

**THE CENTER FOR COUNSELING AND CONSULTATION**

Financial Statements With Independent Auditors' Report

For the Years Ended December 31, 2018 and 2017

**THE CENTER FOR COUNSELING AND CONSULTATION**  
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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**The Center for Counseling and Consultation**  
Great Bend, Kansas

### Report on the Financial Statements

We have audited the accompanying financial statements of **The Center for Counseling and Consultation**, which comprise the statements of net position as of December 31, 2018 and 2017, and the related statements of revenues, expenses and change in net position 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.

### Auditors' Responsibility

Our responsibility is to express opinions 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 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.

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

### **Basis for Qualified Opinion**

The financial statements do not include the required annual cost and long-term obligations of **The Center for Counseling and Consultation's** other postemployment benefits as required by Governmental Auditing Standards Board Statements Number 75. Accounting principles generally accepted in the United States of America require the financial data for these other postemployment benefits be reported in the financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses is not reasonably determinable and are presumed to be material.

### **Qualified Opinion**

In our opinion, except for the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of **The Center for Counseling and Consultation** as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed in the Required Supplementary Information section of the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **The Center for Counseling and Consultation's** basic financial statements. The schedule of revenues, expenses and change in net position – budget and actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Kansas Department for Aging and Disability Services and is also not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the supplementary information of the qualified opinion on the basic

financial statements as explained in the “Qualified Opinion” paragraph, the supplementary information is fairly stated, in all material respects, in relation to the basic 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 October 10, 2019, on our consideration of **The Center for Counseling and Consultation’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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **The Center for Counseling and Consultation’s** 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 **The Center for Counseling and Consultation’s** internal control over financial reporting and compliance.

*Adams, Brown, Beran & Ball, Chartered*

**ADAMS, BROWN, BERAN & BALL, CHTD.**

Certified Public Accountants

October 10, 2019

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Management's Discussion and Analysis

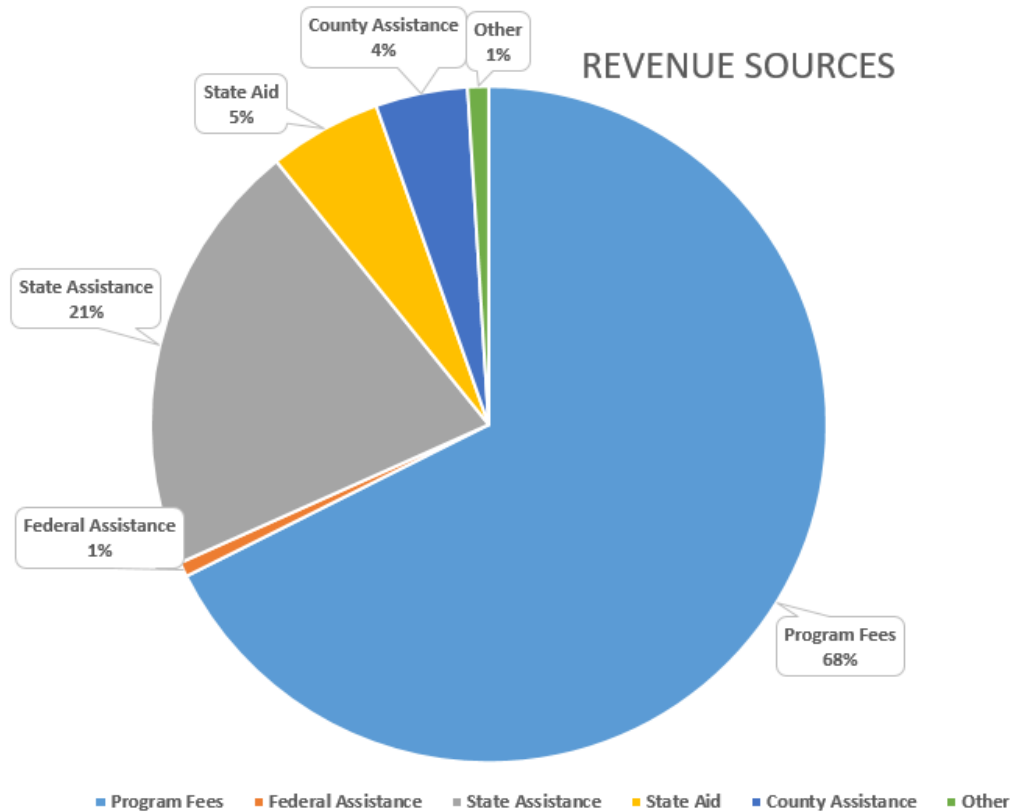
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As management of **The Center for Counseling and Consultation** (the "Center"), we offer you this discussion and analysis of the financial activities of the Center for the year ended December 31, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Center's financial statements and notes to the financial statements which begin after this section.

