FAMILY SERVICE AND GUIDANCE CENTER OF TOPEKA, INC.
AND FOUNDATION

Financial Statements
December 31, 2018
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Independent Auditor's Report

To the Board of Directors
Family Service and Guidance Center of Topeka, Inc.
Family Service and Guidance Center Foundation
Topeka, Kansas

We have audited the accompanying combined financial statements of Family Service and Guidance Center of Topeka, Inc. and Family Service and Guidance Center Foundation (nonprofit organizations), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related summary of significant accounting policies and notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Family Service and Guidance Center of Topeka, Inc. and Family Service and Guidance Center Foundation as of December 31, 2018, 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 of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 combined financial statements, and our report dated May 8, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2019 on our consideration of Family Service and Guidance Center of Topeka, Inc. and Family Service and Guidance Center Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of 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 Family Service and Guidance Center of Topeka, Inc. and Family Service and Guidance Center Foundation's internal control over financial reporting and compliance.

Mize Houser & Company P.A.

Certified Public Accountants

May 10, 2019
Topeka, Kansas

FAMILY SERVICE AND GUIDANCE CENTER OF TOPEKA, INC.
AND FOUNDATION

Combined Statement of Financial Position
December 31, 2018
With Summarized Financial Information for December 31, 2017

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets:				
Cash and cash equivalents	$ 385,437	$ -	$ 385,437	$ 137,450
Cash and cash equivalents – Foundation	107,484		107,484	102,487
Accounts receivable (net):				
Client services	1,019,372		1,019,372	1,187,055
Other	10,530		10,530	23,765
Pledges receivable – Foundation		4,554	4,554	5,721
Prepaid expenses	126,356		126,356	102,121
Investments	8,559,475	113,495	8,672,970	9,246,679
Investments – Foundation	886,084	1,661,176	2,547,260	2,893,783
Investment in 457 retirement account	1,404,805		1,404,805	1,460,734
Land, property and equipment at cost, less accumulated depreciation	8,031,324		8,031,324	8,398,131
Total assets	$20,530,867	$ 1,779,225	$22,310,092	$23,557,926
Liabilities:				
Accounts payable	$ 175,456	$ -	$ 175,456	$ 208,884
Accrued payroll and payroll tax	555,073		555,073	462,561
Accrued health insurance claims	85,942		85,942	44,066
Accrued vacation and sick leave	645,685		645,685	616,745
Other accrued expenses	73,779		73,779	76,220
Deferred revenue	169,348		169,348	140,230
Line of credit				398,234
Long-term debt	95,660		95,660	457,628
Due to 457 retirement participants	1,404,805		1,404,805	1,460,734
Total liabilities	3,205,748	-	3,205,748	3,865,302
Net assets:				
Without donor restrictions	17,325,119		17,325,119	17,600,812
With donor restrictions		1,779,225	1,779,225	2,091,812
Total net assets	17,325,119	1,779,225	19,104,344	19,692,624
Total liabilities and net assets	$20,530,867	$ 1,779,225	$22,310,092	$23,557,926

The accompanying summary of significant accounting policies and notes
are an integral part of these statements

FAMILY SERVICE AND GUIDANCE CENTER OF TOPEKA, INC.
AND FOUNDATION

Combined Statement of Activities
Year Ended December 31, 2018
With Summarized Financial Information for the Year Ended December 31, 2017

