

**CENTRAL KANSAS MENTAL HEALTH CENTER**  
**Salina, Kansas**

FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

# CENTRAL KANSAS MENTAL HEALTH CENTER

## FINANCIAL STATEMENTS DECEMBER 31, 2018 and 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

### Table of Contents

Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 17
Supplemental Information	
Schedule of Federal and State Awards	18
Schedule of Revenues, Expenditures and Budget	19
Capital Expenditures 2018	20
Capital Expenditures 2017	21
Insurance and Fidelity Bond Coverage	22

## 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 statements of financial position as of December 31, 2018 and December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

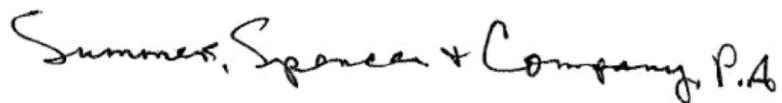
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, Schedule of Federal and State Awards, Statement of Revenues, Expenditures and Budget, Capital Expenditures, and Insurance and Fidelity Bond Coverage, 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 18 through 21, 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 18 through 21, 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 19 and the schedule of insurance and fidelity bond coverage on page 22 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.



Summers, Spencer & Company, P.A.

Salina, Kansas

June 12, 2019

**CENERAL KANSAS MENTAL HEALTH CENTER**

**STATEMENTS OF FINANCIAL POSITION**

December 31,	2018	2017
<b>ASSETS</b>		
Current assets		
Cash	\$ 2,054,520	\$ 2,711,754
Certificates of deposit	2,264,314	2,253,971
Accounts receivable	1,057,994	711,488
Interest receivable	5,214	4,098
Prepaid expense	<u>182,779</u>	<u>146,980</u>
Total current assets	<u>5,564,821</u>	<u>5,828,291</u>
Other assets		
Certificates of deposit - designated for fixed assets	207,204	200,000
Beneficial interest in assets held by Greater Salina Community Foundation	<u>22,563</u>	<u>24,247</u>
Total other assets	<u>229,767</u>	<u>224,247</u>
Land, building, and equipment, net	<u>3,922,540</u>	<u>3,338,142</u>
Total assets	<u>\$ 9,717,128</u>	<u>\$ 9,390,680</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 112,010	\$ 107,764
Accrued payroll and liabilities	417,276	352,083
Unearned revenue	<u>37,018</u>	<u>9,002</u>
Total current liabilities	<u>566,304</u>	<u>468,849</u>
Net assets		
Without donor restrictions		
Designated for fixed assets	207,204	200,000
Undesignated	8,943,620	8,714,331
With donor restrictions	<u>-</u>	<u>7,500</u>
Total net assets	<u>9,150,824</u>	<u>8,921,831</u>
Total liabilities and net assets	<u>\$ 9,717,128</u>	<u>\$ 9,390,680</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,	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	<b>Support and Revenue</b>					
Patient service revenue, net	\$ 6,969,739	\$ -	\$ 6,969,739	\$ 6,599,050	\$ -	\$ 6,599,050
Payments from counties	431,801	-	431,801	402,980	-	402,980
State aid	299,404	-	299,404	299,402	-	299,402
Other state aid and grants	918,721	145,743	1,064,464	628,550	135,648	764,198
Federal aid	38,817	-	38,817	31,070	-	31,070
Pay for performance funding	78,027	-	78,027	-	-	-
Net investment return	36,129	-	36,129	24,157	-	24,157
Gain (loss) on sale of asset	(879)	-	(879)	-	-	-
Contributions and memorials	6,415	-	6,415	8,103	-	8,103
Miscellaneous revenue	103,148	-	103,148	67,924	-	67,924
Net assets released from restriction	153,243	(153,243)	-	128,148	(128,148)	-
<b>Total support and revenue</b>	<b>9,034,565</b>	<b>(7,500)</b>	<b>9,027,065</b>	<b>8,189,384</b>	<b>7,500</b>	<b>8,196,884</b>
<b>Expenses</b>						
Program services	6,759,886	-	6,759,886	5,851,689	-	5,851,689
Management and general	2,038,186	-	2,038,186	1,937,855	-	1,937,855
<b>Total expenses</b>	<b>8,798,072</b>	<b>-</b>	<b>8,798,072</b>	<b>7,789,544</b>	<b>-</b>	<b>7,789,544</b>
Increase (decrease) in net assets	236,493	(7,500)	228,993	399,840	7,500	407,340
Beginning net assets	8,914,331	7,500	8,921,831	8,514,491	-	8,514,491
Ending net assets	\$ 9,150,824	\$ -	\$ 9,150,824	\$ 8,914,331	\$ 7,500	\$ 8,921,831

