

CENTRAL KANSAS MENTAL HEALTH CENTER
Salina, Kansas

FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CENTRAL KANSAS MENTAL HEALTH CENTER

FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Board of Directors
Central Kansas Mental Health Center
Salina, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of Central Kansas Mental Health Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

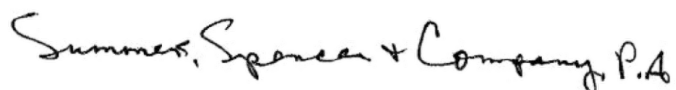
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Kansas Mental Health Center as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 17 through 21, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The information on pages 17 through 20, with the exception of the budget information, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements and has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 17 through 20, with the exception of the budget information, is fairly stated in all material respects in relation to the financial statements as a whole. The budget information on page 18 and the schedule of insurance and fidelity bond coverage on page 21 have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior Period Financial Statements

The 2016 financial statements of Central Kansas Mental Health Center were audited by Clubine and Rettele, Chartered who merged with Summers, Spencer & Company, P.A. as of November 1, 2017, and whose report dated May 5, 2017 expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Summers, Spencer & Company, P.A.".

Summers, Spencer & Company, P.A.
Salina, Kansas

June 18, 2018

CENERAL KANSAS MENTAL HEALTH CENTER

STATEMENTS OF FINANCIAL POSITION

December 31,	2017	2016
ASSETS		
Current assets		
Cash	\$ 2,711,754	3,338,834
Certificates of deposit	2,253,971	1,249,941
Accounts receivable	711,488	588,484
Interest receivable	4,098	1,192
Prepaid expense	<u>146,980</u>	<u>150,167</u>
Total current assets	<u>5,828,291</u>	<u>5,328,618</u>
Other assets		
Certificates of deposit - designated for fixed assets	200,000	200,000
Beneficial interest in assets held by Greater Salina Community Foundation	<u>24,247</u>	<u>20,919</u>
Total other assets	<u>224,247</u>	<u>220,919</u>
Property and equipment, net	<u>3,338,142</u>	<u>3,436,655</u>
Total assets	<u><u>\$ 9,390,680</u></u>	<u><u>\$ 8,986,192</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 107,764	\$ 113,609
Accrued payroll and liabilities	352,082	358,092
Unearned revenue	<u>9,002</u>	<u>-</u>
Total current liabilities	<u>468,849</u>	<u>471,701</u>
Net assets		
Unrestricted		
Designated for fixed assets	200,000	200,000
Undesignated	8,714,331	8,314,491
Temporarily restricted	<u>7,500</u>	<u>-</u>
Total net assets	<u>8,921,831</u>	<u>8,514,491</u>
Total liabilities and net assets	<u><u>\$ 9,390,680</u></u>	<u><u>\$ 8,986,192</u></u>

The accompanying notes are an integral part of the financial statements.

CENTRAL KANSAS MENTAL HEALTH CENTER

STATEMENTS OF ACTIVITIES

For the years ended December 31,	2017	2016
Unrestricted support and revenue		
Patient service revenue, net	\$ 6,593,021	\$ 6,133,684
Payments from counties	402,980	359,099
State aid	299,402	299,404
Other State aid and grants	628,549	521,986
Federal aid	31,070	24,331
Workshop/teaching revenue	6,030	5,815
Interest	20,829	15,476
Net unrealized gain on investment	3,328	1,563
Contributions and memorials	8,103	178
Miscellaneous revenue	67,924	80,816
Total unrestricted support and revenue	8,061,236	7,442,352
Net assets released from restrictions	128,148	190,802
Total unrestricted support, revenue and reclassifications	8,189,384	7,633,154
Expenses		
Program services	5,713,133	5,628,188
Management and general	2,076,411	2,002,264
Total expenses	7,789,544	7,630,452
Change in unrestricted net assets	399,840	2,702
Temporarily restricted support		
Supported housing	13,434	18,715
KDOT Ops grant	5,000	5,000
Designated grant income	59,142	69,749
PATH grant	58,072	68,953
Total temporarily restricted support	135,648	162,417
Net assets released from restrictions	(128,148)	(190,802)
Change in temporarily restricted net assets	7,500	(28,385)
Increase (decrease) in total net assets	407,339	(25,683)
Net assets at beginning of year	8,514,491	8,540,174
Net assets at end of year	\$ 8,921,831	\$ 8,514,491

The accompanying notes are an integral part of the financial statements.