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public support and revenues:				
Public support:				
State aid	$ 1,690,874	$ -	$ 1,690,874	$ 1,389,483
County funding	456,625		456,625	456,625
Grants	112,276		112,276	97,020
United Way	354		354	
Federal food	24,280		24,280	27,441
Contributions	120,603	105,863	226,466	192,035
Total public support	2,405,012	105,863	2,510,875	2,162,604
Revenue:				
Medicaid	10,651,812		10,651,812	10,914,556
Medicare				160
Insurance	850,883		850,883	800,847
Self-pay	395,579		395,579	352,518
Less: client refunds and bad debt	(52,273)		(52,273)	(76,691)
Contract	162,188		162,188	80,048
MCO incentive	135,144		135,144	66,621
Net investment income	586,171	151,637	737,808	588,720
Gain on sale of assets				4,000
Miscellaneous	95,487		95,487	89,456
Total revenue	12,824,991	151,637	12,976,628	12,820,235
Net assets released from restrictions:				
Satisfaction of time restrictions	107,030	(107,030)		
Satisfaction of purpose restriction – Early childhood intervention program	167,593	(167,593)		
Total net assets released from restrictions	274,623	(274,623)	-	-
Total public support and revenue	15,504,626	(17,123)	15,487,503	14,982,839
Expenses:				
Programs:				
Community based services	9,440,349		9,440,349	9,168,105
Educational, training and internships	321,085		321,085	311,273
Outpatient services	4,604,573		4,604,573	4,280,121
Total programs	14,366,007	-	14,366,007	13,759,499
Fundraising	236,118	-	236,118	212,282
Total expenses	14,602,125	-	14,602,125	13,971,781
Change in net assets from operations	902,501	(17,123)	885,378	1,011,058
Unrealized (losses) gains on investments	(1,178,194)	(295,464)	(1,473,658)	997,172
Change in net assets	(275,693)	(312,587)	(588,280)	2,008,230
Net assets at the beginning of year	17,600,812	2,091,812	19,692,624	17,684,394
Net assets at the end of the year	$17,325,119	$ 1,779,225	$19,104,344	$19,692,624

The accompanying summary of significant accounting policies and notes
are an integral part of these statements

FAMILY SERVICE AND GUIDANCE CENTER OF TOPEKA, INC.
AND FOUNDATION

Combined Statement of Functional Expenses
Year Ended December 31, 2018
With Summarized Financial Information for the Year Ended December 31, 2017

	Program Services						
	Community Based Services	Educational, Training & Internships	Outpatient Services	Fundraising Services	Administrative Services	2018 Total	2017 Total
Grants and other assistance to individuals in the United States	$ 1,849	$ -	$ -	$ -	$ -	$ 1,849	$ 1,507
Salaries	4,813,049	161,801	2,833,406	110,330	1,655,789	9,574,375	8,794,166
Incentives	18,462		45,535	800	47,240	112,037	180,962
Pension plan accruals and contributions	243,493	6,172	160,692	8,831	75,407	494,595	493,040
Other employee benefits	577,083	32,745	218,122	18,649	235,896	1,082,495	1,391,934
Payroll taxes	353,168	10,829	192,664	7,549	119,019	683,229	634,866
Legal	11,488				4,538	16,026	14,026
Accounting					29,900	29,900	26,600
Advertising and promotion				1,816	76,198	78,014	39,193
Office expenses	97,984	2,208	33,779	15,431	69,165	218,567	195,750
Information technology	75,495	2,307	30,370	6,301	66,677	181,150	100,825
Occupancy	238,040	8,965	56,161	3,985	156,629	463,780	361,512
Travel	94,540		561	439	12,218	107,758	111,952
Subcontracting	3,044		10,129		89,585	102,758	219,595
Professional fees	83,922	10,150	18,961	13,964	59,598	186,595	158,023
Conferences, conventions and meetings	10,179	11,867	28,592	4,585	65,122	120,345	97,896
Interest	7,358	375	2,292	167	2,817	13,009	43,653
Depreciation, depletion and amortization	294,678	11,094	72,891	5,185	128,739	512,587	551,875
Insurance	13,597		9,272		102,535	125,404	122,726
Program supplies and expense, including food	212,989	5,181	37,128	37,099	104,051	396,448	335,442
Dues and licenses	3,002	3,425	7,217	987	40,676	55,307	49,917
Employment ads and background checks	19,179	930	20,054		5,734	45,897	46,321
Allocation of administrative expenses	2,267,750	53,036	826,747		(3,147,533)		
Total functional expenses	$9,440,349	$ 321,085	$4,604,573	$ 236,118	$ -	$14,602,125	$13,971,781

The accompanying summary of significant accounting policies and notes are an integral part of these statements

