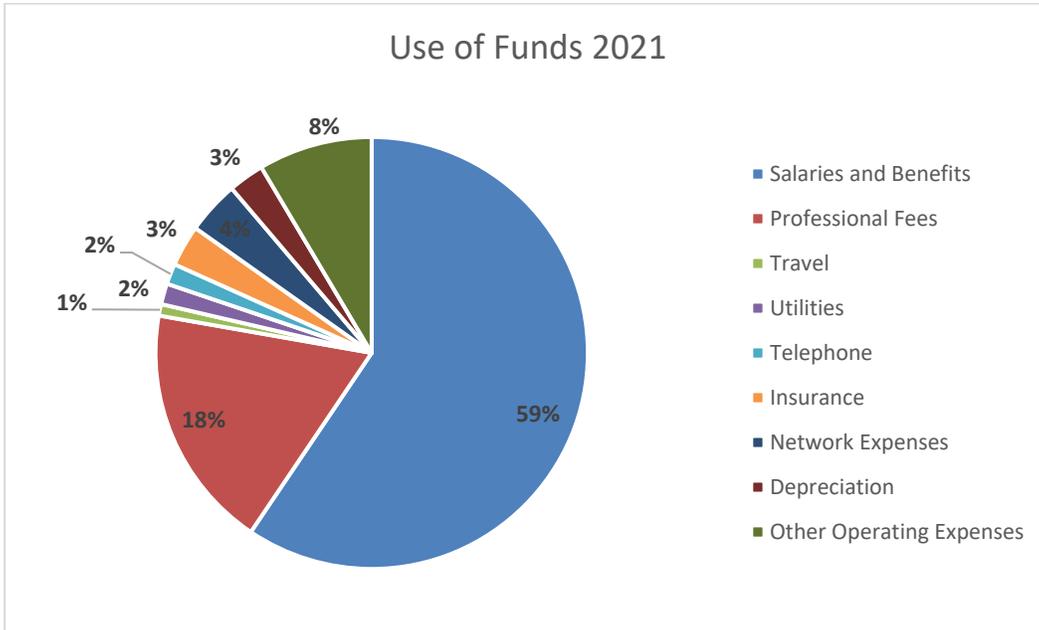
The charts below illustrate the sources of the Center's revenues for the years ended September 30, 2021 with a comparison chart for and September 30, 2020.



**Southwest Alabama Behavioral Health Care Systems
Management's Discussion and Analysis
September 30, 2021**

Use of Funds

The following two charts depict the center's use of operating funds. As indicated in the charts, the center's primary expenses are provided for salaries, benefits and professional fees. Eighty-four percent (84%) of the center's funds are used to provide direct service for consumers of mental health, developmental disability and substance abuse services.



**Southwest Alabama Behavioral Health Care Systems
Management's Discussion and Analysis
September 30, 2021**

Capital Assets

At the end of fiscal year 2021, the center had a net investment in capital assets of \$2,237,471. During the year, ended September 30, 2021 depreciation expense was recorded in the amount of \$186,387. Additions to capital assets totaled \$548,891. The additions consisted of building improvements and furniture and equipment.

Long-Term Debt

At September 30, 2021, the Center had no long-term debt. There were no additions to long-term debt during the year.

Contacting the Center's Management

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Center's financial health and to demonstrate the Center's accountability for the funds it receives. If readers have any questions concerning this report or need additional information, contact Candace Harden, Executive Director, Southwest Alabama Behavioral Health Care Systems, 328 West Claiborne Street, Monroeville, Alabama 36461

Audited Financial Statements

**SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
BALANCE SHEETS
SEPTEMBER 30,**

ASSETS

	2021	2020
Current Assets		
Cash and Cash Equivalents	\$ 2,809,221	\$ 2,561,066
Accounts Receivable, net	350,155	552,731
Prepaid Expenses	35,037	50,876
Total Current Assets	\$ 3,194,413	\$ 3,164,673
Noncurrent Assets		
Accounts Receivable - Pineview, net	\$ 240,254	\$ 254,961
Deposits	2,317	2,317
Capital Assets:		
Land	139,243	139,243
Depreciable Buildings, Property, and Equipment, Net	2,098,228	1,735,724
Total Noncurrent Assets	\$ 2,480,042	\$ 2,132,245
Total Assets	\$ 5,674,455	\$ 5,296,918