CENTRAL KANSAS MENTAL HEALTH CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31,

	2017		
	Program Services	Management and General	Total
Personnel	\$ 3,307,251	\$ 1,151,968	\$ 4,459,219
Professional consultation	48,307	-	48,307
Payroll tax, KPERS, benefits	1,261,918	480,128	1,742,046
Facility rent	7,812	-	7,812
Repairs and maintenance	27,410	7,716	35,126
Computer maintenance	80,901	36,682	117,583
Copier maintenance and fees	9,506	5,750	15,256
Contracted services	675,829	17,325	693,154
Phone	14,475	4,916	19,391
Postage	-	6,628	6,628
Professional development	9,682	6,922	16,604
Professional licenses and dues	1,330	175	1,505
Mileage	121,340	3,360	124,700
Vehicle maintenance	4,277	-	4,277
Center business and travel	438	915	1,353
Center business and meetings	3,975	2,945	6,920
Advertising and marketing	9,112	2,068	11,180
Center membership and dues	-	19,473	19,473
Center subscriptions	512	308	820
Office supplies	17,335	13,344	30,679
Program supplies	9,778	-	9,778
FCAC client flex funding	384	-	384
Client flexible funding	1,886	-	1,886
Supported housing	24,487	-	24,487
CSS activity fund	3,026	-	3,026
Audit and legal	-	8,640	8,640
Insurance property and liability	-	94,004	94,004
Utilities	48,441	17,994	66,435
Food	23,721	-	23,721
Depreciation	-	195,150	195,150
	<u>\$ 5,713,133</u>	<u>\$ 2,076,411</u>	<u>\$ 7,789,544</u>

The accompanying notes are an integral part of the financial statements.

CENTRAL KANSAS MENTAL HEALTH CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31,

	2016		
	Program Services	Management and General	Total
Personnel	\$ 3,484,159	\$ 1,117,060	\$ 4,601,219
Professional consultation	48,927	-	48,927
Payroll tax, KPERS, benefits	1,278,428	437,123	1,715,551
Facility rent	8,112	-	8,112
Repairs and maintenance	30,409	9,136	39,545
Computer maintenance	80,007	26,617	106,624
Copier maintenance and fees	8,504	7,788	16,292
Contracted services	328,273	15,795	344,068
Purchased service for clients	33,817	-	33,817
Phone	13,717	3,711	17,428
Postage	-	12,548	12,548
Professional development	10,033	4,443	14,476
Professional licenses and dues	2,988	-	2,988
Mileage	151,559	1,754	153,313
Vehicle maintenance	7,619	-	7,619
Center business and travel	463	314	777
Center business and meetings	3,886	1,885	5,771
Advertising and marketing	3,382	13,300	16,682
Center membership and dues	-	17,830	17,830
Center subscriptions	512	309	821
Office supplies	17,030	11,737	28,767
Program supplies	16,042	-	16,042
FCAC client flex funding	1,774	-	1,774
Client flexible funding	2,274	-	2,274
Supported housing	19,291	-	19,291
CSS activity fund	4,096	-	4,096
Audit and legal	-	9,569	9,569
Insurance property and liability	-	102,680	102,680
Utilities	47,302	18,070	65,372
Food	25,584	-	25,584
Other costs	-	1	1
Depreciation	-	190,594	190,594
	<u>\$ 5,628,188</u>	<u>\$ 2,002,264</u>	<u>\$ 7,630,452</u>

The accompanying notes are an integral part of the financial statements.

CENTRAL KANSAS MENTAL HEALTH CENTER

STATEMENTS OF CASH FLOWS

For the year ended December 31,	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 407,339	\$ (25,683)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	195,150	190,594
Unrealized gain on investment	(3,328)	(1,564)
(Increase) decrease in operating assets		
Accounts receivable	(123,004)	110,547
Interest receivable	(2,906)	(96)
Prepaid expenses	3,188	(15,383)
Increase (decrease) in operating liabilities		
Accounts payable	(5,845)	(71,277)
Accrued wages and other liabilities	(6,010)	(2,482)
Unearned revenue	9,002	-
<i>Net cash provided by operating activities</i>	<u>473,586</u>	<u>184,656</u>
Cash flows from investing activities:		
Purchase of investments	<u>(1,004,029)</u>	<u>(3,441)</u>
<i>Net cash used in investing activities</i>	<u>(1,004,029)</u>	<u>(3,441)</u>
Cash flows from financing activities:		
Purchase of property and equipment	<u>(96,637)</u>	<u>(306,171)</u>
<i>Net cash used in investing activities</i>	<u>(96,637)</u>	<u>(306,171)</u>
Net decrease in cash	(627,080)	(124,956)
Cash at beginning of year	<u>3,338,834</u>	<u>3,463,790</u>
Cash at end of year	<u><u>\$ 2,711,754</u></u>	<u><u>\$ 3,338,834</u></u>

