Journey Mental Health Center, Inc. and Subsidiaries

Madison, Wisconsin

Consolidated Financial Statements and Supplementary Information

Year Ended December 31, 2015

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WIPFLi LLP

Independent Auditor's Report

Board of Directors
Journey Mental Health Center, Inc. and Subsidiaries
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Journey Mental Health Center, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 consolidated financial statements are free from material misstatement. The financial statements of Bay Side Place, LLC and Journey Care Management, LLC were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Journey Mental Health Center, Inc. and Subsidiaries as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a separate report dated May 24, 2016, on our consideration of Journey Mental Health Center, 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 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 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 Journey Mental Health Center, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

May 24, 2016
Madison, Wisconsin

Journey Mental Health Center, Inc. and Subsidiaries

Consolidated Statement of Financial Position

December 31, 2015

Assets		
Current assets:		
Cash and cash equivalents	$	1,165,707
Accounts receivable, net		128,190
Contracts receivable		1,142,974
Prepaid expenses and other assets		138,090
Total current assets		2,574,961
Property and equipment, net		3,403,196
Other assets:		
Client funds on deposit		166,231
Restricted cash		168,864
Notes receivable		50,000
Investments		214,441
Interest in investments held by a community foundation		94,116
Total other assets		693,652
TOTAL ASSETS	$	6,671,809
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	$	58,753
Accounts payable and accrued expenses		272,612
Accrued payroll and related expenses		1,169,842
Due to Dane County		87,796
Deferred revenue		290,517
Total current liabilities		1,879,520
Long-term liabilities:		
Long-term debt		2,444,273
Client funds liability		161,782
Deferred compensation liability		192,624
Total long-term liabilities		2,798,679
Total liabilities		4,678,199
Net assets:		
Unrestricted		1,871,438
Temporarily restricted		102,648
Permanently restricted		19,524
Total net assets		1,993,610
TOTAL LIABILITIES AND NET ASSETS	$	6,671,809

See accompanying notes to consolidated financial statements.

Journey Mental Health Center, Inc. and Subsidiaries

Consolidated Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Dane County contract	$ 13,819,383	$ 0	$ 0	$ 13,819,383
Client revenue	2,282,808	0	0	2,282,808
Capitation revenue	2,233,064	0	0	2,233,064
CCS	60,580	0	0	60,580
Contract income	1,924,886	0	0	1,924,886
Donations	181,289	10,124	0	191,413
United Way	175,235	0	0	175,235
Miscellaneous	556,719	0	0	556,719
Investment loss	(1,967)	0	(320)	(2,287)
Net assets released from restriction	1,503	(550)	(953)	0
Total revenue	21,233,500	9,574	(1,273)	21,241,801
Expenses:				
Program activities:				
Adult mental health	13,459,674	0	0	13,459,674
Adult drug and alcohol	1,535,631	0	0	1,535,631
Children's services	2,253,453	0	0	2,253,453
Other support services	275,304	0	0	275,304
Total program activities	17,524,062	0	0	17,524,062
Resource development	372,902	0	0	372,902
Management and general	3,088,927	0	0	3,088,927
Total expenses	20,985,891	0	0	20,985,891
Change in net assets	247,609	9,574	(1,273)	255,910
Net assets - Beginning of year	1,623,829	93,074	20,797	1,737,700
Net assets - End of year	$ 1,871,438	$ 102,648	$ 19,524	$ 1,993,610

See accompanying notes to consolidated financial statements.