*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,	2018		
	Program Services	Management and General	Total
Personnel	\$ 3,929,043	\$ 1,170,423	\$ 5,099,466
Payroll tax, KPERS, benefits	1,425,292	505,344	1,930,636
Facility rent	9,659	-	9,659
Repairs and maintenance	61,708	15,050	76,758
IT equipment and services	87,388	41,325	128,713
Contracted services	738,798	25,552	764,350
Employee hiring fees	-	2,039	2,039
Phone	14,892	4,358	19,250
Postage	-	6,950	6,950
Professional development	24,127	9,334	33,461
Professional licenses and dues	2,853	-	2,853
Mileage	124,643	-	124,643
Vehicle maintenance	3,331	71	3,402
Center business and travel	5,552	3,886	9,438
Center business and meetings	3,070	2,825	5,895
Advertising and marketing	6,370	128	6,498
Center membership and dues	225	19,522	19,747
Center subscriptions	514	350	864
Office supplies	36,203	20,499	56,702
Program supplies	18,718	32	18,750
Client flexible funding	1,642	-	1,642
Supported housing	18,033	-	18,033
CSS activity fund	3,598	-	3,598
Audit and legal	-	15,554	15,554
Insurance property and liability	4,387	106,355	110,742
Utilities	51,808	20,474	72,282
Food	26,011	1,913	27,924
Other costs	-	25	25
Depreciation	162,021	66,177	228,198
	<u>\$ 6,759,886</u>	<u>\$ 2,038,186</u>	<u>\$ 8,798,072</u>

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

**CENTRAL KANSAS MENTAL HEALTH CENTER**

**STATEMENT OF FUNCTIONAL EXPENSES**

	2017		
	Program Services	Management and General	Total
Personnel	\$ 3,307,251	\$ 1,151,968	\$ 4,459,219
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
IT equipment and services	90,407	42,432	132,839
Contracted services	724,136	17,325	741,461
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
Client flexible funding	2,270	-	2,270
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	138,556	56,594	195,150
	<u>\$ 5,851,689</u>	<u>\$ 1,937,855</u>	<u>\$ 7,789,544</u>

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



**CENTRAL KANSAS MENTAL HEALTH CENTER**

**STATEMENTS OF CASH FLOWS**

For the years ended December 31,	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 228,993	\$ 407,340
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	228,198	195,150
Unrealized loss (gain) on investment	1,684	(3,328)
(Increase) decrease in operating assets		
Accounts receivable	(346,506)	(123,004)
Interest receivable	(1,116)	(2,906)
Prepaid expenses	(35,799)	3,188
Increase (decrease) in operating liabilities		
Accounts payable	4,246	(5,845)
Accrued wages and other liabilities	65,194	(6,010)
Unearned revenue	28,016	9,002
<i>Net cash provided by operating activities</i>	<i>172,910</i>	<i>473,587</i>
 Cash flows from investing activities:		
Purchase of investments	(17,547)	(1,004,030)
Purchase of property and equipment	(813,766)	(96,637)
Loss on sale of assets	1,169	-
<i>Net cash used in investing activities</i>	<i>(830,144)</i>	<i>(1,100,667)</i>
 Net decrease in cash	(657,234)	(627,080)
Cash at beginning of year	2,711,754	3,338,834
Cash at end of year	\$ 2,054,520	\$ 2,711,754

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

# CENTRAL KANSAS MENTAL HEALTH CENTER

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### 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 using the accrual method of accounting in conformity with U.S generally accepted accounting principles.

#### Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows.

Net assets without donor restrictions – net assets available for use in general operations and not subject to donor or certain grantor restricts. Net Assets designated for fixed assets amount agrees to the certificates for deposit designated for fixed asset purchases.

Net assets with donor restrictions – net assets subject to donor or certain grantor restrictions. Some donor-imposed restricted are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has passed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Central Kansas Mental Health Center does not have net assets with donor restrictions at December 31, 2018.