The accompanying notes are an integral part of the financial statements.

CENTRAL KANSAS MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

Note 1 – Reporting entity

The Central Kansas Mental Health Center is an agency of the board of county commissioners of Ellsworth, Dickinson, Lincoln, Ottawa and Saline Counties, Kansas, established for the purpose of furnishing mental health services to the five-county area formed under K.S.A 19-4001 et. seq.

Note 2 – Summary of significant accounting policies

Accounting method

The Central Kansas Mental Health Center prepares its financial statements on the accrual method of accounting in conformity with U.S generally accepted accounting principles.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC Topic 958, Not-for-Profit Entities. Under ASC Topic 958, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Classification of restricted net assets is determined by the nature of any donor imposed restrictions.

As of December 31, 2017 and 2016, the Center had no permanently restricted net assets.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, expenses have been allocated based on management's estimates:

Program Services – Outpatient, emergency, medical, community-based youth and adult, health homes, Martin Youth Center services, and prevention/education.

Management and General – Direction of the overall affairs of Central Kansas Mental Health Center's administration, personnel, and accounting.

Fundraising – This is not a typical form of revenue. No fundraising revenue or expense was incurred for the years ended December 31, 2017 and 2016. Ordinarily, it is required to present fundraising expense as a functional expense; however, since there were no fundraising expenses, this category has been omitted from these financial statements.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

CENTRAL KANSAS MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

Cash and cash equivalents

Cash on hand, in checking, and in money market accounts are considered to be cash and cash equivalents. The Central Kansas Mental Health Center considers these funds available for current operations.

Property and equipment

Property and equipment are recorded at cost, if purchased, or for donated assets, fair market value at the time of the donation. Depreciation is computed using the double declining balance or straight-line methods based on estimated useful lives as follows:

Building and improvements	5 - 40 years
Furnishings and equipment	5 - 10 years
Technology	3 - 5 years
Landscaping	20 years

Capitalization policy

The capitalization policy of Central Kansas Mental Health Center defines a capital asset as a unit of tangible property that: (1) has an economic life of more than 12 months; and (2) was acquired or produced for a cost of more than \$500, including acquisition and installation cost on the same invoice. All capital assets are recorded at historical cost as of the date acquired.

Revenue recognition

Revenue is reported at the net realizable amounts earned from clients, third-party payors (primarily Medicare and Medicaid), and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustments.

The Center receives additional funding from government agencies which is generally recognized in the period to which the funding relates or when received, depending on the circumstances.

Accounts receivable

Accounts receivable consist of potential reimbursements from Medicaid, Medicare, Blue Cross Blue Shield, other commercial insurance, contracts, and self-pay from individuals. Account balances are written off when deemed uncollectible. An allowance for doubtful accounts has been established for receivable accounts that are presumed to be uncollectible, but have not yet been removed from the accounting system. The allowance is determined based upon a review of outstanding receivables, historical collection information and existing economic conditions. At December 31, 2017 and 2016, the allowance was \$40,458 and \$42,070 respectively.

Income taxes

The Center is a not-for profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes have been included in the accompanying financial statements.

The Center has adopted the provisions of FASB ASC 740-10, *Accounting for Income Taxes*. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. As of December 31, 2017, management has determined that no uncertain tax positions have been taken by the Center.

CENTRAL KANSAS MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

Operating budgets

An operating budget is not required, however annual budgets are prepared and adopted by the Board of Directors.