LIABILITIES AND NET POSITION

	2021	2020
Current Liabilities		
Accounts Payable	\$ 127,800	\$ 113,709
CARES ACT - Payroll Protection Program - See Note 14	-	798,109
Total Current Liabilities	\$ 127,800	\$ 911,818
Noncurrent Liabilities		
Accrued Employee Leave	\$ 151,284	\$ 170,026
Total Long-Term Liabilities	\$ 151,284	\$ 170,026
Net Position		
Net Investment in Capital Assets	\$ 2,237,471	\$ 1,874,967
Restricted	-	-
Unrestricted	3,157,900	2,340,107
Total Net Position	\$ 5,395,371	\$ 4,215,074
Total Liabilities and Net Position	\$ 5,674,455	\$ 5,296,918

The Notes are an Integral Part of These Financial Statements

**SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30,**

	2021	2020
Operating Revenues		
Fees, net (including		
Medicaid and Medicare)	\$ 1,901,147	\$ 2,316,989
Federal Grants and Contracts	380,992	486,610
State and Local Grants and Contracts	4,945,144	4,275,759
Other Operating Revenues	80,175	67,374
Total Operating Revenues	\$ 7,307,458	\$ 7,146,732
Operating Expenses		
Salaries and Fringe Benefits	\$ 3,811,957	\$ 3,884,792
Professional Fees	1,269,589	1,303,790
Insurance	214,473	223,324
Telephone	106,349	109,323
Utilities	108,051	118,967
Depreciation	186,387	183,503
Travel	59,919	64,542
Other Operating Expenses	1,168,712	1,145,559
Total Expenses	\$ 6,925,437	\$ 7,033,800
Operating Income (Loss)	\$ 382,021	\$ 112,932
NonOperating Revenues (Expenses)		
Interest Income	\$ 167	\$ 187
Payroll Protection Program Loan Forgiveness	802,831	-
Interest Expense	(4,722)	-
Net Nonoperating Revenues (Expenses)	\$ 798,276	\$ 187
Income Before Other Revenues, Expenses, Gains or Losses	\$ 1,180,297	\$ 113,119
Increase in Net Position	\$ 1,180,297	\$ 113,119
Net Position, Beginning	4,215,074	4,101,955
Net Position, Ending	\$ 5,395,371	\$ 4,215,074

The Notes are an Integral Part of These Financial Statements

**SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30,**

	2021	2020
Cash Flows From Operating Activities:		
Cash Received from Service Fees, Government Grants, and Other Operating Income	\$ 7,524,742	\$ 7,431,921
Payments to Employees	(3,421,100)	(3,452,128)
Payments to Suppliers and Others	(3,306,763)	(3,393,162)
Net Cash Provided by Operating Activities	\$ 796,879	\$ 586,631
Cash Flows From NonCapital Financing Activities:		
Proceeds from NonCapital Debt - PPP Loan	\$ -	798,109
Interest Paid on NonCapital Debt	-	-
Net Cash Provided (Used) by NonCapital Financing Activities	\$ -	\$ 798,109
Cash Flows From Capital and Related Financing Activities:		
Purchases of Capital Assets	\$ (548,891)	\$ (148,634)
Interest Paid on Capital Debt	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (548,891)	\$ (148,634)
Cash Flows From Investing Activities:		
Interest on Investments	\$ 167	\$ 187
Net Cash Provided (Used) by Investing Activities	\$ 167	\$ 187
Net Increase in Cash and Cash Equivalents	\$ 248,155	\$ 1,236,293
Cash and Cash Equivalents at Beginning of Year	2,561,066	1,324,773
Cash and Cash Equivalents at End of Year	\$ 2,809,221	\$ 2,561,066

