

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

AUDIT REPORT

For the years ended December 31, 2018 and 2017

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

AUDIT REPORT
For the years ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southwest Guidance Center
PO Box 2945
Liberal, KS 67905-2945

Report on the Financial Statements

We have audited the accompanying financial statements of Southwest Guidance Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Southwest Guidance Center
Liberal, KS 67905-2945

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Guidance 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards and other schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information 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 to 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 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2019, on our consideration of Southwest Guidance Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Southwest Guidance Center's internal control over financial reporting and compliance.

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

May 21, 2019

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

To the Board of Directors
Southwest Guidance Center
PO Box 2945
Liberal, KS 67905-2945

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 *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Southwest Guidance Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 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, and have issued our report thereon dated May 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest Guidance Center’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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Guidance Center’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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors
Southwest Guidance Center
Liberal, KS 67905-2945

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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 the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Guidance Center's financial statements are free from material misstatement, we performed test 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.

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

May 21, 2019

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit A

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
<u>Current Assets</u>		
Cash	\$ 657,997	\$ 447,045
Restricted cash	3,314	2,970
Receivables:		
Client accounts	206,088	105,546
Client contingency accounts	6,747	6,747
Miscellaneous accounts	75	75
Prepaid Expense:		
Employees' benefits	-	2,133
Insurance receivable	-	23,854
Insurance and contracts	<u>20,903</u>	<u>23,857</u>
Total current assets	<u>\$ 895,124</u>	<u>\$ 612,227</u>
<u>Depreciable Assets</u>		
Furnishings & office equipment	\$ 229,298	\$ 227,352
Mobile equipment – Auto	241,813	248,514
Computer	423,134	417,394
Lease improvement	48,299	48,299
Building	274,763	274,362
Building improvements	<u>280,336</u>	<u>280,336</u>
Total cost	\$1,497,643	\$1,496,257
<u>Less</u> – Accumulated depreciation	<u>1,197,243</u>	<u>1,176,366</u>
Net depreciable assets	<u>\$ 300,400</u>	<u>\$ 319,891</u>
<u>Other Assets</u>		
Investments – BrightEHR LLC	\$ <u>2,931</u>	\$ <u>6,397</u>
Total Assets	<u>\$1,198,455</u>	<u>\$ 938,515</u>
 LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Vouchers payable	\$ 22,852	\$ 29,301
Accrued salaries	61,750	50,989
Accrued compensated absences	<u>41,932</u>	<u>43,432</u>
Total current liabilities	<u>\$ 126,534</u>	<u>\$ 123,722</u>
<u>Net Assets</u>		
Without donor restrictions	\$1,068,607	\$ 811,823
With donor restrictions	<u>3,314</u>	<u>2,970</u>
Total net assets	<u>\$1,071,921</u>	<u>\$ 814,793</u>
Total Liabilities and Net Assets	<u>\$1,198,455</u>	<u>\$ 938,515</u>

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit B

STATEMENTS OF ACTIVITIES
For the years ended December 31, 2018 and 2017

	2018			2017		
	<u>Without</u>	<u>With</u>	<u>Total</u>	<u>Without</u>	<u>With</u>	<u>Total</u>
	<u>Donor</u>	<u>Donor</u>		<u>Donor</u>	<u>Donor</u>	
	<u>Restrictions</u>	<u>Restrictions</u>		<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Support, Revenues and Reclassifications:						
Support:						
Trust account receipts for clients	\$ -	\$ 49,717	\$ 49,717	\$ -	\$ 57,706	\$ 57,706
Funding from participating counties (Schedule 1)	193,747	-	193,747	191,813	-	191,813
Funding from state of Kansas – State aid	111,614	-	111,614	111,614	-	111,614
Mental health reform, State of Kansas	678,267	-	678,267	552,427	-	552,427
Case management grant, State of Kansas	13,969	-	13,969	8,103	-	8,103
Medicaid prescreen	21,048	-	21,048	21,048	-	21,048
TBRA grant	70,686	-	70,686	151,243	-	151,243
Supported housing programs	2,000	-	2,000	2,050	-	2,050
Donations, Bequest and Contributions:						
United Way	-	-	-	2,000	-	2,000
Baughman Foundation	6,029	-	6,029	20,000	-	20,000
Total support	<u>\$1,097,360</u>	<u>\$ 49,717</u>	<u>\$1,147,077</u>	<u>\$1,060,298</u>	<u>\$ 57,706</u>	<u>\$1,118,004</u>
Revenues:						
Interest on time deposits	\$ 2,273	-	\$ 2,273	\$ 1,541	-	\$ 1,541
Charges for services	1,050,924	-	1,050,924	1,027,380	-	1,027,380
Gain (loss) on disposal of assets	400	-	400	-	-	-
Partnership income (loss)	(3,466)	-	(3,466)	(60,420)	-	(60,420)
Miscellaneous	23,501	-	23,501	26,012	-	26,012
Total revenues	<u>\$1,073,632</u>	<u>-</u>	<u>\$1,073,632</u>	<u>\$ 994,513</u>	<u>-</u>	<u>\$ 994,513</u>
Reclassifications:						
Net Assets Released from Restrictions (Note 7):						
Satisfaction of purpose restrictions	\$ 49,373	\$ (49,373)	-	\$ 56,970	\$ (56,970)	-
Total support, revenues and reclassifications	<u>\$2,220,365</u>	<u>\$ 344</u>	<u>\$2,220,709</u>	<u>\$2,111,781</u>	<u>\$ 736</u>	<u>\$2,112,517</u>