FAMILY SERVICE AND GUIDANCE CENTER OF TOPEKA, INC.
AND FOUNDATION

Combined Statements of Cash Flows
Years Ended December 31,

	2018	2017
Cash flows from operating activities:		
Cash received from public support	$ 2,512,044	$ 2,161,397
Cash received for services	12,454,420	12,179,099
Cash paid to employees and vendors	(13,973,306)	(13,523,315)
Interest and dividends received	244,480	202,072
Interest paid	(13,009)	(43,653)
Net cash provided by operating activities	1,224,629	975,600
Cash flows from investing activities:		
Purchase of property and equipment	(145,780)	(144,258)
Purchase of investments	(5,465,787)	(4,255,414)
Sale of investments	5,400,124	4,286,452
Proceeds from sale of property and equipment		4,000
Net cash used in investing activities	(211,443)	(109,220)
Cash flows from financing activities:		
Principal payments on long-term debt	(760,202)	(895,222)
Net cash used in financing activities	(760,202)	(895,222)
Change in cash and cash equivalents	252,984	(28,842)
Cash and cash equivalents at beginning of year	239,937	268,779
Cash and cash equivalents at end of year	$ 492,921	$ 239,937

The accompanying summary of significant accounting policies and notes
are an integral part of these statements

FAMILY SERVICE AND GUIDANCE CENTER OF TOPEKA, INC.
AND FOUNDATION

Combined Statements of Cash Flows (Continued)
Years Ended December 31,

	2018	2017
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ (588,280)	$ 2,008,230
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	512,587	551,875
Gain on sale of property and equipment		(4,000)
Realized and unrealized gain on investments	985,895	(1,383,820)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	153,010	(146,729)
Allowance for bad debt	14,673	14,673
Accounts receivable – Other	13,235	16,765
Accounts receivable – Foundation	1,167	(1,207)
Prepaid expenses	(24,235)	14,398
Accounts payable	(33,428)	7,634
Accrued payroll	92,512	(151,443)
Accrued health insurance claims	41,876	(805)
Accrued vacation and sick leave	28,940	(14,401)
Accrued other	(2,441)	(2,446)
Deferred revenue	29,118	66,876
Total adjustments	1,812,909	(1,032,630)
Net cash provided by operating activities	$ 1,224,629	$ 975,600

The accompanying summary of significant accounting policies and notes are an integral part of these statements

Nature of the Organization

Family Service and Guidance Center of Topeka, Inc. provides behavioral health care for children and families and professional training opportunities in an environment committed to quality, innovation and effective outcomes.

It is believed the mission of FSGC can be accomplished by:

- Providing a comprehensive menu of specialized mental health services for children, youth, and families.
- Providing consultative, educational, and therapeutic services to business and industry.
- Providing services in collaboration and cooperation with other agencies and institutions.
- Providing services to all socioeconomic sectors of the community.
- Providing services targeted at preventing more serious or long-term emotional disorders.
- Providing some limited services to adult populations.
- Having a Foundation solely dedicated to the support of FSGC programs.

The Family Service and Guidance Center Foundation's purpose is to provide support for and facilitate the work of Family Service and Guidance Center, both through direct contributions, distribution of income, and through the support of activities, related, ancillary, or supporting the work of FSGC.

Principles of Combination

The combined financial statements of the Organization include the accounts of Family Service and Guidance Center of Topeka, Inc. (FSGC) and Family Service and Guidance Center Foundation (Foundation). All significant intercompany transactions have been eliminated.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence of absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

The net assets without donor restrictions operating fund represents the portion of expendable funds that is available for support of the Organization's operations.

The net assets with donor restrictions fund represent funds that are subject to restrictions of the donated instruments. These funds require either that the principal be invested in perpetuity and the income only be used by the Organization or are restricted by the donor's intent as to usage.

FSGC receives certain contributions which are to be used only to pay for various program costs. Due to the general nature of the restrictions on the use of these funds, they are included as revenues in the net assets without donor restrictions funds.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and expenses are recognized and recorded when earned or incurred.