The Notes are an Integral Part of These Financial Statements

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30,

	2021	2020
Reconciliation of Net Operating Revenues to Net Cash Provided by Operating Activities		
Operating Income	\$ 382,021	\$ 112,932
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	\$ 186,387	\$ 183,503
(Increase) or Decrease in Assets:		
Accounts Receivable	217,283	285,188
Inventory and Prepaid Expenses	15,839	(1,954)
Increase or (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(4,651)	6,962
	\$ 414,858	\$ 473,699
Net Cash Provided (Used) by Operating Activities	\$ 796,879	\$ 586,631

The Notes are an Integral Part of These Financial Statements

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Note 1 - Summary of Significant Accounting Policies

The Southwest Alabama Behavioral Health Care Systems (Southwest) is a public not-for-profit corporation formed in May, 1972, as authorized by Act 310, enacted in the regular session of the 1967 Alabama State Legislature. The purposes of Southwest are to plan, study needs and resources, and provide and administer community mental health services within its area, which includes Escambia, Clarke, Conecuh, and Monroe Counties. Services are provided both by programs administered directly by Southwest and occasionally through contracts with other agencies.

The financial statements of Southwest are prepared in accordance with accounting standards generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Southwest follows GASB Statements as well as relevant Financial Accounting Standards Board (FASB) Statements and Accounting Principles Board (APB) Opinions, unless those pronouncements conflict with or contradict GASB pronouncements.

The more significant accounting policies of Southwest are described below:

- A. **Reporting Entity** - In evaluating how to define Southwest for financial reporting purposes, management considered all the criteria for determining component units. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the government's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1 - Summary of Significant Accounting Policies (Continued)

A fourth criterion is the nature and significance of the relationship between the primary government and the potential component unit. Based upon the application of these and other criteria, Southwest does not exercise oversight duties or responsibilities over other units of government.

- B. **Fund Accounting** - Southwest uses a general fund to report its financial position and the results of its operations. Fund Accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.
- C. **Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Southwest operates on the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

- D. **Operating Revenues and Expenses** - Southwest's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing mental health and mental retardation services, Southwest's principal activity. Nonexchange revenues, excluding operating grants and contributions, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide mental health and mental retardation services, other than financing costs.
- E. **Cash** - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.
- F. **Inventory** - Drug inventory is valued at cost (first-in, first-out). The cost is recorded as an expense at the time individual inventory items are consumed.
- G. **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.

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1 - Summary of Significant Accounting Policies (Continued)

- H. **Fixed Assets** - All purchased fixed assets are valued at cost where historical records are available or at estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets are shown at cost less accumulated depreciation (net) on the financial statements.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets ranging from three to thirty-nine years. Depreciation expense for the years ended September 30, 2021 and 2020, respectively, was \$186,387 and \$183,503.

- I. **Accrued Annual Leave / Accumulated Unpaid Sick Leave** - Annual leave accrual is limited to 240 hours. When certain criteria are met at resignation or retirement, employees will receive payment for accrued annual leave. The amount of accrued annual leave is \$151,284 and \$170,026 at September 30, 2021 and 2020, respectively.

No liability is recorded for sick leave. Substantially all employees of Southwest earn 8 hours of sick leave each month. No payment is made for unused sick leave at retirement or termination. The amount of unrecorded liabilities for unused sick leave exceeds the value of a normal year's accumulation. This amount is material but is not readily determinable.

- J. **Concentrations of Credit Risk** - Southwest's financial instruments that are exposed to concentrations of credit risk consist mainly of cash and cash equivalents and trade receivables. See Note 2 for a discussion of cash. Southwest's trade receivables consist mainly of contractual grants from federal, state, and local governmental agencies. As a consequence, concentrations of credit risk are limited.