Journey Mental Health Center, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended December 31, 2015

Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	$	255,910
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation		272,750
Change in deferred compensation liability		80,624
Net realized and unrealized loss on investments		4,063
Net realized and unrealized loss on interest in investments held by a community foundation		1,540
Changes in operating assets and liabilities:		
Accounts receivable		20,659
Contracts receivable	(	574,262)
Prepaid expenses and other assets		10,029
Client funds on deposit		3,328
Restricted cash		493
Client funds liability	(	5,396)
Accounts payable and accrued expenses	(	629,328)
Accrued payroll and related expenses		395,395
Due to Dane County	(	306,275)
Deferred revenue		49,265
Net cash used in operating activities	(	421,205)
Cash flows from investing activities:		
Distribution of interest in investments held by a community foundation		4,698
Purchase of investments	(	84,781)
Purchase of property and equipment	(	605,084)
Net cash used in investing activities	(	685,167)
Cash flows from financing activities:		
Deposits into sinking fund reserve	(	28,988)
Proceeds from borrowing		300,000
Payments on long-term debt	(	6,130)
Net cash provided by financing activities		264,882
Change in cash and cash equivalents	(	841,490)
Cash and cash equivalents - Beginning of year before reclassifications		2,215,976
Cash and cash equivalents reclassifications	(	208,779)
Cash and cash equivalents - Beginning of year after reclassifications		2,007,197
Cash and cash equivalents - End of year	$	1,165,707
Supplemental schedule of other cash activity:		
Interest paid and expensed	$	91,404

See accompanying notes to consolidated financial statements.

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Journey Mental Health Center, Inc. (the "Center") was organized as a nonprofit corporation in 1948. The Center was formed to develop and provide assistance to individuals and families through outpatient facilities, housing projects, counseling services, support groups, and enrichment programs for persons in Dane County, Wisconsin. The Center is supported primarily from grant revenue from the Dane County Human Services Department that represents approximately 68% of the Center's support for the year ended December 31, 2015.

Bay Side Place, LLC, a wholly owned subsidiary of the Center, was established in 2010 to own and lease a community-based residential facility to the Center.

Journey Care Management, LLC, a wholly owned subsidiary of the Center, was established in 2014 in response to the affordable care act to serve consumers which are not subsidized by governmental funds.

Principles of Consolidation

The consolidated financial statements include the accounts of the Center and Bay Side Place, LLC (the "Organizations"). All intercompany transactions and balances have been eliminated for financial statement purposes. Journey Care Management, LLC had no activity for the year ended December 31, 2015.

Basis of Presentation

The consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Classification of Net Assets

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

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations.

Note 1 Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Revenue Recognition

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily and permanently restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as released from restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Client revenue is received from individual patients and third-party payors that provide for reimbursement to the Center at amounts that vary from its established rates. Third-party payors consists of Medicare, Medicaid and health insurance company reimbursements for professional services provided by physicians and other clinicians who are reimbursed on prospectively determined fee schedules or a cost-reimbursement methodology depending on the type of professional service provided. Client revenue is recognized as revenue when earned.

Capitation revenue is a monthly per member payment from health maintenance organizations (HMO) for managed care. Capitation revenue is recognized as revenue when received.

Contract income and comprehensive community services revenue (CCS) is recognized when earned and consists of revenue for the performance of contractual obligations for governmental and private entities.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

B. Grant Awards That Are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Note 1 Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts and certificates of deposit with original maturities of 90 days or less. Cash and cash equivalents are stated at cost, which approximates fair value.

Sinking Fund Reserve

The sinking fund reserve represents required payments into a separate bank account for a New Market Tax Credit loan. When the loan matures, the reserve will be used to pay principal on the loan.

Investments

Investments are recorded at fair value as determined in an active market. Realized and unrealized gains and losses are recognized as investment income/loss in the consolidated statement of activities.

Interest in Investments Held by a Community Foundation

Investments are held by a community foundation and represent funds transferred for which the Center is the sole beneficiary. The investments are recorded at fair value. Changes in the net asset balance of the investments are recorded as other income/(loss) in the consolidated statement of activities. Permanently restricted net assets were directly invested by the donors with the community foundation and the balance fluctuates with changes in fair value.

Property and Equipment

Property and equipment purchased with a value over $5,000 and a useful life greater than one year are capitalized at cost and depreciated over their estimated useful lives using the straight-line method.

Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise or income tax.

Bay Side Place, LLC and Journey Care Management, LLC are treated as disregarded entities for tax purposes. The activity of these entities is included in the Center's tax return.