Cash and Cash Equivalents

The Organization considers all interest-bearing deposits purchased with original maturity dates of three months or less to be cash equivalents.

Fair Value Measurement

Accounting principles generally accepted in the United States of America 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-level hierarchy for fair value measurements is defined as follows:

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets in active markets that the Organization has the ability to access.
- Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilites in active markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or by other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value heriarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include market price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The classification of a financial asset within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by management. Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of a fund within the hierarchy is based upon the pricing transparency of that fund and does not necessarily correspond to management's perceived risk of that fund.

Fair Value Measurement (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at December 31, 2018.

Money market and mutual funds – Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

Publicly-held equity, real estate and fixed income investments – Investments that are traded on an active exchange are valued at the quoted market prices based on the last sale price on the measurement date. Quoted market prices in an active market are classified as a Level 1 input. If an active market does not exist for such publicly-held equity investments, alternate valuation models using Level 2 or Level 3 inputs may be used to determine fair value.

Pledges receivable are valued at the present value of estimated future cash flows on the measurement date and are classified as a Level 3 input in the fair value hierarchy.

The preceding methods described may produce a fair value measure at fiscal year-end, which may not be indicative of future fair values.

Investments

Investments consist of money market accounts, corporate and U.S. government bonds, stocks, and mutual funds. Investments are stated at fair value. Realized and unrealized gains and losses, dividends and interest on investments is reflected in the statement of activities.

Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term could materially affect investments and the amounts reported in the statements of financial position.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid). For receivables associated with self-pay patients, the Organization records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Unconditional promises to give are recorded at net realizable value.

Property and Equipment

Land, property and equipment are carried at cost. Expenditures for additions and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense currently. Management annually reviews property and equipment to determine whether carrying values have been impaired.

Depreciation is determined on the straight-line basis with estimated useful lives as follows:

Land improvements	15 years
Building and improvements	5 – 40 years
Furniture and equipment	3 – 20 years
Vehicles	3 – 5 years
Leasehold improvements	5 years
Computer hardware and software	3 – 5 years

Deferred Revenue

Deferred revenues represent receipts of various grants, fee revenues and contracts, which are deferred and recognized over the periods to which they relate.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

See Note 11 for more information on the composition of net assets without donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the consolidated statements of activities as net asset released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations.

See Note 12 for more information on the composition of net assets with donor restrictions.

Endowment

The Organization's donor-restricted endowment consists of five funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existance or absence of donor-imposed restrictions.

Underwater Restricted Funds

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the orginal value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has $219,185 of underwater restrictricted funds at December 31, 2018.

Revenue Recognition

Fee for service revenue is recorded in the accounting records at the provider's established rates, regardless of whether the Organization expects to collect that amount. The provision for contractual adjustments (that is, the difference between established rates and expected third-party payor payments) and discounts (that is, the difference between established rates and the amount billable) are recognized on an accrual basis. These amounts are deducted from gross revenue to determine net revenue.

Expenses

Expenses are recognized by the Organiation on an accrual basis. Expenses paid in advance and not yet incurred are recorded as prepaid until the applicable period.

Functional Allocation of Expenses

The costs of providing various programs and supporting activities have been summarized on a functional basis in the combined statement of activities. The combined statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on the full time employee equivalent method, square footage utilized, and management estimates. Accordingly, certain costs have been allocated among the programs and services benefited. Administrative expenses allocated to program expenses were $3,147,533 in 2018.

Donated Materials and Services

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services.

Use of Estimates

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

Advertising

Advertising expense is charged to operations in the year incurred. Advertising expense totaled $79,014 in 2018.

Income Taxes

FSGC's and the Foundation's revenues related to their exempt purposes are exempt from income taxes under Internal Revenue Code Section 501(c)(3). Income from unrelated activities is subject to income tax under the Internal Revenue Code. FSGC and the Foundation reported no tax liability for 2018.

The Organization files income tax returns in the U.S. federal and Kansas jurisdictions. There are currently no examinations of the Organization's income tax returns in progress.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017 from which the summarized information was derived.