- K. **Net Position** - In accordance with GASB Statement 34, Southwest classifies net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

Southwest's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

- L. **Date of Managements Review** - Subsequent events were evaluated by management for disclosure through August 8, 2022, the date the financial statements were available to be issued.
- M. **Net Patient Service Revenue** - Southwest has agreements with third-party payors that provide for payments at amounts different from established rates. Contractual adjustments under third-party reimbursement programs represent the difference between established rates and amounts reimbursed by third-party payors. Net patient revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered. A summary of the basis of reimbursement with major third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates. Contractual adjustments to patient billings represent the difference between the amounts actually billed and amounts approved for services. Medicare pays approximately eighty percent of the approved amounts and patients are billed for the remaining twenty percent.

Medicaid - Services are rendered to Medicaid program recipients on a fee-for-service rate.

Blue Cross - Services provided to Blue Cross subscribers are reimbursed eighty percent of the billed amount and patients are billed for the remaining twenty percent.

Revenue from Medicare and Medicaid programs accounted for approximately 3.01% and 84.92%, respectively, of Southwest's net patient revenue for the year ended September 30, 2021, and 4.00% and 79.71%, respectively, of Southwest's net patient revenue, for the year ended September 30, 2020.

**SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Note 2 - Cash and Cash Equivalents

At September 30, 2021 and 2020, respectively, the balance of cash on deposit at Trustmark Bank was \$93,152 and \$93,886, the balance of cash on deposit at The Peoples Exchange Bank was \$2,102,467 and \$1,867,245, the balance of cash on deposit at Regions Bank was \$200,885 and \$190,963, the balance of cash on deposit at Bancorp South was \$59,478 and \$55,314, and the balance on deposit at Southern Independent Bank was \$349,993 and \$350,039.

The above funds are deposited in institutions designated as qualified public depositories under the Security for Alabama Funds Enhancement Act (SAFE). The SAFE Act provides protection for deposits of public funds in excess of FDIC Coverage.

Note 3 - Accounts Receivable

Accounts Receivable are recorded on the accrual basis of accounting and are recorded at contractually negotiated prices. Receivables are reduced to reflect estimates of uncollectible amounts through the allowance for doubtful accounts. Accounts are written off against the allowance account after they are determined to be uncollectible using a combination of contractual terms and historical data, and are recorded as recoveries of bad debts if subsequently collected. The net accounts receivable include those amounts estimated by management to be collectible. Southwest generally does not charge interest on its accounts receivable.

Accounts Receivable consists of the following at September 30, 2021:

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net</u>
Contracts and Grants - Government	\$ 46,880	\$ -0-	\$ 46,880
Medicaid	230,376	-0-	230,376
Medicare	14,414	7,500	6,914
Fees and Other	<u>197,722</u>	<u>131,737</u>	<u>65,985</u>
Total Accounts Receivable	<u>\$ 489,392</u>	<u>\$ 139,237</u>	<u>\$ 350,155</u>

Accounts Receivable consists of the following at September 30, 2020:

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net</u>
Contracts and Grants - Government	\$ 293,123	\$ -0-	\$ 293,123
Medicaid	294,530	122,800	171,730
Medicare	20,991	13,916	7,075
Fees and Other	<u>273,131</u>	<u>192,328</u>	<u>80,803</u>
Total Accounts Receivable	<u>\$ 881,775</u>	<u>\$ 329,044</u>	<u>\$ 552,731</u>

Accounts Receivable - Pineview were \$240,254 and \$254,961 at September 30, 2021 and 2020, respectively. In management's opinion, the entire balance is collectible; however, the current portion is indeterminable. Therefore, the balance is not included in current assets.