Note 3 – Deposits

Cash and cash equivalents were comprised of the following at December 31:

	2017	2016
Cash on hand	\$ 1,123	\$ 1,123
First Bank Kansas, Salina, KS		
Checking account (payroll)	35,921	21,713
Checking account (regular)	57,053	15,564
Checking account (cafe plan)	28,064	31,845
Sunflower Bank, Salina, KS		
Checking account (donation)	119	-
First Bank Kansas, Salina, KS		
Money market account	2,589,473	3,268,589
Totals	<u>\$ 2,711,754</u>	<u>\$ 3,338,834</u>

Certificates of deposit at December 31 were issued by the following financial institutions:

	2017	2016
First Bank Kansas, Salina, KS	\$ 1,513,622	\$ 511,430
Bank of Tescott	245,000	245,000
Solomon State Bank	245,000	245,000
Bennington State Bank	450,349	448,511
	<u>\$ 2,453,971</u>	<u>\$ 1,449,941</u>
Undesignated	\$ 2,253,971	\$ 1,249,941
Designated for fixed assets	200,000	200,000
	<u>\$ 2,453,971</u>	<u>\$ 1,449,941</u>

Note 4 – Beneficial interest

Central Kansas Mental Health Center transferred \$10,000 to the Greater Salina Community Foundation in the year 2000. Distributions from the Greater Salina Community Foundation will be made in the manner consistent with its policies and procedures. The Greater Salina Community foundation was given variance power over the assets. The assets are recorded at fair market value at December 31, 2017 and 2016 as determined by the Greater Salina Community Foundation. The investment policy governing the underlying investments is established by the Board of the Foundation. The investment process of the Foundation seeks to achieve an after-cost total rate of return, (interest and dividend payments plus realized and unrealized capital appreciation) which exceeds the annual distribution with acceptable levels of risk.

CENTRAL KANSAS MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

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The assets are invested in a well-diversified asset mix, which includes equity and debt securities, fixed income and cash that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% while growing the funds if possible. Actual returns in any given year may vary. Investment strategies are managed to not expose the funds to unacceptable levels of risk. The Foundation has a policy of appropriating for distributions each year an amount up to 5%, or the amount stipulated in the fund agreement if different, of each permanently restricted endowment fund's average fair value of the prior twenty quarters through the calendar year end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets.

Activity in this fund included in investment income was as follows:

	2017	2016
Beginning balance, January 1	\$ 20,919	\$ 19,356
Appreciation	3,523	1,758
Administrative Fees	(195)	(195)
Ending balance, December 31	<u>\$ 24,247</u>	<u>\$ 20,919</u>

Note 5 – Property and equipment

Property and equipment at December 31, consisted of the following:

	2017	2016
Land	\$ 645,481	\$ 645,481
Building and improvements	4,889,784	4,875,242
Furnishings and equipment	819,450	796,042
Technology	873,972	827,691
Landscaping	<u>25,540</u>	<u>25,540</u>
Total property and equipment	7,254,227	7,169,996
Less accumulated depreciation	<u>(3,916,086)</u>	<u>(3,733,341)</u>
Property and equipment, net	<u>\$ 3,338,141</u>	<u>\$ 3,436,655</u>

Depreciation expense was \$195,150 and \$190,594 for the years ended December 31, 2017 and 2016 respectively.

CENTRAL KANSAS MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

Note 6 – Fair value measurements

For assets and liabilities measured at fair value on a recurring basis during the period, U.S. generally accepted accounting principles requires quantitative disclosures about the fair value measurements separately for each major category of assets and liabilities. The three levels of fair value are described below.

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: 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, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Those assets measured at fair value on a recurring basis in the Statement of Financial Position and the types of inputs used to estimate fair value are as follows at December 31, 2017 and 2016:

	Fair Market Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Certificates of deposit	\$ 2,453,971	\$ 2,453,971	\$ -	\$ -
Beneficial interest	24,247	-	24,247	-
Total	<u>\$ 2,478,218</u>	<u>\$ 2,453,971</u>	<u>\$ 24,247</u>	<u>\$ -</u>
December 31, 2016				
Certificates of deposit	\$ 1,449,941	\$ 1,449,941	\$ -	\$ -
Beneficial interest	20,919	-	20,919	-
Total	<u>\$ 1,470,860</u>	<u>\$ 1,449,941</u>	<u>\$ 20,919</u>	<u>\$ -</u>

Certificates of deposit are valued based on the amount deposited plus added interest, if any, which approximates fair value.