Accounting Pronouncements Adopted

On August 2016, the FASB issued ASU 2016-14, *"Presentation of Financial Statements of Not-for-Profit Entities"* (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The new standard applies retrospectively to annual periods beginning after December 15, 2017. The Organization has adopted this ASU as of and for the year ended December 31, 2018 with retrospective application for the 2017 combined financial statements. The Organization opted to not disclose liquidity and availability information for 2017 as permitted under the ASU in the year to include the statement of functional expenses. As a result, the investment expenses are netted against investment return in the combined statement of activities. In addition, the Organization changed its presentation of its net assets classes and expanded the footnote disclosures as required by the ASU. There were no changes to total net assets as a result of implementing the ASU.

Reclassifications

Certain accounts in the 2017 combined financial statements have been reclassified to conform with the current year financial statement presentation.

1. Cash and Cash Equivalents

The Organization maintains cash and interest-bearing deposits with banking institutions. Such balances are insured by the Federal Deposit Insurance Corporation; however, balances may occasionally exceed the insured amount.

Cash and cash equivalents at December 31, 2018 are as follows:

FSGC:	
Fidelity State Bank & Trust Co., Topeka, Kansas	
Checking	$ 277,054
Health insurance claims reserve	32,744
Heritage Bank, Topeka, Kansas money market	75,314
	385,112
Cash on hand	325
Total cash	385,437
Foundation:	
US Bank, Topeka, Kansas checking	107,484
Total cash	$ 492,921

2. Accounts Receivable – Client Services

Accounts receivable at December 31, 2018 consist of the following:

Medicaid	$ 684,756
Self-pay and insurance	558,991
	1,243,747
Less allowance for doubtful accounts	224,375
Net accounts receivable – Client services	$1,019,372

3. Accounts Receivable – Other

Accounts receivable – Other at December 31, 2018 consist of the following:

Grants	$ 3,063
Federal food	395
Other	7,072
	$ 10,530

Bad debt reversal related to accounts receivable totaled $(2,026) for the year ended December 31, 2018.

4. Investments

Investments at fair value, by investment objective, consist of the following at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Money market	$ 813,544	$ -	$ -	$ 813,544
Equity:				
U.S. equity	3,779,540	102,271		3,881,811
Foreign equity	2,181,084			2,181,084
	5,960,624	102,271	-	6,062,895
Real estate:				
U.S. listed real estate	401,585	-	-	401,585
Fixed income:				
Taxable U.S.	735,882	2,041,155		2,777,037
Taxable foreign sovereign		198,212		198,212
Taxable hedged fixed income	319,905			319,905
Taxable inflation protected securities	466,344			466,344
Taxable high yield	180,708			180,708
	1,702,839	2,239,367	-	3,942,206
Total investments	$8,878,592	$2,341,638	$ -	$11,220,230

4. **Investments** (Continued)

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the year ended December 31, 2018, there were no significant transfers in or out of Levels 1, 2 or 3.

Investment returns for the year ended December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 200,827	$ 51,055	$ 251,882
Realized and unrealized losses	(748,636)	(187,099)	(935,735)
Investment fees	(44,214)	(7,783)	(51,997)
	$ (592,023)	$ (143,827)	$ (735,850)

5. **Land, Property and Equipment**

Major classifications of land, property and equipment at December 31, 2018 are as follows:

Land and land improvements	$ 847,253
Buildings	10,827,419
Furniture and equipment	1,905,538
Vehicles	522,633
Leasehold improvements	228,427
	14,331,270
Less accumulated depreciation	6,299,946
Net land, property and equipment	$ 8,031,324

6. Self-Insured Health Insurance Program

The Organization maintains a self-insured health program covering all full-time employees. The Organization is liable for participant health claims up to $75,000 per covered life per year and participant dental claims up to $1,500 per covered life per year.

The Organization has funds available in its health insurance claims reserve cash account in the amount of $32,744 at December 31, 2018.

Claims are expensed as they are incurred. The Organization has a liability at December 31, 2018 for estimated claims incurred but not yet paid for $85,942.