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4 - Fair Value of Financial Instruments

The following methods and assumptions were used by Southwest in estimating the fair value of its financial instruments: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value. The carrying amount reported in the balance sheet for accounts receivable approximates its fair value. The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Note 5 - Capital Assets

Capital Assets consist of the following at September 30, 2021:

	Balance <u>10/01/20</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>9/30/21</u>
Land	\$ 139,243	\$ -0-	\$ -0-	\$ 139,243
Buildings & Improvements	2,981,254	493,381	-0-	3,474,635
Vehicles	936,402	-0-	-0-	936,402
Furniture & Equipment	<u>1,419,626</u>	<u>55,510</u>	<u>-0-</u>	<u>1,475,136</u>
Total at Historical Cost	\$ 5,476,525	\$ 548,891	\$ -0-	\$ 6,025,416
Less Accumulated Depreciation For:				
Buildings & Improvements	\$(1,664,515)	\$ (95,485)	\$ -0-	\$(1,760,000)
Vehicles	(755,096)	(43,607)	-0-	(798,703)
Furniture & Equipment	<u>(1,181,947)</u>	<u>(47,295)</u>	<u>-0-</u>	<u>(1,229,242)</u>
	<u>\$(3,601,558)</u>	<u>\$(186,387)</u>	<u>\$ -0-</u>	<u>\$(3,787,945)</u>
Total Capital Assets, Net	<u>\$ 1,874,967</u>	<u>\$ 362,504</u>	<u>\$ -0-</u>	<u>\$ 2,237,471</u>

Capital Assets consist of the following at September 30, 2020:

	Balance <u>10/01/19</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>9/30/20</u>
Land	\$ 139,243	\$ -0-	\$ -0-	\$ 139,243
Buildings & Improvements	2,925,026	56,228	-0-	2,981,254
Vehicles	866,091	70,311	-0-	936,402
Furniture & Equipment	<u>1,397,531</u>	<u>22,095</u>	<u>-0-</u>	<u>1,419,626</u>
Total at Historical Cost	\$ 5,327,891	\$ 148,634	\$ -0-	\$ 5,476,525
Less Accumulated Depreciation For:				
Buildings & Improvements	\$(1,585,951)	\$ (78,564)	\$ -0-	\$(1,664,515)
Vehicles	(705,329)	(49,767)	-0-	(755,096)
Furniture & Equipment	<u>(1,126,775)</u>	<u>(55,172)</u>	<u>-0-</u>	<u>(1,181,947)</u>
	<u>\$(3,418,055)</u>	<u>\$(183,503)</u>	<u>\$ -0-</u>	<u>\$(3,601,558)</u>
Total Capital Assets, Net	<u>\$ 1,909,836</u>	<u>\$ (34,869)</u>	<u>\$ -0-</u>	<u>\$ 1,874,967</u>

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 5 - Capital Assets (Continued)

For purposes of capitalization of assets, Southwest's policy during the years ended September 30, 2021 and 2020 was to expense items that cost less than \$2,000. Interest is capitalized in connection with the construction of major facilities and recorded as part of the asset to which it relates. No interest was capitalized during the years ended September 30, 2021 and 2020.

Note 6 - Income Taxes

Southwest is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the *Code of Alabama 1975*, Sections 22-51-1 through 22-51-14.

Note 7 - Retirement Plan

Southwest participates in an employee retirement plan under the terms of Section 401(k) of the Internal Revenue Code. Principal Financial Group is administering this plan. Employees can voluntarily contribute to the plan and Southwest will match an employee contribution of up to 5% of the covered employee's gross salary. For the years ended September 30, 2021 and 2020 respectively, Southwest contributed \$48,271 and \$54,819 to this plan.

Note 8 - Operating Leases

Future minimum rental payments required under operating leases for the rental of office space having remaining non-cancelable lease terms in excess of one year were \$-0- and \$-0- as of September 30, 2021 and 2020, respectively.

The total rental expense for all operating leases, except those with terms of one month or less that were not renewed, amounted to \$34,695 and \$29,117 for the fiscal years ended September 30, 2021 and 2020, respectively.