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit B
(Continued)

STATEMENTS OF ACTIVITIES
For the years ended December 31, 2018 and 2017

	2018			2017		
	<u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>With</u> <u>Donor</u> <u>Restrictions</u>	<u>Total</u>	<u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>With</u> <u>Donor</u> <u>Restrictions</u>	<u>Total</u>
Expenses:						
Program Services:						
Children's waiver	\$ 145,664	-	\$ 145,664	\$ 148,802	-	\$ 148,802
Trust accounts for clients	49,373	-	49,373	56,970	-	56,970
Evaluation services	24,012	-	24,012	27,555	-	27,555
Medication assessment/Maintenance program	195,853	-	195,853	184,056	-	184,056
Emergency services	43,817	-	43,817	39,534	-	39,534
Outpatient services	205,103	-	205,103	216,815	-	216,815
Adult's mental health reform	184,273	-	184,273	178,861	-	178,861
Adult's case management	62,019	-	62,019	69,372	-	69,372
Adult's psychosocial group	67,778	-	67,778	74,086	-	74,086
Adult's crisis & non crisis attendant care	38,232	-	38,232	44,604	-	44,604
Supported employment	-	-	-	9,864	-	9,864
Tenant based housing	115,454	-	115,454	197,889	-	197,889
Children's mental health reform	49,696	-	49,696	49,635	-	49,635
Children's case management	100,489	-	100,489	104,723	-	104,723
Children's psychosocial group	43,764	-	43,764	45,915	-	45,915
Children's crisis & non crisis attendant care	<u>662</u>	<u>-</u>	<u>662</u>	<u>503</u>	<u>-</u>	<u>503</u>
Total program services	\$1,326,189	-	\$1,326,189	\$1,449,184	-	\$1,449,184
Support Services – General and administrative	<u>637,392</u>	<u>-</u>	<u>637,392</u>	<u>613,565</u>	<u>-</u>	<u>613,565</u>
Total expenses	<u>\$1,963,581</u>	<u>-</u>	<u>\$1,963,581</u>	<u>\$2,062,749</u>	<u>-</u>	<u>\$2,062,749</u>
Change in Net Assets	\$ 256,784	\$ 344	\$ 257,128	\$ 49,032	\$ 736	\$ 49,768
Net Assets, Beginning of year	<u>811,823</u>	<u>2,970</u>	<u>814,793</u>	<u>762,791</u>	<u>2,234</u>	<u>765,025</u>
Net Assets, End of year	<u>\$1,068,607</u>	<u>\$ 3,314</u>	<u>\$1,071,921</u>	<u>\$ 811,823</u>	<u>\$ 2,970</u>	<u>\$ 814,793</u>

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit C

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Program Services								
	<u>Children's Waiver</u>	<u>Trust Accounts For Clients</u>	<u>Evaluation Services</u>	<u>Medication Assessment/ Maintenance Program</u>	<u>Emergency Services</u>	<u>Outpatient Services</u>	<u>Adult's Mental Health Reform</u>	<u>Adult's Case Management</u>	<u>Adult's Psychosocial Group</u>
Personal Services:									
Compensation	\$ 96,615	-	\$ 18,238	\$146,071	\$ 2,432	\$140,434	\$124,500	\$ 33,963	\$ 35,412
Compensation from grants	-	-	-	-	-	-	3,036	1,518	1,518
Fringe Benefits:									
Health/Life insurance	23,814	-	2,718	23,207	365	19,332	21,110	11,820	12,305
Social Security	6,715	-	1,289	10,471	176	10,069	9,021	2,588	2,696
Retirement	8,894	-	1,666	13,562	224	12,888	11,770	3,330	3,467
Unemployment tax	-	-	-	-	-	-	-	-	-
Flex plan	-	-	101	267	15	562	19	149	155
Miscellaneous personnel	-	-	-	-	-	-	-	-	-
Total personal services	<u>\$136,038</u>	<u>-</u>	<u>\$ 24,012</u>	<u>\$193,578</u>	<u>\$ 3,212</u>	<u>\$183,285</u>	<u>\$169,456</u>	<u>\$ 53,368</u>	<u>\$ 55,553</u>
Supplies:									
Office, copier, postage and computer	\$ 10	-	-	\$ 475	-	\$ 33	\$ 166	-	-
Janitorial	-	-	-	-	-	-	-	-	-
Board and administrative	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	83	-	-
Total supplies	<u>\$ 10</u>	<u>-</u>	<u>-</u>	<u>\$ 475</u>	<u>-</u>	<u>\$ 33</u>	<u>\$ 249</u>	<u>-</u>	<u>-</u>
Professional Fees:									
Diagnosis and therapy	-	-	-	-	-	\$ 655	-	-	-
Testing and UR consultation fees	-	-	-	-	-	9,072	-	-	-
Legal and accounting services	-	-	-	-	-	-	-	-	-
Licensed clinical services	-	-	-	-	-	440	-	-	-
Total professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 10,167</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit C
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Program Services							General and Administrative	Total Expenses	
	<u>Adult's Crisis & Noncrisis Attendant Care</u>	<u>Supported Employment</u>	<u>Tenant Based Housing</u>	<u>Children's Mental Health Reform</u>	<u>Children's Case Management</u>	<u>Children's Psychosocial Group</u>	<u>Children's Crisis & Noncrisis Attendant Care</u>			<u>Total Program Services</u>
Personal Services:										
Compensation	\$ 27,070	-	\$ 32,247	\$ 24,268	\$ 67,484	\$ 28,901	-	\$ 777,635	\$236,559	\$1,014,194
Compensation from grants	-	-	-	3,036	-	-	-	9,108	-	9,108
Fringe Benefits:										
Health/Life insurance	4,273	-	14,649	3,005	20,645	9,045	-	166,288	50,978	217,266
Social Security	2,019	-	2,183	2,025	4,604	2,006	-	55,862	16,650	72,512
Retirement	2,504	-	2,953	2,532	6,270	2,691	-	72,751	22,024	94,775
Unemployment tax	-	-	-	-	-	-	-	-	1,032	1,032
Flex plan	-	-	-	-	330	178	-	1,776	2,046	3,822
Miscellaneous personnel	-	-	-	-	-	-	-	-	3,237	3,237
Total personal services	<u>\$ 35,866</u>	<u>-</u>	<u>\$ 52,032</u>	<u>\$ 34,866</u>	<u>\$ 99,333</u>	<u>\$ 42,821</u>	<u>-</u>	<u>\$1,083,420</u>	<u>\$332,526</u>	<u>\$1,415,946</u>
Supplies:										
Office, copier, postage and computer	-	-	\$ 25	\$ 166	-	-	-	\$ 875	\$ 6,422	\$ 7,297
Janitorial	-	-	-	-	-	-	-	-	2,323	2,323
Board and administrative	-	-	-	-	-	-	-	-	4,990	4,990
Miscellaneous	-	-	-	83	-	-	-	166	4,384	4,550
Total supplies	<u>-</u>	<u>-</u>	<u>\$ 25</u>	<u>\$ 249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,041</u>	<u>\$ 18,119</u>	<u>\$ 19,160</u>
Professional Fees:										
Diagnosis and therapy	-	-	-	-	-	-	-	\$ 655	\$ -	\$ 655
Testing and UR consultation fees	-	-	-	-	-	-	-	9,072	-	9,072
Legal and accounting services	-	-	-	-	-	-	-	-	12,155	12,155
Licensed clinical services	-	-	-	-	-	-	-	440	-	440
Total professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 10,167</u>	<u>\$ 12,155</u>	<u>\$ 22,322</u>