7. Deferred Revenues

The Organization has deferred various receipts that relate to future periods. Major categories of deferred revenue are as follow:

Mental Health Block Grant	$ 99,736
Grants	28,560
Other deferred revenue	16,534
Contributions	24,518
Total deferred revenue	$169,348

8. Retirement Plan

The Organization sponsors a defined contribution pension plan that covers employees who are over 21 years of age and have completed at least six months of employment with the Organization. Currently, contributions to the plan are 5% of an employee's annual compensation. In addition, each participant can elect tax deferrals and currently the Organization will match one-fourth of the next 4% of salary, for a total potential contribution from the Organization of 6%.

The Organization has a nonqualified Section 457 plan that covers key employees. The investment in 457 retirement account and the amount due to 457 retirement participants was $1,404,805 at December 31, 2018. Investments consist of mutual funds selected by the participants.

Between these plans, the total 2018 retirement expense was $494,595.

9. Debt

Mortgages payable are summarized as of December 31, 2018 as follows:

Long-term debt:	
Mortgage to Fidelity State Bank & Trust, due in monthly installments of $17,876, including interest at 2.75%, final payment due in June 2019, collateralized by FSGC investment account	$ 95,660
Total debt	$ 95,660

The Organization has a line of credit with Fidelity State Bank & Trust that provides for up to $1,500,000 of short-term borrowings collateralized by all assets of FSGC with interest at 4.50%. In addition, the agreement provides that the balance of FSGC's investment account, which is pledged as collateral, cannot drop below $3,000,000. The line expires in August 2020. The Organization had outstanding borrowings of $0 on the line at December 31, 2018.

In August 2018, the mortgage to US Bank was paid off and converted to a line of credit that provides for up to $1,000,000 of short-term borrowings collateralized by a portion of FSGC's investment held at US Bank. The line expires in August 2019. The Organization had outstanding borrowings of $0 on the line at December 31, 2018.

10. Investment in LLC

In May 2009, the Organization entered into an arrangement with two other Community Mental Health Centers and the Lawrence Regional Technology Center to create an LLC called Corridor Technology Enterprises, LLC. The purpose of Corridor is to develop and market electronic medical record software. The initial investment by the Organization was $51,415. In 2010, one of the three other partners withdrew from the LLC. An additional capital infusion of $300,000 was required of the Organization and the remaining CMHC partner, and a new corporation, BrightEHR, LLC, was created. While there are contractual stipulations regarding additional capital requirements and distribution of profits, neither has occurred to date. Though this LLC continues to operate, based upon the most recently available financial information from both corporations, FSGC has adjusted their book value for the corporations to $0.

11. Net Assets Without Donor Restrictions

The Organization's net assets without donor restrictions is comprised of undesignated and board designated amounts for the following purposes at December 31, 2018:

Undesignated	$15,589,144
Board designated for equipment reserve	80,000
Board designated for building maintenance	429,335
Board designated for staff retention	250,000
Board designated for technology reserves	412,197
Board designated for corporate compliance	100,000
Board designated for internship	103,164
Board designated for leadership	7,051
Board designated for client assistance	135,043
Board designated for underwater restricted fund	219,185
Total net assets without donor restrictions	$17,325,119

12. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018:

Subject to expenditure for specified purpose or period:	
Building funds for capital expenditure or facility renovation	$ 113,495
Early childhood intervention program	1,456,081
Time restricted for Organization operations	4,554
Total subject to expenditure for specified purpose or period	1,574,130
Endowments subject to Organization's spending policy and appropriation:	
Investment in perpetuity (original amount of $205,095), which once appropriated, is expendable to support operational activities of the Organization:	
Robert H. Steele Fund	119,852
CATC/Holt Fund	53,243
Norris L. Gage Fund	12,000
Horace L. Hall Fund	10,000
Lillie M. Wiseman Fund	10,000
Total endowments subject to the Organization's spending policy and appropriation	205,095
Total net assets with donor restrictions	$ 1,779,225

13. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the combined statement of financial position date for general expenditures are as follows at December 31, 2018:

Cash and cash equivalents	$ 385,437
Cash and cash equivalents – Foundation	107,484
Investments	8,672,970
Investments – Foundation	2,547,260
Pledges receivable – Foundation	4,554
Accounts receivable, net	1,029,902
Total financial assets available within one year	12,747,607
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	(1,774,671)
Amounts unavailable to management without Board's approval:	
Board designated for equipment reserve	(80,000)
Board designated for building maintenance	(429,335)
Board designated for staff retention	(250,000)
Board designated for technology reserves	(412,197)
Board designated for corporate compliance	(100,000)
Board designated for internship	(103,164)
Board designated for leadership	(7,051)
Board designated for client assistance	(135,043)
Board designated for underwater restricted fund	(219,185)
Total amounts unavailable to management without Board's approval	(1,735,975)
Total financial assets available within one year after board designations	$ 9,236,961

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has two lines of credit totaling $2,500,000 which it could draw upon. Additionally, the Organization has board designated net assets without donor restrictions that, while the Organization does not intend to spend for these purposes other than those identified, could be made available for current operations if necessary.

14. Endowment Funds

The Organization's endowment consists of five donor-restricted funds established to support operations of FSGC. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Kansas has enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which provides authority and guidance for the management of endowment funds.

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment earnings on the endowment funds remain classified in net asset with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the various funds.
- The purpose of the Organization and the donor-restricted endowment funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

Endowment net asset composition at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	$ -	$369,567	$369,567

14. Endowment Funds (Continued)

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$393,271	$393,271
Investment return, net		(23,704)	(23,704)
Endowment net assets, end of year	$ -	$369,567	$369,567

The Organization's endowment assets are invested in a portfolio of marketable securities. The primary objective of these investments is the generation of income, with a secondary objective of capital appreciation. The securities chosen for investment are consistent with preservation of the principal sum and deemed conservative by the Organization. Proceeds from this portfolio are expended exclusively to support the stated goals of the endowment. The principal sum shall not be spent.

15. FSGC Foundation

Summarized condensed financial information for the Foundation, which is included in the combined financial statements, is as follows:

	2018	2017
Total assets	$2,679,539	$3,002,593
Total liabilities	$ 4,125	$ 1,059
Net assets:		
Without donor restrictions	1,009,684	1,050,450
With donor restrictions	1,665,730	1,951,084
Total	$2,679,539	$3,002,593
Total revenue and return on investments	$ 20,434	$ 556,048
Total expense	(346,554)	(282,904)
Changes in net assets	$ (326,120)	$ 273,144

16. Subsequent Events

The Organization has evaluated subsequent events through May 10, 2019, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MIZE HOUSER & COMPANY P.A.

Independent Auditor's Report on Supplementary Information

To the Board of Directors
Family Service and Guidance Center of Topeka, Inc.
Family Service and Guidance Center Foundation
Topeka, Kansas

We have audited the combined financial statements of Family Service and Guidance Center of Topeka, Inc. and Family Service and Guidance Center Foundation as of and for the year ended December 31, 2018 and our report thereon dated May 10, 2019, which expressed an unmodified opinion on those combined financial statements, appears on pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The information included in the accompanying schedules on pages 26 through 30, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Mize Houser & Company P.A.
Certified Public Accountants

May 10, 2019
Topeka, Kansas

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FAMILY SERVICE AND GUIDANCE CENTER OF TOPEKA, INC.