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9 - Accounts Payable

Accounts payable is recorded on the accrual basis of accounting and consists of the following at September 30,

	<u>2021</u>	<u>2020</u>
Professional Fees	\$ 7,920	\$ 9,240
Employee Benefits	44,059	50,743
Utilities	13,949	16,807
Payroll Taxes	8,907	9,538
Misc. Trade Payables	<u>52,965</u>	<u>27,381</u>
	<u>\$ 127,800</u>	<u>\$ 113,709</u>

Note 10 - Related Party Transactions

Southwest acts as management agent for HUD Project #062-HD021, Pineview Housing Corporation (Pineview). Southwest receives management fees and reimbursements as part of that management agreement. Southwest received/accrued \$42,006 and \$42,006 in management fees and reimbursements for the fiscal years ended September 30, 2021 and 2020, respectively.

Southwest's accounts receivable from Pineview was \$240,254 and \$254,961 as of September 30, 2021 and 2020, respectively.

Note 11 - Contingencies

Southwest is party to various legal proceedings which normally occur in governmental operations. Management is of the opinion that these legal proceedings are not likely to have a material adverse impact on Southwest.

In the normal course of operations, Southwest receives grant funds from various federal, state, and local agencies. The grant programs are subject to audit and review by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes any liability for reimbursement that may arise as the result of these audits will not be material.

Note 12 - Risk Management

Southwest is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance purchased from third parties. Settled claims have not exceeded coverage in any of the last three years. There were no significant changes in coverage compared to the prior year.

**SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Note 13 - Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Total equity and net income are unchanged due to these reclassifications.

Note 14 - Subsequent Events

On May 1 2020, Southwest received loan proceeds in the amount of approximately \$798,109 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after a covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

On November 30, 2020, Southwest received forgiveness of the entire \$798,109 under the program, plus accrued interest of \$4,722. The forgiven loan amount of \$802,831 was recognized as grant revenue during fiscal year 2021.

SUPPLEMENTARY INFORMATION

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
SCHEDULE OF REVENUES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Federal Government</u>	<u>State Government</u>	<u>Local Government</u>	<u>Fees</u>	<u>Other</u>
Department of Health and Human Services Grants and Contracts	\$ 286,712				
Department of Education Grants and Contracts	10,937				
Coronavirus Relief Fund	72,172				
CARES Act	11,171				
Medicaid Fees for Services	1,614,455				
Medicare Fees for Services	57,121				
State Department of Mental Health		\$ 4,837,977			
Escambia County			\$ 60,000		
Monroe County			25,000		
Clarke County			4,000		
Conecuh County			9,167		
Thomasville			9,000		
Patient Fees				\$ 229,571	
D. W. McMillan Foundation					7,500
Rent					4,546
Interest					167
Management Fee					42,006
Payroll Protection Program Loan Forgiveness					802,831
Miscellaneous					26,123
Totals	<u>\$ 2,052,568</u>	<u>\$ 4,837,977</u>	<u>\$ 107,167</u>	<u>\$ 229,571</u>	<u>\$ 883,173</u>

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Administrative</u>	<u>Program</u>	<u>Total</u>
Depreciation	\$ 12,883	\$ 173,504	\$ 186,387
Dues, Fees, and Licenses	13,426	3,051	16,477
Employee Benefits	56,027	334,830	390,857
Expenditures - Furniture and Equipment	21,308	6,742	28,050
Food	859	75,693	76,552
General Program Supplies	5,105	18,881	23,986
Housing Support	-	34,408	34,408
Insurance and Bonding	21,758	192,715	214,473
Interest Expense	4,722	-	4,722
Janitorial - Building and Grounds	13,249	142,322	155,571
Lab Fees	5,338	359	5,697
Miscellaneous	13,540	356	13,896
Network Expenses	41,968	232,626	274,594
Office Supplies	6,676	5,600	12,276
Payroll Taxes	51,749	207,940	259,689
Postage	12,385	1,371	13,756
Printing	7,331	2,519	9,850
Professional Fees	28,000	1,241,589	1,269,589
Publications and Subscriptions	36	1,312	1,348
Recruiting & Advertising	13,505	128	13,633
Rent & Rental Fees	1,486	1,157	2,643
Retirement	22,956	25,315	48,271
Repairs and Maintenance	24,534	108,607	133,141
Salaries	688,092	2,733,008	3,421,100
Employee Training	13,969	170	14,139
Telephone	8,337	98,012	106,349
Travel	13,727	46,192	59,919
Utilities	19,902	88,149	108,051
Vehicle Operations	9,876	20,859	30,735
	<u>\$ 1,132,744</u>	<u>\$ 5,797,415</u>	<u>\$ 6,930,159</u>