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit C
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Program Services								
	<u>Children's Waiver</u>	<u>Trust Accounts For Clients</u>	<u>Evaluation Services</u>	<u>Medication Assessment/ Maintenance/ Program</u>	<u>Emergency Services</u>	<u>Outpatient Services</u>	<u>Adult's Mental Health Reform</u>	<u>Adult's Case Management</u>	<u>Adult's Psychosocial Group</u>
Other Functional Expenses:									
Utilities	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,904
Telephone and answering service	595	-	-	-	40,516	2,274	2,175	1,050	-
Insurance and fidelity bonds	-	-	-	-	-	-	-	-	-
Travel, auto and training expense	7,974	-	-	1,638	89	5,791	107	7,383	918
Computer expense	-	-	-	-	-	-	-	-	-
Janitorial service	-	-	-	-	-	-	1,290	-	3,600
Program expenses – Case management	742	-	-	52	-	-	-	53	819
Rent expense	-	-	-	-	-	-	10,500	-	-
Rent expense from grants	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-
Recruiting expense	224	-	-	-	-	3,504	47	149	-
Bad debts written off	-	-	-	-	-	-	-	-	-
Printing	16	-	-	-	-	49	-	16	-
Building and grounds maintenance	65	-	-	-	-	-	-	-	984
Other administrative expense	-	-	-	-	-	-	-	-	-
Association and professional dues	-	-	-	110	-	-	-	-	-
Public notices and advertising	-	-	-	-	-	-	-	-	-
Copier/lease maintenance	-	-	-	-	-	-	449	-	-
Trust account disbursements for clients	-	49,373	-	-	-	-	-	-	-
Total other functional expenses	<u>\$ 9,616</u>	<u>\$ 49,373</u>	<u>-</u>	<u>\$ 1,800</u>	<u>\$ 40,605</u>	<u>\$ 11,618</u>	<u>\$ 14,568</u>	<u>\$ 8,651</u>	<u>\$ 12,225</u>
Total expenses before depreciation	\$145,664	\$ 49,373	\$ 24,012	\$195,853	\$ 43,817	\$205,103	\$184,273	\$ 62,019	\$ 67,778
Depreciation	-	-	-	-	-	-	-	-	-
Total Expenses	<u>\$145,664</u>	<u>\$ 49,373</u>	<u>\$ 24,012</u>	<u>\$195,853</u>	<u>\$ 43,817</u>	<u>\$205,103</u>	<u>\$184,273</u>	<u>\$ 62,019</u>	<u>\$ 67,778</u>