The beneficial interest held at the Greater Salina Community Foundation (GSCF) was determined by the GSCF based upon Central Kansas Mental Health Center's allocable share in the market value of the underlying investments made by the GSCF as reported to the GSCF by a third-party trustee from published market quotes.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

Note 7 – Investment income

The following schedule summarizes the investment return, all of which is classified as unrestricted in the Statement of Activities:

For the year ended December 31, 2017	Savings and Money Market	Certificates of Deposit	Beneficial Interest	Total
Interest	\$ 8,243	\$ 12,586	\$ -	\$ 20,829
Realized and unrealized gains	-	-	3,328	3,328
	<u>\$ 8,243</u>	<u>\$ 12,586</u>	<u>\$ 3,328</u>	<u>\$ 24,157</u>
For the year ended December 31, 2016	Savings and Money Market	Certificates of Deposit	Beneficial Interest	Total
Interest	\$ 6,873	\$ 8,603	\$ -	\$ 15,476
Realized and unrealized gains	-	-	1,563	1,563
	<u>\$ 6,873</u>	<u>\$ 8,603</u>	<u>\$ 1,563</u>	<u>\$ 17,039</u>

Note 8 – Compensated absences

As of December 31, 2017 and 2016, the following amounts had been accumulated and remain unpaid:

	2017	2016
Paid leave	\$ 242,059	\$ 231,336
Extended leave	592,188	547,193
Totals	<u>\$ 834,247</u>	<u>\$ 778,529</u>

Paid leave has been accrued on the December 31, 2017 and 2016 financial statements. Extended leave is not reimbursed if an employee terminates for any reason other than retirement, and in the case of retirement, is reimbursed at a rate of \$15 per hour up to a limit of 600 hours. The amounts listed in the above summary for extended leave are based on the end of year employee hourly rates.

Note 9 – Defined benefit pension plan

Plan description. Central Kansas Mental Health Center participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009,

CENTRAL KANSAS MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from Central Kansas Mental Health Center were \$375,209 and \$405,411 for the years ended December 31, 2017 and 2016.

Net Pension Liability. At December 31, 2017, the Central Kansas Mental Health Center's proportionate share of the collective net pension liability reported by KPERS was \$3,654,019. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The Center's proportion of the net pension liability was based on the ratio of the Center's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS.

The fiduciary net position of the KPERS' pension plan as of June 30, 2017 was \$18,633,840,421 and the total KPERS pension liability was \$27,762,469,483. The pension plan's net position as a percentage of the total pension liability was 67.12% as of June 30, 2017.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2016 which was rolled forward to June 30, 2017, using the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.75%
Salary increase	3.50% to 12%, including price inflation
Investment rate of return	7.75% compounded annually, net of investment expense including price inflation

Discount Rate. The discount rate used to measure the total liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The state/school and local groups do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap.

Note 10 – Other employee benefits

The Central Kansas Mental Health Center adopted a cafeteria plan which covers employees upon employment. Ongoing employees declare intent to participate in the plan before January 1 of each year. The benefits that are available include health care reimbursement, dependent care assistance and insurance premium expense. This plan is administered by an outside entity.

CENTRAL KANSAS MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

The Central Kansas Mental Health Center offers its employees a 403b plan. Participation is voluntary. The Center does not match any contributions.

Note 11 – Post-employment benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Center makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. While the insured pays the full amount of the applicable premium, conceptually, the Center is subsidizing the insured because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Note 12 – Concentrations and credit risk

Financial instruments that potentially subject the Center to credit risk consist principally of trade receivables. The Center grants credit without collateral or other security to its patients, most of whom are insured under third-party payor agreements. The Center routinely obtains assignments of (or otherwise entitled to receive) benefits receivable under the health insurance programs, plans or policies of clients (e.g. Medicare, Medicaid, commercial insurance).

As of December 31, 2017, the carrying amount of Central Kansas Mental Health Center's deposits, including certificates of deposit, was \$5,164,602 and the bank balance was \$5,286,502. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$990,000 and was covered by FDIC insurance, and \$4,296,502 was collateralized with pledged securities held by the pledging financial institutions agents in Central Kansas Mental Health Center's name.

Note 13 – Temporarily restricted net assets

The Central Kansas Mental Health Center periodically receives grants and other contributions to finance specific programs and services. At December 31, 2017, temporarily restricted net assets consisted of \$7,500 restricted for adult crisis services. These funds were received from a donor-advised fund and did not have any specific time restrictions on expenditure of the grant.