#### 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, Martin Youth Center services, and prevention/education.

Management and General – Direction of the overall affairs of Central Kansas Mental Health Center’s administration, personnel, accounting, quality assurance, support staff, IT, and building and grounds.

Fundraising – This is not a typical form of revenue. No fundraising revenue or expense was incurred for the years ended December 31, 2018 and 2017. 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.

# CENTRAL KANSAS MENTAL HEALTH CENTER

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### 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.

### 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, 2018 and 2017, the allowance was \$15,078 and \$40,458 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.

**CENTRAL KANSAS MENTAL HEALTH CENTER**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

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, 2018, management has determined that no uncertain tax positions have been taken by the Center.

**Operating budgets**

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

**Advertising**

Non-direct response advertising and marketing costs are charged to expense when incurred.

**Reclassification**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Note 3 – Deposits**

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

	2018	2017
Cash on hand	\$ 1,423	\$ 1,123
First Bank Kansas, Salina, KS		
Checking account (payroll)	31,137	35,921
Checking account (regular)	59,013	57,053
Checking account (cafe plan)	30,706	28,064
Sunflower Bank, Salina, KS		
Checking account (donation)	159	119
First Bank Kansas, Salina, KS		
Money market account	1,932,082	2,589,473
Totals	\$ 2,054,520	\$ 2,711,754

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

	2018	2017
First Bank Kansas, Salina, KS	\$ 1,529,315	\$ 1,513,622
Bank of Tescott	245,000	245,000
Solomon State Bank	245,000	245,000
Bennington State Bank	452,203	450,349
	\$ 2,471,518	\$ 2,453,971
Undesignated	\$ 2,264,314	\$ 2,253,971
Designated for fixed assets	207,204	200,000
	\$ 2,471,518	\$ 2,453,971

# CENTRAL KANSAS MENTAL HEALTH CENTER

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### Note 4 – Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date comprise the following:

Cash and undesignated certificates of deposit	\$ 4,318,834
Accounts receivable	1,057,994
Interest receivable	<u>5,214</u>
	<u>\$ 5,382,042</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Center operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

### Note 5 – 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, 2018 and 2017 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.

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:

	<u>2018</u>	<u>2017</u>
Beginning balance, January 1	\$ 24,247	\$ 20,919
(Depreciation) Appreciation	(1,489)	3,523
Administrative fees	<u>(195)</u>	<u>(195)</u>
Ending balance, December 31	<u>\$ 22,563</u>	<u>\$ 24,247</u>

## CENTRAL KANSAS MENTAL HEALTH CENTER

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

#### Note 6 – Property and equipment

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

	<u>2018</u>	<u>2017</u>
Land	\$ 645,481	\$ 645,481
Building and improvements	5,511,666	4,889,785
Furnishings and equipment	816,382	819,450
Technology	952,611	873,973
Landscaping	<u>25,540</u>	<u>25,540</u>
Total property and equipment	7,951,680	7,254,229
Less accumulated depreciation	<u>(4,029,140)</u>	<u>(3,916,087)</u>
Property and equipment, net	<u>\$ 3,922,540</u>	<u>\$ 3,338,142</u>

Depreciation expense was \$228,198 and \$195,150 for the years ended December 31, 2018 and 2017 respectively.

#### Note 7 – 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.

**CENTRAL KANSAS MENTAL HEALTH CENTER**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

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, 2018 and 2017:

	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, 2018				
Certificates of deposit	\$ 2,471,518	\$ 2,471,518	\$ -	\$ -
Beneficial interest	22,563	-	22,563	-
Total	<u>\$ 2,494,081</u>	<u>\$ 2,471,518</u>	<u>\$ 22,563</u>	<u>\$ -</u>
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>

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.