The Organizations are required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the consolidated financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Note 1 Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Contracts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management determines the amount expected to be collected based upon the actual collections of prior year revenue during the two months subsequent to year-end, plus an estimate of expected collections beyond the two months subsequent to year-end based on prior years' collection experience.

Contracts receivable are stated at the amounts earned for providing specific contractual services.

The Center analyzes the receivables and records an allowance that management believes will reserve for possible losses on existing receivables that may become uncollectible. An account is considered uncollectible when all collection efforts prove worthless and is written off to the allowance at that time. As of December 31, 2015, management has elected to record an allowance of $45,249.

Functional Allocation Expenses

The cost of various programs and other activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 Restricted Cash

Restricted cash of $168,864 consists of $24,563 held in escrow for property tax payments on a leased facility and $144,301 in sinking fund reserves for the New Market Tax Credit loan in Note 11.

Note 3 Accounts Receivable

Accounts receivable consist mainly of client and third-party fees recorded at the standard rates for services provided and other miscellaneous receivables. The amount receivable from a client is determined based on the client's income and dependent information. Accounts receivable consist of the following as of December 31, 2015:

Health insurance companies	$ 100,406
Medicare	44,247
Medicaid	25,527
Other miscellaneous receivables	3,259
Subtotal accounts receivable	173,439
Less: provision for doubtful accounts	(45,249)
Total	$ 128,190

Note 4 Contracts Receivable

Contracts receivable consist of amounts earned on agreements with various state and local agencies. Contracts receivable consist of the following as of December 31, 2015:

State of Wisconsin	$ 193,130
Dane County	679,615
Other local sources	270,229
Total	$ 1,142,974

Note 5 Notes Receivable

The Center has two unsecured notes receivable from Forward Community Investments. Both notes earn interest of 3% per year, payable semi-annually. The loans are for $30,000 and $20,000 respectively. The notes are due in 2018 and can be renewed for an additional five years if requested by Forward Community Investments and agreed to by the Center. Interest earned is included in investment income/loss in the consolidated statement of activities.

Note 6 Investments and Deferred Compensation Liability

The following summarizes the Center's investments as of December 31, 2015:

Money market funds	$ 155,677
U.S. fixed income securities	57,379
U.S. equity securities	1,385
Total investments	$ 214,441

The following schedule summarizes investment return and its classification in the consolidated statement of activities for the year ended December 31, 2015:

Interest and dividends, net of $1,293 of investment fees	$ 3,316
Net realized and unrealized loss	(4,063)
Endowment investment loss – Note 7	(1,540)
Investment loss	($ 2,287)

Included in investments are $192,624 held in trust for deferred compensation agreements the Center has established for executives. Deferred compensation and earnings thereon are fully accrued and held in a rabbi trust. Investment of the plan assets are determined by the respective employees. Assets held by the trust are subject to the claims of the Center's general creditors under federal and state law in the event of insolvency.

The Center contributed $84,000 to the plan during 2015. Changes in the fair value of the vested amounts owed to the participants are adjusted with a corresponding charge (or credit) to compensation and benefits costs. The reduction in the deferred compensation liability recognized in benefits costs during 2015 was $3,376.

Note 7 Endowments

The Center's endowments consist of two funds. Net assets are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors believes the Uniform Prudent Management of Institutional Funds Act (UPMIFA) is the relevant state law governing its endowment funds. The Board of Directors has interpreted UPMIFA as requiring the Center to preserve the fair value of the donor's original gift.

The Center's endowment funds are held by the Madison Community Foundation (MCF). The Center and MCF have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the purchasing power of the endowment assets.

Endowment assets are invested in a manner to protect principal, grow the aggregate portfolio value in excess of the rate of inflation, and achieve an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles and to ensure that any risk assumed is commensurate with the given investment vehicle and the Center's objectives.

Interest, dividends, and net appreciation in fair value of the endowment fund or donor-restricted endowment funds are classified as unrestricted. Interest and dividends on donor-restricted endowment funds are appropriate for distribution at the discretion of the Board of Directors.