Note 14 – Pending accounting pronouncements

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition guidance including industry-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2018. The effect that the standard will have in the financial statements has not been determined.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in the ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 31, 2019, including interim periods within those fiscal years. Adoption of the standard is not expected to have a significant impact on the Center's financial statements.

CENTRAL KANSAS MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities Topic (958): Presentation of Financial Statements of Not-for-Profit Entities, which significantly amends the standards for the disclosures that accompany the financial statements of nonprofit organizations. ASU 2016-14 aims to provide more relevant information about the organization's resources (and the changes in those resources) to donors, grantors, creditors and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses and liquidity and availability of resources. The amendments in ASU 2016-14 are effective for annual financial statements issued for the fiscal years beginning after December 15, 2017. Management is currently evaluating the impact this may have on the Center's financial statements.

Note 15 – Subsequent events

Central Kansas Mental Health Center's management has evaluated events and transactions occurring after December 31, 2017 through June 18, 2018. The aforementioned date represents the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

For the Years Ended December 31, 2017 and 2016

CENTRAL KANSAS MENTAL HEALTH CENTER

SCHEDULE OF FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Identifier	Federal Awards	State Awards	Expenditures
U.S. Department of Health and Human Services					
Passed through Kansas Department for Aging and Disability Services					
Federal PATH Grant	93.150	PATH	\$ 31,070	\$ -	\$ 31,070
Mental Health Block Grant	93.958	MHBG	9,002	-	9,002
PATH Grant			-	27,002	27,002
MHCC			-	431,687	431,687
State Aid			-	299,402	299,402
Behavioral Health Services			-	208,431	208,431
Passed Through Compass Behavioral Health					
Block Grants for Community Mental Health Services		MHCC	10,499	-	10,499
TOTALS			<u>\$ 50,571</u>	<u>\$ 966,522</u>	<u>\$ 1,017,093</u>

The accompanying notes are an integral part of the financial statements.

CENTRAL KANSAS MENTAL HEALTH CENTER

STATEMENT OF REVENUES, EXPENDITURES AND BUDGET

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	(Unaudited) Budget	
Revenues				
Patient service revenue, net	\$ 6,133,684	\$ 6,593,021	\$ 6,694,000	\$ (100,979)
Other revenues				
Payments from counties	359,099	402,980	402,980	-
State aid	299,404	299,402	299,404	(2)
Federal aid and grants	737,119	787,767	667,342	120,425
Workshop/teaching revenue	5,815	6,030	3,000	3,030
Interest	15,476	20,829	14,000	6,829
Net unrealized gain (loss) on investment	1,563	3,328	-	3,328
Contributions and memorials	178	8,103	-	8,103
Miscellaneous revenue	80,816	67,924	75,492	(7,568)
Total other revenues	1,499,470	1,596,363	1,462,218	134,145
Total revenues	7,633,154	8,189,384	8,156,218	33,166
Operating expenditures				
Salaries	4,601,218	4,459,219	4,381,800	77,419
Consultations	48,928	48,308	50,000	(1,693)
Payroll taxes, KPERS, and benefits	1,715,551	1,742,047	1,929,205	(187,158)
Rent	8,112	7,812	12,600	(4,788)
Repairs and maintenance	39,546	35,126	30,000	5,126
Computer costs	106,624	117,583	100,000	17,583
Copier maintenance and fees	16,292	15,256	17,000	(1,744)
Contracted services	344,068	693,155	909,600	(216,445)
Phone	17,428	19,392	20,000	(608)
Postage	12,548	6,628	13,000	(6,372)
Professional development	14,475	16,604	19,100	(2,496)
Professional licenses and dues	2,988	1,505	4,185	(2,680)
Mileage	153,313	124,699	150,300	(25,601)
Vehicle maintenance	7,619	4,277	6,000	(1,723)
Advertising	16,682	11,181	13,000	(1,819)
Office supplies	28,767	30,678	17,000	13,678
Program supplies	16,042	9,778	12,620	(2,842)
Audit and legal	9,569	8,640	15,000	(6,360)
Insurance	102,680	94,004	100,000	(5,996)
Utilities	65,372	66,434	72,500	(6,066)
Dues, subscriptions and licenses	18,651	20,293	21,500	(1,207)
Center business and meetings	6,548	8,272	15,800	(7,528)
Expenditures for clients	86,836	53,504	38,975	14,529
Depreciation	190,594	195,150	250,000	(54,850)
Other costs	1	-	-	-
Total operating expenditures	7,630,452	7,789,544	8,199,185	(409,641)
Excess revenues under (over) expenditures	\$ 2,702	\$ 399,840	\$ (42,967)	442,807

The accompanying notes are an integral part of the financial statements.