ADDITIONAL INFORMATION

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
SCHEDULE OF BOARD MEMBERS AND OFFICIAL
SEPTEMBER 30, 2021

Board Member

Judge Rogene Booker	President	P. O. Box 149 Evergreen, AL 36401
Lou Boykin	V. Pres.	519 So. Mt. Pleasant Ave. Monroeville, AL 36460
Steve Wadlington	Secretary	P. O. Box 1484 Monroeville, AL 36461
Todd Watson	Member	P. O. Drawer 860 Evergreen, AL 36401
Kate Lett	Member	139 Jones Ave. Monroeville, AL 36460
Judge Doug Agerton	Member	P. O. Box 557 Brewton, AL 36427
Greg Albritton	Member	112-B Court Street Evergreen, AL 36401
Ricky Powell	Member	2197 So. Mt. Pleasant Ave. Monroeville, AL 36460
Anita Boutwell	Member	268 Boutwell Ave. Flomaton, AL 36441
Mike Lambert	Member	Flomaton, AL 36441

Official

Candace Harden, Executive Director

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
LEGAL AUTHORITY
SEPTEMBER 30, 2021

Code of Alabama 1975, Sec. 22-51-1 through 22-51-14.

SOUTHWEST ALABAMA BEHAVIORAL HEALTH CARE SYSTEMS
SCHEDULE OF BONDED OFFICIALS
SEPTEMBER 30, 2021

Public Employees Blanket Bond

Berkshire Hathaway Specialty Insurance Company

Policy Number: 47-SPK-255673-05

Policy Period: 10/01/20 to 10/01/21

Limits and Type of Coverage: \$75,000 Employee Theft Coverage
 \$75,000 Forgery or Alteration

KUBINA, HAYLES & ASSOCIATES, P.C.

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GEORGE A. HAYLES, C.P.A.

HANNAH B. RAY, C.P.A.

MEMBERS
ALABAMA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Southwest Alabama
Behavioral Health Care Systems
Monroeville, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Alabama Behavioral Health Care Systems, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Southwest Alabama Behavioral Health Care Systems' basic financial statements and have issued our report thereon dated August 8, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest Alabama Behavioral Health Care Systems' 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 Southwest Alabama Behavioral Health Care Systems' internal control. Accordingly, we do not express an opinion on the effectiveness of Southwest Alabama Behavioral Health Care Systems' 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 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 Southwest Alabama Behavioral Health Care Systems' 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 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 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.

Kubina, Hayles & Associates, P.C.

KUBINA, HAYLES & ASSOCIATES, P. C.
Bay Minette, Alabama
August 8, 2022

KUBINA, HAYLES & ASSOCIATES, P.C.

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REPORT ON COMPLIANCE WITH DEPARTMENT OF MENTAL HEALTH CONTRACT

Board of Directors
Southwest Alabama
Behavioral Health Care Systems
Monroeville, Alabama

We have audited contract/grant/agreement numbers G1-033949, G1-136124, G1-341328, G1-353227, and G1-323654H3 between the Department of Mental Health (DMH) and Southwest Alabama Behavioral Health Care Systems as of and for the year ended September 30, 2021.

Compliance with DMH contract(s)/grant(s)/agreement(s), and all applicable laws, rules, and regulations applicable to Southwest Alabama Behavioral Health Care Systems is the responsibility of the Southwest Alabama Behavioral Health Care Systems' 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 or expenditures of cost reimbursement contracts 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, rules, 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.

Kubina, Hayles & Associates, P.C.

KUBINA, HAYLES & ASSOCIATES, P. C.

Bay Minette, Alabama

August 8, 2022



America Counts on CPAs