**Note 8 – 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, 2018	Savings and Money Market	Certificates of Deposit	Beneficial Interest	Total
Interest	\$ 11,743	\$ 26,070	\$ -	\$ 37,813
Realized and unrealized loss	-	-	(1,684)	(1,684)
	<u>\$ 11,743</u>	<u>\$ 26,070</u>	<u>\$ (1,684)</u>	<u>\$ 36,129</u>
For the year ended December 31, 2017				
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>

## CENTRAL KANSAS MENTAL HEALTH CENTER

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

#### Note 9 – Compensated absences

As of December 31, 2018 and 2017, the following amounts had been accumulated and remain unpaid:

	2018	2017
Paid leave	\$ 246,334	\$ 242,059
Extended leave	618,662	592,188
Totals	<u>\$ 864,996</u>	<u>\$ 834,247</u>

Paid leave has been accrued on the December 31, 2018 and 2017 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 10 – 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](http://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, 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, 2018 through September 30, 2018 for the Death and Disability Program) and the statutory contribution rate was 8.39% for the fiscal year ended December 31, 2018. Contributions to the pension plan from Central Kansas Mental Health Center were \$459,414 and \$375,209 for the years ended December 31, 2018 and 2017.

*Net Pension Liability.* At December 31, 2018, the Central Kansas Mental Health Center's proportionate share of the collective net pension liability reported by KPERs was \$3,437,198. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. 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.



## CENTRAL KANSAS MENTAL HEALTH CENTER

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

The fiduciary net position of the KPERS' pension plan as of June 30, 2018 was \$19,696,209,235 and the total KPERS pension liability was \$28,596,716,346. The pension plan's net position as a percentage of the total pension liability was 68.88% as of June 30, 2018.

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation as of December 31, 2017 which was rolled forward to June 30, 2018, 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 11 – 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.

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

#### **Note 12 – 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.

*Death and Disability Other Post Employment Benefits.* As provided by K.S.A 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2018.

#### **Note 13 – 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

## CENTRAL KANSAS MENTAL HEALTH CENTER

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

are insured under third-party payer 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, 2018, the carrying amount of Central Kansas Mental Health Center's deposits, including certificates of deposit, was \$4,526,038 and the bank balance was \$4,690,452. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$990,159 and was covered by FDIC insurance, and \$3,700,293 was collateralized with pledged securities held by the pledging financial institutions agents in Central Kansas Mental Health Center's name.

#### Note 14 – Net assets with donor restrictions

The Central Kansas Mental Health Center periodically receives grants and other contributions to finance specific programs and services. Donor restricted net assets are as follows:

<u>December 31,</u>	<u>2018</u>	<u>2017</u>
Beginning net assets with donor restrictions	\$ 7,500	\$ -
Contributions:		
Other funds advanced for future purposes	-	7,500
Supported Housing	23,548	13,435
KDOT Ops Grant	5,000	5,000
Designated grant income	65,298	51,642
PATH Grant	51,897	58,071
Expenditures	<u>(153,243)</u>	<u>(128,148)</u>
Ending net assets with donor restrictions	<u>\$ -</u>	<u>\$ 7,500</u>

#### Note 15 – Functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include operational expenses such as repairs and maintenance, depreciation, utilities, office expenses, and IT equipment and services, which are allocated based on head count in each primary department, as well as salaries and wages, benefits and payroll taxes, which are allocated on the basis of estimation of time and effort.

#### Note 16 – Change in accounting principal

In 2018, the Central Kansas Mental Health Center adopted FASB ASU 2016-14, *Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Center has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Center's financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions
- The unrestricted net asset class has been renamed net assets without donor restrictions
- The financial statements include a new disclosure about liquidity and availability of resources (Note 4)

## CENTRAL KANSAS MENTAL HEALTH CENTER

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

#### **Note 17 – Pending accounting pronouncements**

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. Management is currently evaluating the effect that the standard will have in the financial statements.

In February 2017, the FASB issued ASU 2017-02, *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.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. The guidance should assist entities in (1) evaluating whether transactions should be accounted for as contributions or as exchange transactions and (2) determining whether a contribution is conditional. The new standard is effective for fiscal years beginning after December 31, 2019, including interim period within those fiscal years.

#### **Note 18 – Subsequent events**

Central Kansas Mental Health Center's management has evaluated events and transactions occurring after December 31, 2018 through June 12, 2019. The aforementioned date represents the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