CENTRAL KANSAS MENTAL HEALTH CENTER

CAPITAL EXENDITURES

For the Year Ended December 31, 2017

Furnishings and equipment	
2016 Ford Transit XLT Van	\$ 30,588
Husqvarna Riding Mower	3,827
Maytag Washer and Dryer	<u>1,398</u>
Total furnishings and equipment	<u>35,813</u>
Technology	
WorkCentre Copier 3655	2,558
HP ProDesk Computer	753
15 - HP ProDesk Computers	11,295
11 - Dell Latitude Laptops	7,480
SQL Server standard edition/windows 8 server datacenter	1,002
Accounting Server	10,426
Xerox Copier WorkCentre 3345	544
65" HD Smart LED TV	898
MIP Abila- Accounting Software	<u>11,325</u>
Total technology	<u>46,281</u>
Buildings	
Crossroad Remodel	<u>14,543</u>
Total capital expenditures	<u>\$ 96,637</u>

The accompanying notes are an integral part of the financial statements.

CENTRAL KANSAS MENTAL HEALTH CENTER

CAPITAL EXENDITURES

For the Year Ended December 31, 2016

Furnishings and equipment	
Furniture for Martin Youth Center	\$ 3,343
Beds for Martin Youth Center	930
Monitoring Equipment for Outpatient and Crossroad Buildings	6,250
Lobby Furniture in Outpatient Building	<u>8,184</u>
Total furnishings and equipment	<u>18,707</u>
Technology	
2 - Lenovo Notebooks	1,798
2 - Lenovo Yoga Ultrabooks	1,587
2 - Data Drops for Martin Youth Center	2,100
Engenius DuraFon Cordless Phone	548
Xerox Copier	4,995
2 - Lenovo Notebooks	1,458
HP Smart Buy ProDesk Computer	646
HP Smart Buy ProDesk Computer	647
Xerox Copier WorkCentre 3655	2,929
3 - Swipe Card Security Readers at Crossroads	9,500
13 - Dell Latitude Laptops	<u>9,360</u>
Total technology	<u>35,568</u>
Buildings	
Martin Youth Center Remodeling	<u>251,896</u>
Total capital expenditures	<u><u>\$ 306,171</u></u>

The accompanying notes are an integral part of the financial statements.

CENTRAL KANSAS MENTAL HEALTH CENTER

INSURANCE AND FIDELITY BOND COVERAGE

For the Year Ended December 31, 2017

		<u>Amount of Coverage</u>
Commercial Property Coverage		
Buildings		\$ 5,577,267
Business Personal Property		1,000,000
Business Income with Extra Expense		6,000,000
Data Defender		
Response Expenses	Annual Aggregate	50,000
Defense and Liability	Annual Aggregate	50,000
Identity Recovery	Annual Aggregate	25,000
Crime Coverage		
Employee Theft (Primary)	Per Occurrence	50,000
Employee Theft (Expanded Coverage)	Per Occurrence	25,000
Forgery	Per Occurrence	25,000
Money and Securities (Inside Premises)	Per Occurrence	25,000
Money and Securities (Outside Premises)	Per Occurrence	5,000
Money Orders and Counterfeit Money	Per Occurrence	25,000
Commercial Automobile		
Liability		1,000,000
Uninsured / Underinsured Liability		1,000,000
Medical Payments		5,000
Professional Liability		
Hospital Professional Liability	Each Claim	200,000
Hospital Professional Liability	Annual Aggregate	600,000
General Liability		
General Liability	Each Occurrence	1,000,000
General Liability	Annual Aggregate	3,000,000
Umbrella Liability		
Umbrella Liability	Each Claim	2,000,000
Umbrella Liability	Annual Aggregate	2,000,000
Worker's Compensation		
Bodily Injury by Accident	Each Accident	500,000
Bodily Injury by Disease	Each Employee	500,000
Bodily Injury by Disease	Policy Limit	500,000

The accompanying notes are an integral part of the financial statements.