Donor-Designated Endowment

The Center has received gifts for the Friends of Yahara House Endowment Fund in which the donors have stipulated that some of the gift amount be invested and maintained permanently to generate annual income for the purpose of meeting operational needs of the organization with the investment value fluctuating based on market performance.

Board-Designated Endowment

The Center deposited unrestricted funds in the Friends of Yahara House Endowment Fund and the Walter Bauman Mental Health Fund. Amounts invested for the Friends of Yahara House Endowment Fund are maintained permanently by the MCF. The Walter Bauman Fund can be withdrawn by the Center for future specific projects.

Following are the fair values of the funds as of December 31:

Walter Bauman Mental Health Fund	$ 41,595
Friends of Yahara House Fund	52,521
Totals	$ 94,116

Note 7 Endowments (Continued)

Changes in endowment funds were as follows:

	Unrestricted	Permanently Restricted	Total
Endowments at January 1, 2015	$ 79,557	$ 20,797	$ 100,354
Interest and dividends	834	218	1,052
Investment fees	(879)	(229)	(1,108)
Net depreciation	(1,175)	(309)	(1,484)
Total investment loss	(1,220)	(320)	(1,540)
Appropriation of endowment assets for expenditures	(3,745)	(953)	(4,698)
Endowments at December 31, 2015	$ 74,592	$ 19,524	$ 94,116

Note 8 Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional standards are described as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not considered to be active or financial statements for which all significant inputs are observable, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Interest in investments held by a community foundation is valued at amounts provided to the Center by the community foundation. Asset values primarily consist of equity securities and fixed income securities which are valued based on quoted market prices, based on recent trading activity and other observable market data.

Money market funds are valued using other market data provide by the investment broker.

Note 8 Fair Value Measurements (Continued)

Information regarding the fair value of assets measured at fair value on a recurring basis as of December 31, 2015, is as follows:

		Recurring Fair Value Measurements Using		
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 155,677	$ 0	$ 155,677	$ 0
U.S. fixed income securities	57,379	0	57,379	0
U.S. equity securities	1,385	1,385	0	0
Total investments	214,441	1,385	213,056	0
Interest in investments held by a community foundation	94,116	0	0	94,116
Total assets at fair value	$ 308,557	$ 1,385	$ 213,056	$ 94,116

Changes in the fair value of the interest in investments held by a community foundation are recorded as investment return/(loss) in the consolidated statement of activities. The following is a reconciliation of the beginning and ending balances of the Center's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2015:

Endowment funds - Beginning of year	$ 100,354
Investment loss	(1,540)
Appropriation of endowment assets for expenditure	(4,698)
Endowments funds - End of year	$ 94,116

Note 9 Client Funds on Deposit and Client Funds Liability

The Center maintains funds held for client personal accounts. The client funds liability of $161,782 as of December 31, 2015, represents actual amounts held for clients. Client funds on deposit of $166,231, includes the liability plus a reserve for fees and minimum balances.

Note 10 Property and Equipment

A summary of property and equipment is as follows:

Land	$ 421,000
Buildings	6,313,534
Leasehold improvements	475,415
Equipment	1,685,924
Software	1,028,815
Subtotal	9,924,688
Accumulated depreciation	(6,521,492)
Property and equipment, net	$ 3,403,196

Note 10 Property and Equipment (Continued)

Software consists of capitalized costs incurred through December 31, 2015, related to the development of electronic health records (EHR) software. Management plans to place the EHR software into service over the course of three major releases. The first release is in process at a cost of approximately $1 million. Each release has incremental benefits intended to move progressively from regulatory required data elements to tools that enhance clinical operating capabilities. The primary costs of the software are Center staff and consultants.