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit C
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Program Services							General and Administrative	Total Expenses	
	<u>Adult's Crisis & Noncrisis Attendant Care</u>	<u>Supported Employment</u>	<u>Tenant Based Housing</u>	<u>Children's Mental Health Reform</u>	<u>Children's Case Management</u>	<u>Children's Psychosocial Group</u>	<u>Children's Crisis & Noncrisis Attendant Care</u>			<u>Total Program Services</u>
Other Functional Expenses:										
Utilities	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,904	\$ 12,481	\$ 18,385
Telephone and answering service	70	-	-	2,148	805	-	245	49,878	11,385	61,263
Insurance and fidelity bonds	-	-	-	-	-	-	-	-	45,753	45,753
Travel, auto and training expense	2,003	-	6	147	281	553	239	27,129	12,118	39,247
Computer expense	-	-	-	-	-	-	-	-	85,203	85,203
Janitorial service	-	-	-	1,290	-	-	-	6,180	5,910	12,090
Program expenses – Case management	-	-	-	-	-	390	-	2,056	-	2,056
Rent expense	-	-	2,000	10,500	-	-	-	23,000	1,463	24,463
Rent expense from grants	-	-	61,391	-	-	-	-	61,391	-	61,391
Interest expense	-	-	-	-	-	-	-	-	-	-
Recruiting expense	293	-	-	47	54	-	164	4,482	416	4,898
Bad debts written off	-	-	-	-	-	-	-	-	10,279	10,279
Printing	-	-	-	-	16	-	14	111	1,048	1,159
Building and grounds maintenance	-	-	-	-	-	-	-	1,049	4,583	5,632
Other administrative expense	-	-	-	-	-	-	-	-	-	-
Association and professional dues	-	-	-	-	-	-	-	110	14,495	14,605
Public notices and advertising	-	-	-	-	-	-	-	-	3,364	3,364
Copier lease/maintenance	-	-	-	449	-	-	-	898	4,717	5,615
Trust account disbursements for clients	-	-	-	-	-	-	-	49,373	-	49,373
Total other functional expenses	<u>\$ 2,366</u>	<u>-</u>	<u>\$ 63,397</u>	<u>\$ 14,581</u>	<u>\$ 1,156</u>	<u>\$ 943</u>	<u>\$ 662</u>	<u>\$ 231,561</u>	<u>\$213,215</u>	<u>\$ 444,776</u>
Total expenses before depreciation	\$ 38,232	-	\$115,454	\$ 49,696	\$100,489	\$ 43,764	\$ 662	\$1,326,189	\$576,015	\$1,902,204
Depreciation	-	-	-	-	-	-	-	-	61,377	61,377
Total Expenses	<u>\$ 38,232</u>	<u>-</u>	<u>\$115,454</u>	<u>\$ 49,696</u>	<u>\$100,489</u>	<u>\$ 43,764</u>	<u>\$ 662</u>	<u>\$1,326,189</u>	<u>\$637,392</u>	<u>\$1,963,581</u>

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit C
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017

	Program Services								
	<u>Children's Waiver</u>	<u>Trust Accounts For Clients</u>	<u>Evaluation Services</u>	<u>Medication Assessment/ Maintenance Program</u>	<u>Emergency Services</u>	<u>Outpatient Services</u>	<u>Adult's Mental Health Reform</u>	<u>Adult's Case Management</u>	<u>Adult's Psychosocial Group</u>
Personal Services:									
Compensation	\$ -	-	\$ 20,928	\$143,106	\$ 2,791	\$155,121	\$124,946	\$ 41,332	\$ 43,077
Compensation from grants	-	-	-	-	-	-	-	1,412	1,412
Fringe Benefits:									
Health/Life insurance	22,312	-	3,145	15,128	424	21,542	19,107	10,630	11,065
Social Security	7,042	-	1,518	10,432	210	11,417	8,941	3,044	3,171
Retirement	8,707	-	1,845	12,611	250	13,772	10,963	3,728	3,882
Unemployment tax	-	-	-	-	-	-	-	-	-
Flex plan	-	-	119	212	17	661	19	35	36
Miscellaneous personnel	-	-	-	-	-	-	-	-	-
Total personal services	<u>\$ 38,061</u>	<u>-</u>	<u>\$ 27,555</u>	<u>\$181,489</u>	<u>\$ 3,692</u>	<u>\$202,513</u>	<u>\$163,976</u>	<u>\$ 60,181</u>	<u>\$ 62,643</u>
Supplies:									
Office, copier, postage and computer	\$ 233	-	-	\$ 24	-	\$ 13	\$ 105	\$ 13	\$ -
Janitorial	-	-	-	-	-	-	50	-	66
Board and administrative	-	-	-	45	-	-	-	8	-
Miscellaneous	-	-	-	48	-	-	216	-	-
Total supplies	<u>\$ 233</u>	<u>-</u>	<u>-</u>	<u>\$ 117</u>	<u>-</u>	<u>\$ 13</u>	<u>\$ 371</u>	<u>\$ 21</u>	<u>\$ 66</u>
Professional Fees:									
Testing and UR consultation fees	-	-	-	-	-	\$ 3,996	-	-	-
Legal and accounting services	-	-	-	-	-	-	-	-	-
Contract office services	-	-	-	-	-	-	-	-	-
Total professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 3,996</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit C
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017