Schedules of Activities
Years Ended December 31,

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public support and revenues:				
Public support:				
State aid	$ 1,690,874	$ -	$ 1,690,874	$ 1,389,483
County funding	456,625		456,625	456,625
Grants	390,074		390,074	325,317
Federal food	24,280		24,280	27,441
Contributions	42,133		42,133	25,579
United Way	354		354	
Total public support	2,604,340	-	2,604,340	2,224,445
Revenue:				
Medicaid	10,651,812		10,651,812	10,914,556
Medicare				160
Insurance	850,883		850,883	800,847
Self-pay	395,579		395,579	352,518
Less: client refunds and bad debt	(52,273)		(52,273)	(76,691)
Contract	162,188		162,188	80,048
MCO incentive	135,144		135,144	66,621
Net investment income	528,013	8,293	536,306	413,405
Gain on sale of assets				4,000
Miscellaneous	95,487		95,487	89,456
Total revenue	12,766,833	8,293	12,775,126	12,644,920
Total public support and revenue	15,371,173	8,293	15,379,466	14,869,365
Expenses:				
Programs:				
Community based services	9,440,349		9,440,349	9,168,105
Educational, training and internships	321,085		321,085	311,273
Outpatient services	4,604,573		4,604,573	4,280,121
Total programs	14,366,007	-	14,366,007	13,759,499
Fundraising	167,362		167,362	157,675
Total expenses	14,533,369	-	14,533,369	13,917,174
Change in net assets from operations	837,804	8,293	846,097	952,191
Unrealized (losses) gains on investments	(1,072,731)	(35,526)	(1,108,257)	782,895
Change in net assets	(234,927)	(27,233)	(262,160)	1,735,086
Net assets at the beginning of year	16,550,362	140,728	16,691,090	14,956,004
Net assets at the end of year	$16,315,435	$ 113,495	$16,428,930	$16,691,090

See independent auditor’s report on supplementary information

FAMILY SERVICE AND GUIDANCE CENTER FOUNDATION

Schedules of Activities
Years Ended December 31,

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public support and revenues:				
Public support:				
Contributions	$ 78,470	$ 105,863	$ 184,333	$ 166,456
Total public support	78,470	105,863	184,333	166,456
Revenue:				
Net investment income	58,158	143,344	201,502	175,315
Total revenue	58,158	143,344	201,502	175,315
Net assets released from restrictions:				
Satisfaction of time restrictions	107,030	(107,030)		
Satisfaction of purpose restriction – Early childhood intervention program	167,593	(167,593)		
Total net assets released from restrictions	274,623	(274,623)	-	-
Total public support and revenue	411,251	(25,416)	385,835	341,771
Expenses:				
Grants to FSGC	267,798		267,798	218,297
Fundraising	78,756		78,756	64,607
Total expenses	346,554	-	346,554	282,904
Change in net assets from operations	64,697	(25,416)	39,281	58,867
Unrealized (losses) gains on investments	(105,463)	(259,938)	(365,401)	214,277
Change in net assets	(40,766)	(285,354)	(326,120)	273,144
Net assets at the beginning of year	1,050,450	1,951,084	3,001,534	2,728,390
Net assets at the end of year	$1,009,684	$1,665,730	$2,675,414	$3,001,534

See independent auditor's report on supplementary information

FAMILY SERVICE AND GUIDANCE CENTER OF TOPEKA, INC.
AND FOUNDATION

Schedule of Expenditures of Federal Awards

	Federal CFDA Number	Pass-Through Grantor's Number	Total Award Amount	Unexpended Grant Amount at 1/1/2018	2018 Grant Revenue	2018 Grant Expenditures	Unexpended Grant Amount at 12/31/2018
Department of Health and Human Services							
Mental Health Block Grant	93.958	MHRC-18-02	$156,465	$ -	$ 71,728	$ 71,728	$ -
	93.958	MHRC-19-02	217,156		108,578	108,578	
			$373,621	$ -	$180,306	$180,306	$ -

Note: The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting.

See independent auditor's report on supplementary information

MIZE HOUSER & COMPANY P.A.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Family Service and Guidance Center of Topeka, Inc.
Family Service and Guidance Center Foundation
Topeka, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in G*overnment Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Family Service and Guidance Center of Topeka, Inc. and Family Service and Guidance Center Foundation (nonprofit organizations), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related summary of significant accounting policies and notes to the financial statements, and have issued our report thereon dated May 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Family Service and Guidance Center of Topeka, Inc. and Family Service and Guidance Center Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's combined financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mize Houser & Company P.A.

Certified Public Accountants

May 10, 2019
Topeka, Kansas