Note 11 Long-Term Debt

Long-term debt consists of the following:

Note payable to Johnson Bank at 4.26% interest with monthly principal and interest payments of $1,419. The note payable is due February 2019. The note payable is collateralized by real estate.	$ 248,923
Note payable to Johnson Bank at 3.75% interest with monthly interest only payments. Principal and interest payments start January 2015. The note payable is due June 2018 and up to $2,400,000 is available for borrowing. The note payable is collateralized by real estate.	1,040,528
New Market Tax Credit loan at 4% interest, with monthly interest only payments and monthly sinking fund payments of $2,395. The loan is due September 2017, collateralized by real estate.	1,101,075
Interest free mortgage payable to the City of Madison Community Development Block Grant Office due upon sale of the Yahara House or change of use or relocation of the program to a new site, collateralized by the building.	52,500
Interest free mortgage payable to the City of Madison Community Development Block Grant Office due upon sale of the Yahara House or change of use or relocation of the program to a new site, collateralized by the building.	60,000
Subtotal	2,503,026
Current maturities	(58,753)
Total long-term debt	$ 2,444,273

Note 11 Long-Term Debt (Continued)

Future principal and sinking fund payments beyond December 31, 2015, are as follows:

2016	$ 58,753
2017	1,162,277
2018	940,599
2019	228,897
2020	0
Thereafter	112,500
Total	$ 2,503,026

Note 12 Line of Credit

The Center has an available line of credit in the amount of $1,000,000 with Johnson Bank with a maturity date of June 2016. The interest rate on the line of credit is variable at 2.5% over the 30-day London Interbank Offer Rate (LIBOR). The rate at December 31, 2015, was 2.93%. As of December 31, 2015, no amounts were drawn on the line of credit. The line of credit is secured by a building collateral security agreement which encompasses all the assets of the Center.

Note 13 Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are temporarily restricted by donor-imposed stipulations that may or may not be met, either by actions of the Center and/or the passage of time. Temporarily restricted net assets at December 31 are as follows:

Funds temporarily restricted for:

Friends of Yahara House	$ 100,471
Playroom costs	2,177
Totals	$ 102,648

Permanently restricted net assets are to be held in perpetuity. Permanently restricted net assets at December 31, 2015, was $19,524 for funds held at MCF.

Note 14 Lease Commitments

The Center leases office and program facilities, equipment, and vehicles for operation of its programs. Rent expense for the year ended December 31, 2015, was $638,943. Future minimum lease payments on leases having terms beyond one year are as follows:

2016	$ 549,490
2017	428,484
2018	118,273
2019	4,614
Total	$ 1,100,861

Note 15 Pension Plan

The Center sponsors a defined contribution pension plan that covers all employees who have completed 1,000 hours within a calendar year after their first year of employment. Contributions to the plan are based on a constant percentage of 6% of the qualified compensation of each qualified participant. For the year ended December 31, 2015, pension expense was $555,890.

Note 16 Concentration of Credit Risk

The Center maintains cash balances at several financial institutions that are interest bearing which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times during the year, balances in these accounts may exceed the insurance limits. Management believes the financial institutions have strong credit ratings and credit risk related to these deposits is minimal.

Note 17 Grant Awards

At December 31, 2015, the Center had commitments under various grant awards of approximately $900,000. These commitments are granted on a program year that differs from the Center's year of reporting and, therefore, revenue relating to these grants is not recognized in the accompanying consolidated financial statements, as the revenue recognition is conditional on the incurrence of allowable expenditure in the future.

Note 18 Contingencies

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and asserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patients' services. Management believes the Center is in compliance with current laws and regulations.

The Organizations are involved in legal matters arising in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the consolidated financial statements.

Note 19 Subsequent Events

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through May 24, 2016, the date the consolidated financial statements were available to be issued.

Journey Woods End, LLC (Journey Woods), a wholly owned subsidiary of the Center, was established in 2016 to purchase an office park consisting of three commercial buildings for $2,300,000. During 2016, Journey Woods entered into a contract for approximately $2,300,000 to renovate two of the buildings to house Center administrative and program functions and the third building is leased to third party commercial tenants. To finance the renovations, Johnson Bank has guaranteed debt in the amount of $3,890,000.

In March, 2016, The Center sold one of its properties located at 625 West Washington Avenue for $2,700,000. The proceeds were used to pay down debt owed to Johnson Bank.