	Program Services							General and Administrative	Total Expenses	
	<u>Adult's Crisis & Noncrisis Attendant Care</u>	<u>Supported Employment</u>	<u>Tenant Based Housing</u>	<u>Children's Mental Health Reform</u>	<u>Children's Case Management</u>	<u>Children's Psychosocial Group</u>	<u>Children's Crisis & Noncrisis Attendant Care</u>			<u>Total Program Services</u>
Personal Services:										
Compensation	\$ 33,563	\$ 6,186	\$ 24,743	\$ 27,335	\$ 68,734	\$ 29,807	-	\$ 721,669	\$235,708	\$ 957,377
Compensation from grants	-	-	-	-	-	-	-	2,824	-	2,824
Fringe Benefits:										
Health/Life insurance	3,932	2,682	10,729	2,916	23,954	10,912	-	158,478	44,725	203,203
Social Security	2,483	440	1,719	2,096	4,777	2,097	-	59,387	16,043	75,430
Retirement	2,924	556	2,176	2,485	6,002	2,600	-	72,501	18,810	91,311
Unemployment tax	-	-	-	-	-	-	-	-	816	816
Flex plan	-	-	-	-	46	25	-	1,170	671	1,841
Miscellaneous personnel	-	-	-	-	-	-	-	-	2,406	2,406
Total personal services	<u>\$ 42,902</u>	<u>\$ 9,864</u>	<u>\$ 39,367</u>	<u>\$ 34,832</u>	<u>\$103,513</u>	<u>\$ 45,441</u>	<u>-</u>	<u>\$1,016,029</u>	<u>\$319,179</u>	<u>\$1,335,208</u>
Supplies:										
Office, copier, postage and computer	-	-	\$ 30	\$ 105	\$ 32	-	\$ 10	\$ 565	\$ 8,613	\$ 9,178
Janitorial	-	-	-	50	-	-	-	166	2,869	3,035
Board and administrative	-	-	-	-	-	-	-	53	4,596	4,649
Miscellaneous	-	-	-	216	-	-	-	480	5,260	5,740
Total supplies	<u>-</u>	<u>-</u>	<u>\$ 30</u>	<u>\$ 371</u>	<u>\$ 32</u>	<u>-</u>	<u>\$ 10</u>	<u>\$ 1,264</u>	<u>\$ 21,338</u>	<u>\$ 22,602</u>
Professional Fees:										
Testing and UR consultation fees	-	-	-	-	-	-	-	\$ 3,996	\$ 792	\$ 4,788
Legal and accounting services	-	-	-	-	-	-	-	-	12,068	12,068
Contract office services	-	-	-	-	-	-	-	-	100	100
Total professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 3,996</u>	<u>\$ 12,960</u>	<u>\$ 16,956</u>

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit C
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017

	Program Services								
	<u>Children's Waiver</u>	<u>Trust Accounts For Clients</u>	<u>Evaluation Services</u>	<u>Medication Assessment/ Maintenance Program</u>	<u>Emergency Services</u>	<u>Outpatient Services</u>	<u>Adult's Mental Health Reform</u>	<u>Adult's Case Management</u>	<u>Adult's Psychosocial Group</u>
Other Functional Expenses:									
Utilities	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,834
Telephone and answering service	1,120	-	-	-	35,807	1,011	2,253	1,225	-
Insurance and fidelity bonds	-	-	-	-	-	-	-	-	-
Travel, auto and training expense	9,314	-	-	1,220	35	4,023	254	7,930	1,485
Computer expense	-	-	-	-	-	-	-	-	-
Janitorial service	-	-	-	-	-	-	1,290	-	1,800
Program expenses – Case management	553	-	-	499	-	7	-	3	2,006
Rent expense	-	-	-	-	-	-	10,475	-	-
Rent expense from grants	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-
Recruiting expense	-	-	-	-	-	4,288	-	-	-
Bad debts written off	-	-	-	-	-	-	-	-	-
Printing	-	-	-	-	-	814	-	-	-
Building and grounds maintenance	-	-	-	-	-	-	-	12	1,252
Other administrative expense	-	-	-	-	-	-	-	-	-
Association and professional dues	-	-	-	731	-	150	-	-	-
Public notices and advertising	-	-	-	-	-	-	-	-	-
Copier/lease maintenance	-	-	-	-	-	-	242	-	-
Trust account disbursements for clients	-	56,970	-	-	-	-	-	-	-
Total other functional expenses	<u>\$ 10,987</u>	<u>\$ 56,970</u>	<u>-</u>	<u>\$ 2,450</u>	<u>\$ 35,842</u>	<u>\$ 10,293</u>	<u>\$ 14,514</u>	<u>\$ 9,170</u>	<u>\$ 11,377</u>
Total expenses before depreciation	<u>\$ 49,281</u>	<u>\$ 56,970</u>	<u>\$ 27,555</u>	<u>\$184,056</u>	<u>\$ 39,534</u>	<u>\$216,815</u>	<u>\$178,861</u>	<u>\$ 69,372</u>	<u>\$ 74,086</u>
Depreciation	-	-	-	-	-	-	-	-	-
Total Expenses	<u>\$ 49,281</u>	<u>\$ 56,970</u>	<u>\$ 27,555</u>	<u>\$184,056</u>	<u>\$ 39,534</u>	<u>\$216,815</u>	<u>\$178,861</u>	<u>\$ 69,372</u>	<u>\$ 74,086</u>

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit C
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017