For the Years Ended December 31, 2018 and 2017

**CENTRAL KANSAS MENTAL HEALTH CENTER**

**SCHEDULE OF FEDERAL AND STATE AWARDS**

For the Year Ended December 31, 2018

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	\$ 38,817	\$ -	\$ 38,817
Mental Health Block Grant	93.958	MHBG	21,497	-	21,497
PATH Grant			-	13,080	13,080
MHCC			-	659,964	659,964
State Aid			-	299,404	299,404
Behavioral Health Services			-	<u>243,716</u>	<u>243,716</u>
Totals			<u>\$ 60,314</u>	<u>\$ 1,216,164</u>	<u>\$ 1,276,478</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, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	(Unaudited) Budget	
Revenues				
Patient service revenue, net	\$ 6,593,021	\$ 6,962,184	\$ 7,033,000	\$ (70,816)
Other revenues				
Payments from counties	402,980	431,801	431,801	-
State aid	299,402	299,404	299,404	-
Federal aid and grants	787,767	1,110,782	906,040	204,742
Workshop/teaching revenue	6,030	7,555	4,000	3,555
Interest	20,829	37,813	16,000	21,813
Net unrealized gain (loss) on investment	3,328	(1,684)	-	(1,684)
Contributions and memorials	8,103	6,415	7,500	(1,085)
Miscellaneous revenue	67,924	180,294	105,492	74,802
Total other revenues	1,596,363	2,072,380	1,770,237	302,143
Total revenues	8,189,384	9,034,564	8,803,237	231,327
Operating expenditures				
Salaries	4,459,219	5,099,466	4,914,213	185,253
Consultations	48,307	-	-	-
Payroll taxes, KPERS, and benefits	1,742,047	1,930,636	2,107,493	(176,857)
Employee hiring fees	-	2,040	-	2,040
Rent	7,812	9,659	15,600	(5,941)
Repairs and maintenance	35,126	76,757	30,000	46,757
Computer costs	117,583	128,713	185,600	(56,887)
Copier maintenance and fees	15,256	-	-	-
Contracted services	693,155	764,350	758,660	5,690
Phone	19,392	19,250	17,600	1,650
Postage	6,628	6,950	10,000	(3,050)
Professional development	16,604	33,461	19,300	14,161
Professional licenses and dues	1,505	2,853	3,785	(932)
Mileage	124,699	124,643	137,100	(12,457)
Vehicle maintenance	4,277	3,402	6,000	(2,598)
Advertising	11,181	6,498	15,270	(8,772)
Office supplies	30,678	56,702	18,760	37,942
Program supplies	9,778	18,750	10,100	8,650
Audit and legal	8,640	15,554	15,000	554
Insurance	94,004	110,742	105,000	5,742
Utilities	66,434	72,282	78,651	(6,369)
Dues, subscriptions and licenses	20,293	20,611	21,800	(1,189)
Center business and meetings	8,272	15,333	16,000	(667)
Expenditures for clients	53,504	51,197	49,875	1,322
Depreciation	195,150	228,198	225,000	3,198
Other costs	-	25	-	25
Total operating expenditures	7,789,544	8,798,072	8,760,807	37,265
Excess revenues under (over) expenditures	\$ 399,840	\$ 236,492	\$ 42,430	194,062

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

## CENTRAL KANSAS MENTAL HEALTH CENTER

### CAPITAL EXENDITURES

For the Year Ended December 31, 2018

Furnishings and equipment	
MYC Drinking Fountain	\$ 1,169
Furnace for OP NE Hall	4,000
Icemaker for OP kitchen	2,285
3-46" round picnic tables	2,670
CR refrigerator	505
KDOT van	13,441
Lobby Chairs	4,875
2-Lazyboy mobile health recliner	4,153
3-huddle tables IT training room	2,389
CSS Portable dry erase corkboard	650
6-huddle tables for OP library	3,967
Total furnishings and equipment	<u>40,104</u>
Technology	
Firewall	6,397
Avatar user fees	34,200
20-Dell Latitude 3590 Laptops	17,685
HPE Proliant DL380 server	7,180
12- Dell Latitude 3590 Laptops	10,654
EMR system	32,000
20-HP Prodesk 600 G4 computers	16,550
2-Dell Latitude 3590 Laptops	1,775
Paging system for OP & MYC	2,810
Sound system for OP auditorium	2,367
Paging system for OP & MYC	937
OP kitchen printer/Abilene copier	3,600
Total technology	<u>136,155</u>
Buildings	
CR building remodel	532,307
Parking lot - new area	98,375
Landscaping at new parking lot	6,825
Total buildings	<u>637,507</u>
Total capital expenditures	<u>\$ 813,766</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, 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**

**INSURANCE AND FIDELITY BOND COVERAGE**

For the Year Ended December 31, 2018

		<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.*