Note 20 Reclassifications

Effective January 1, 2015, the Organizations elected to reclassify money market funds of $133,723, notes receivable of $50,000 and restricted cash of $25,056 out of cash and cash equivalents to those respective accounts on the consolidated statement of financial position. The reclassifications had no effect on net assets.

Supplementary Information

Journey Mental Health Center, Inc. and Subsidiaries

Consolidating Statement of Financial Position

December 31, 2015

	Journey Mental Health Center, Inc.	Bay Side Place, LLC	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$ 1,165,707	$ 0	$ 0	$ 1,165,707
Accounts receivable, net	128,190	0	0	128,190
Contracts receivable	1,142,974	0	0	1,142,974
Due from related party	0	92,885	(92,885)	0
Prepaid expenses and other assets	136,740	1,350	0	138,090
Total current assets	2,573,611	94,235	(92,885)	2,574,961
Property and equipment, net	2,499,319	903,877	0	3,403,196
Other assets:				
Client funds on deposit	166,231	0	0	166,231
Restricted cash	24,563	144,301	0	168,864
Notes receivable	50,000	0	0	50,000
Investments	214,441	0	0	214,441
Interest in investments held by a community foundation	94,116	0	0	94,116
Total other assets	549,351	144,301	0	693,652
TOTAL ASSETS	$ 5,622,281	$ 1,142,413	($ 92,885)	$ 6,671,809
Liabilities and Net Assets				
Current liabilities:				
Current portion of long-term debt	$ 58,753	$ 0	$ 0	$ 58,753
Accounts payable and accrued expenses	271,389	1,223	0	272,612
Accrued payroll and related expenses	1,169,842	0	0	1,169,842
Due to related party	92,885	0	(92,885)	0
Due to Dane County	87,796	0	0	87,796
Deferred revenue	290,517	0	0	290,517
Total current liabilities	1,971,182	1,223	(92,885)	1,879,520
Long-term liabilities:				
Long-term debt	1,343,198	1,101,075	0	2,444,273
Client funds liability	161,782	0	0	161,782
Deferred compensation liability	192,624	0	0	192,624
Total long-term liabilities	1,697,604	1,101,075	0	2,798,679
Total liabilities	3,668,786	1,102,298	(92,885)	4,678,199
Net assets:				
Unrestricted	1,831,323	40,115	0	1,871,438
Temporarily restricted	102,648	0	0	102,648
Permanently restricted	19,524	0	0	19,524
Total net assets	1,953,495	40,115	0	1,993,610
TOTAL LIABILITIES AND NET ASSETS	$ 5,622,281	$ 1,142,413	($ 92,885)	$ 6,671,809

Journey Mental Health Center, Inc. and Subsidiaries

Consolidating Statement of Activities

Year Ended December 31, 2015

	Journey Mental Health Center, Inc.	Bay Side Place, LLC	Eliminations	Total
Revenue:				
Dane County contract	$ 13,819,383	$ 0	$ 0	$ 13,819,383
Client revenue	2,282,808	0	0	2,282,808
Capitation revenue	2,233,064	0	0	2,233,064
CCS	60,580	0	0	60,580
Contract income	1,924,886	0	0	1,924,886
Donations	191,413	0	0	191,413
United Way	175,235	0	0	175,235
Miscellaneous	556,471	124,689	(124,441)	556,719
Investment loss	(2,287)	0	0	(2,287)
Total revenue	21,241,553	124,689	(124,441)	21,241,801
Expenses:				
Program activities:				
Adult mental health	13,459,674	0	0	13,459,674
Adult drug and alcohol	1,535,631	0	0	1,535,631
Children's services	2,253,453	0	0	2,253,453
Other support services	275,304	124,441	(124,441)	275,304
Total program activities	17,524,062	124,441	(124,441)	17,524,062
Resource development	372,902	0	0	372,902
Management and general	3,088,927	0	0	3,088,927
Total expenses	20,985,891	124,441	(124,441)	20,985,891
Change in net assets	255,662	248	0	255,910
Net assets - Beginning of year	1,697,833	39,867	0	1,737,700
Net assets - End of year	$ 1,953,495	$ 40,115	$ 0	$ 1,993,610