	Program Services							General and Administrative	Total Expenses	
	<u>Adult's Crisis & Noncrisis Attendant Care</u>	<u>Supported Employment</u>	<u>Tenant Based Housing</u>	<u>Children's Mental Health Reform</u>	<u>Children's Case Management</u>	<u>Children's Psychosocial Group</u>	<u>Children's Crisis & Noncrisis Attendant Care</u>			<u>Total Program Services</u>
Other Functional Expenses:										
Utilities	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,834	\$ 10,927	\$ 15,761
Telephone and answering service	35	-	-	2,288	700	70	245	44,754	11,595	56,349
Insurance and fidelity bonds	-	-	-	-	-	-	-	-	43,453	43,453
Travel, auto and training expense	1,667	-	366	150	478	42	248	27,212	19,119	46,331
Computer expense	-	-	-	-	-	-	-	-	41,326	41,326
Janitorial service	-	-	-	1,290	-	-	-	4,380	6,274	10,654
Program expenses – Case management	-	-	-	-	-	362	-	3,430	-	3,430
Rent expense	-	-	2,050	10,475	-	-	-	23,000	1,876	24,876
Rent expense from grants	-	-	156,076	-	-	-	-	156,076	-	156,076
Interest expense	-	-	-	-	-	-	-	-	33	33
Recruiting expense	-	-	-	-	-	-	-	4,288	130	4,418
Bad debts written off	-	-	-	-	-	-	-	-	28,656	28,656
Printing	-	-	-	-	-	-	-	814	962	1,776
Building and grounds maintenance	-	-	-	-	-	-	-	1,264	8,484	9,748
Other administrative expense	-	-	-	-	-	-	-	-	230	230
Association and professional dues	-	-	-	-	-	-	-	881	15,391	16,272
Public notices and advertising	-	-	-	-	-	-	-	-	7,230	7,230
Copier lease/maintenance	-	-	-	229	-	-	-	471	4,545	5,016
Trust account disbursements for clients	-	-	-	-	-	-	-	56,970	-	56,970
Total other functional expenses	<u>\$ 1,702</u>	<u>-</u>	<u>\$158,492</u>	<u>\$ 14,432</u>	<u>\$ 1,178</u>	<u>\$ 474</u>	<u>\$ 493</u>	<u>\$ 328,374</u>	<u>\$200,231</u>	<u>\$ 528,605</u>
Total expenses before depreciation	\$ 44,604	\$ 9,864	\$197,889	\$ 49,635	\$104,723	\$ 45,915	\$ 503	\$1,349,663	\$553,708	\$1,903,371
Depreciation	-	-	-	-	-	-	-	-	59,857	59,857
Total Expenses	<u>\$ 44,604</u>	<u>\$ 9,864</u>	<u>\$197,889</u>	<u>\$ 49,635</u>	<u>\$104,723</u>	<u>\$ 45,915</u>	<u>\$ 503</u>	<u>\$1,349,663</u>	<u>\$613,565</u>	<u>\$1,963,228</u>

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Exhibit D

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows from Operating and Non-Operating Activities</u>		
Cash received from customers	\$ 974,236	\$ 995,968
Cash received from support entities	1,097,360	1,060,298
Cash paid to suppliers and employees	(1,844,932)	(1,969,844)
Interest received	2,273	1,535
Miscellaneous income	<u>23,901</u>	<u>26,012</u>
Net cash provided (used) by operating and non-operating activities	\$ 252,838	\$ 113,969
 <u>Cash Flows from Investing Activities</u>		
Capital expenditures	<u>(41,886)</u>	<u>(24,737)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	\$ 210,952	\$ 89,232
 Cash and Cash Equivalents – Beginning of year	<u>447,045</u>	<u>357,813</u>
 Cash and Cash Equivalents – End of year	\$ <u>657,997</u>	\$ <u>447,045</u>

There were no non-cash transactions for the years ended December 31, 2018 and 2017.

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

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

Note 1: Summary of Accounting Policies

A. Nature of Activities

Southwest Guidance Center is a community mental health center whose service area is composed of Haskell, Meade, Seward and Stevens counties in Southwestern Kansas. It is governed by a sixteen member board. When an opening occurs on the board, the County Commissioners of the four counties in its service area gives their recommendations for potential board members. However, the board of Southwest Guidance Center approves the final selection of the members to the board.

Southwest Guidance Center is licensed as a community mental health center on a biannual basis by the Mental Health/Retardation Services of the Kansas Department of Social and Rehabilitation Services.

Its mission is to provide services to meet the health education, prevention, and treatment needs of the residents of its four county service area. This care is to be provided in such a way as to respect the personal dignity and rights of each individual.

The Center's services are made available to every resident of the Center's service area regardless of an individual's race, color, religion, age, sex, or place of national origin.

Persons who present themselves as experiencing a mental health emergency are never denied service for any reason.

B. Income Tax Status

The organization qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the organization qualifies for a charitable contribution under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2016, 2017, and 2018 are subject to examination by the IRS, generally for 3 years after they were filed.

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Continued)

Note 1: Summary of Accounting Policies (Continued)

C. Cash Equivalents

For purposes of the statement of cash flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

D. Basis of Accounting

The accompanying financial statements have been prepared on the basis of accounting in accordance with accounting principles generally accepted in the United States of America.

E. Client Accounts Receivable

These assets are recorded at gross billings. No attempt has been made to set up an allowance for doubtful accounts. Direct charge-offs of an account are made when it becomes apparent that collection will not be made. Accounts receivable are then adjusted down to a collectible amount.

F. Property and Equipment

All acquisitions of property and equipment in excess of \$250 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Depreciation is taken over useful life of 5 to 40 years with no salvage value.

G. Cash and Time Deposits

Deposits are carried at cost and, if applicable, plus accrued interest. The carrying amount of deposits is separately displayed as "cash".

Southwest Guidance Center deposited and/or invested funds with the Sunflower Bank, Equity Bank and Bank of America, all of Liberal, Kansas.

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Continued)

Note 1: Summary of Accounting Policies (Continued)

G. Cash and Time Deposits (Continued)

At year end the carrying amount of the Center's deposits, including certificates of deposit, was \$657,997. The bank statement balances were \$695,039. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$285,674 was covered by FDIC insurance and \$409,365 was covered by securities pledged.

Certificates of deposit totaling \$25,000 (\$25,000 at December 31, 2017) are included in cash in the accompanying financial statements. The certificates bear interest ranging from 1% to 4% and have maturities ranging from three to twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

H. Defined Benefit Pension Plan

Plan Description

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

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERs member-employee contribution rates. KPERs has multiple benefit structures and contribution rates depending on whether the employee is a KPERs 1, KPERs 2 or KPERs 3 member. KPERs 1 members are active and contributing members hired before July 1, 2009. KPERs 2 members were first employed in a covered position on or after July 1, 2009, and KPERs 3 members were first employed in a covered position on or after January 1, 2015.

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Continued)

Note 1: Summary of Accounting Policies (Continued)

H. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

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 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 Southwest Guidance Center were \$84,667 for the year ended December 31, 2018.

Net Pension Liability

At December 31, 2018, Southwest Guidance Center's proportionate share of the collective net pension liability reported by KPERS was \$804,691. 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. Southwest Guidance Center's proportion of the net pension liability was based on the ratio of Southwest Guidance Center's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Continued)

Note 1: Summary of Accounting Policies (Continued)

H. Defined Benefit Pension Plan (Continued)

Southwest Guidance Center, Inc. has set up a 403(b)(7) retirement plan in which the employees can elect to contribute to after three months of employment. The agency no longer offers matching funds to employees that participate.

I. Compensated Absences

Professional staff hired prior to January 6, 2011 accrue vacation time at the rate of 1 2/3 vacation days per month or up to 20 working days per year. Professional staff hired after January 6, 2011 accrue vacation time at the rate of 1 1/4 vacation days per month or up to 15 working days per year.

Support staff hired prior to January 6, 2011 accrue vacation time at the rate of 1 1/4 vacation days per month or up to 15 working days per year. After 10 years of continuous employment, support staff employees accrue vacation time at the rate of 1 2/3 days per month or up to 20 working days per year. Support staff hired after January 6, 2011, accrue vacation time at the rate of .832 vacation days per month or up to 10 working days per year. After 10 years of continuous employment, support staff employees accrue vacation time at the rate of 1 1/4 days per month or up to 15 working days per year.

Regular part-time employees accrue vacation time prorated on the same basis as that for full-time employees.

Vacation time accumulated from and after the first month of employment was not available for use until after six months of employment.

Earned vacation time must be used and cannot accumulate in excess of the total allowed for one calendar year, except with the expressed permission of the executive director.

Liabilities for compensated absences have been inventoried at the end of the year and adjusted to current salary cost.

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Continued)

Note 1: Summary of Accounting Policies (Continued)

J. Uncompensated Absences

Upon termination, an employee shall not be paid for any accumulated unused compensatory or sick leave time.

K. Contingent Liabilities

The Center participates in the State of Kansas grants to community mental health facilities. These programs are subject to program compliance audits by the grantor or their representatives. The audit of these programs for the year ended December 31, 2018 have not been conducted. Accordingly, the Center's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Center expects such amounts, if any, to be immaterial.

L. Budget Information and Encumbrances

Annually a budget is approved by the governing body. This approved budget provides management with the total dollar amount that may be legally expended each year: to provide the documentation needed in requesting appropriations from all the participating counties; and to provide other necessary information for management purposes. The annual budget is not required to be filed with the County Clerk for submission to the Kansas Department of Administration.

The operating budget is prepared using the accrual basis of accounting.

M. Expendable Restricted Resources

Operating funds restricted by the grantor or other outside party for particular operating purposes are reported as revenues when earned. The funds incur expenditures in compliance with the specific restrictions of the grantor.

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Continued)

Note 1: Summary of Accounting Policies (Continued)

N. Allocation of Expenses

During operations in the year certain types of expenditures are allocated within the general fund. These expenditures are allocated so that the organization may match the expenditures with the appropriate grants. The organization's allocation is in proportion to the budgets that are approved by the grantor and time allocation reports.

O. Estimates

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

P. Advertising

Advertising costs are expensed as incurred.

Q. Donated Services

Donated services of the board members were not recognized in the financial statements because they did not meet the criteria for recognition under FASB Codification 958-605-25-16.

R. Financial Statement Presentation

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

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions.

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Continued)

Note 1: Summary of Accounting Policies (Continued)

R. Financial Statement Presentation (Continued)

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions.

S. Contributions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

T. Subsequent Events

Management has evaluated subsequent events through May 21, 2019, the date which the financial statements were available to be issued.

Note 2: Fidelity Bonds of Officials at December 31, 2018

<u>Office</u>	<u>Officer</u>	<u>Amount of Indemnity</u>
Treasurer	Board Treasurer	\$ 25,000
Office staff	All employees	10,000

Note 3: Investment in Partnership

Southwest Guidance Center invested \$65,000 into a limited liability company called BrightEHR LLC in 2015 and a final \$50,000 in 2016. It is accounted for on the financial statements under the equity method of accounting. BrightEHR LLC purpose is to improve the existing electronic medical record software that is currently being used by Southwest Guidance Center and other various mental health centers.

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Continued)

Note 4: Summary of Grant Revenues

<u>Funding Source</u>	<u>Number</u>	<u>Grant Period</u>	<u>Grant Authorized</u>	<u>2018</u>	<u>2017</u>
State of Kansas:					
Dept. of K.D.A.D.S.	N/A	07-01-16 to 06-30-17	Various	\$ -	\$308,091
Dept. of K.D.A.D.S.	N/A	07-01-17 to 06-30-18	Various	397,896	383,497
Dept. of K.D.A.D.S.	N/A	07-01-18 to 06-30-19	Various	417,101	-
Federal Grantor:					
U.S. Department of Housing and Urban Development	14.239	01-01-17 to 12-31-17	Various	-	151,243
U.S. Department of Housing and Urban Development	14.239	01-01-18 to 12-31-18	Various	70,686	-
Department of Health and Human Services	93.958	07-01-17 to 06-30-18	Various	3,973	3,654
Department of Health and Human Services	93.958	07-01-18 to 06-30-19	Various	<u>7,928</u>	<u>-</u>
Total Grant Revenues				<u>\$897,584</u>	<u>\$846,485</u>

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Continued)

Note 5: Reconciliation of Net Income to Net Cash Provided by Operating Activities

	<u>2018</u>	<u>2017</u>
Net Income	\$ <u>257,128</u>	\$ <u>49,768</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	\$ 61,377	\$ 59,857
Partnership loss	3,466	60,414
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(100,542)	(31,421)
(Increase) decrease in insurance receivable	23,854	(23,854)
(Increase) decrease in prepaid expenses	5,087	11,974
(Increase) decrease in restricted cash	(344)	(736)
(Decrease) increase in accounts payable	(6,449)	(22,276)
(Decrease) increase in accrued compensated balances	(1,500)	1,418
(Decrease) increase in accrued salaries	<u>10,761</u>	<u>8,825</u>
Total adjustments	\$ <u>(4,290)</u>	\$ <u>64,201</u>
Net Cash Provided by Operating and Non-Operating Activities	\$ <u>252,838</u>	\$ <u>113,969</u>

There were no material noncash investing or financing transactions during 2018 or 2017.

Note 6: Lease Agreements

Southwest Guidance Center has entered into an operating lease agreement with Chance, Francis, Harding Group, LLC in 2000, for office space located at 21 Plaza Drive in Liberal. This agreement is month to month. During the years ended December 31, 2018 and 2017 rentals amounted to \$21,000.00 and \$21,000.00, respectively.

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Continued)

Note 7: Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Trust accounts for clients	\$ <u>3,314</u>	\$ <u>2,970</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose Restriction Accomplished:		
Trust accounts disbursements for clients	\$ <u>49,373</u>	\$ <u>56,970</u>

Net assets were received from donors with restrictions for the following purposes:

Purpose of Restrictions:		
Trust accounts receipts for clients	\$ <u>49,717</u>	\$ <u>57,706</u>

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Schedule 1

SCHEDULE OF FUNDING FROM PARTICIPATING COUNTIES
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Seward County	\$ 79,500	\$ 80,000
Meade County	37,500	35,066
Haskell County	32,071	32,071
Stevens County	<u>44,676</u>	<u>44,676</u>
Totals	<u>\$193,747</u>	<u>\$191,813</u>

SOUTHWEST GUIDANCE CENTER
 Liberal, Kansas

Schedule 2

SCHEDULE OF FEDERAL AND STATE AWARDS
PSYCHOSOCIAL/CASE MANAGEMENT GRANTS
 For the year ended December 31, 2018

Pass Through Grant year ended	<u>6-30-19</u>	<u>6-30-18</u>
CFDA # for Federal amount	<u>93.958</u>	<u>93.958</u>
Program/Award amount	Various	Various
Receipts – Actual:		
Federal amount	\$ 7,928	\$ 3,973
State amount	<u>417,101</u>	<u>397,896</u>
Total receipts	<u>\$425,029</u>	<u>\$401,869</u>
Disbursements, payables and accruals – Actual	<u>(A)</u>	<u>(A)</u>
Excess (deficiency) receipts over disbursements and accruals	<u>(A)</u>	<u>(A)</u>

Notes to Schedule:

Reference to (A) is that no budget or actual expenditures shown as they are not required since payment procedure is based on: prospective quarterly payments on or about July 15, October 1, January 1 and April 1 that are contingent upon receipt of scheduled program and State Aid Budget information. Program information includes Quarterly Service Grant Reports, monthly Combined Client Information System (8107) data, monthly Taxonomy of Client Services data, monthly Mental Health Reform Screening information, yearly Human Resource Development data, and required Organizational Information System information.

There were no matching requirements for these non-major grants program.

No audit findings reported.

SOUTHWEST GUIDANCE CENTER
Liberal, Kansas

Schedule 3

SCHEDULE OF FEDERAL AND STATE AWARDS
PSYCHOSOCIAL/CASE MANAGEMENT GRANTS
For the year ended December 31, 2017

Pass Through Grant year ended	<u>6-30-18</u>	<u>6-30-17</u>
CFDA # for Federal amount	<u>93.958</u>	<u>93.958</u>
Program/Award amount	Various	Various
Receipts – Actual:		
Federal amount	\$ 3,654	\$ -
State amount	<u>383,497</u>	<u>308,091</u>
Total receipts	<u>\$387,151</u>	<u>\$308,091</u>
Disbursements, payables and accruals – Actual	<u>(A)</u>	<u>(A)</u>
Excess (deficiency) receipts over disbursements and accruals	<u>(A)</u>	<u>(A)</u>

Notes to Schedule:

Reference to (A) is that no budget or actual expenditures shown as they are not required since payment procedure is based on: prospective quarterly payments on or about July 15, October 1, January 1 and April 1 that are contingent upon receipt of scheduled program and State Aid Budget information. Program information includes Quarterly Service Grant Reports, monthly Combined Client Information System (8107) data, monthly Taxonomy of Client Services data, monthly Mental Health Reform Screening information, yearly Human Resource Development data, and required Organizational Information System information.

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