**FINANCIAL HIGHLIGHTS**

Both total operating revenues and expenses experienced positive changes in fiscal year 2018 compared to fiscal year 2017 with operating revenues increasing by \$344,596 and operating expenses declining by \$369,591. Non-operating revenues, however, decreased by \$16,464 during the same comparison period. The Center's ending cash balance for fiscal year end 2018 improved compared to prior fiscal year by \$167,318. The effects of increased operating revenue and reduced operating expenses more than offset the reduction in non-operating revenue resulting in the total Net Position of the agency in fiscal year 2018 increasing by \$36,217 compared to fiscal year 2017.

**REVENUES**



Total operating revenues of the Center for the year ended December 31, 2018 totaled \$4,229,289, an increase of 8.87% compared to prior year (statements of revenues, expenses and change in net position), whereas, non-operating revenues for the same period totaled \$502,658, representing a decrease of 3.17% from fiscal year 2017. The preceding pie chart displays the distribution of all Center revenue (operating and non-operating) for year-end December 31, 2018 and compared to the prior fiscal year the most noticeable changes were in the state assistance and the other revenue source categories. The state assistance revenue category contributed 3% points more compared to the prior fiscal year (18% to 21%),

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Management's Discussion and Analysis

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whereas, the other revenue category contributed 3% points less (4% to 1%). The percentage contribution of other revenue source categories remained the same except for program fees which increased 1% point from 2017 to 2018 (67% to 68%).

#### EXPENSES

Total operating expenses of the Center for the year ended December 31, 2018 totaled \$4,695,730, a decrease of 7.3% compared to prior year (statements of revenues, expenses and change in net position). Although total operating expenses declined overall in fiscal year 2018, there were a limited number of expense categories with moderate increases partially offsetting the general decline in reduced operating expenses across the various expense categories.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

Since the Center is considered a quasi-governmental entity, the financial statements detailed in this report reflect accounting methods similar to other government entities as mandated by GASB (Governmental Accounting Standards Board). Most government agencies, however, have multiple funds and when required by GASB have separate financial statements for each fund. The Center's only governmental fund is a proprietary enterprise fund which all financial statements in this report pertain to.

These financial statements offer short-term and long-term financial information about the agency's activities.

The Center's financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position, and Statement of Cash Flows and Notes to the Financial Statements. In addition to the financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the agency.

#### Statement of Net Position

The statement of net position reflects assets available to continue operations and future financial obligations (liabilities) as of December 31, 2018. The purpose of this statement is to present a snapshot of the financial condition of the Center. The difference of total assets and deferred outflows of resources compared to total liabilities and deferred inflows of resources is referred to as net position. Net position is a way to measure the Center's financial position. Over the years, increases and decreases to the net position are important indicators of whether the financial position is improving or deteriorating.

The Center's assets and deferred outflows of resources totaled \$1,720,878 at December 31, 2018 as compared to \$1,782,760 at December 31, 2017. Since liabilities and deferred inflows of resources totaled \$2,738,596 exceeding assets and deferred outflows of resources, the net position as of December 31, 2018 was a negative \$1,017,718. Total liabilities and deferred inflows of resources and net position for the prior year were \$2,836,695 and a negative \$1,053,935, respectively.

As noted in the financial highlights, net position increased \$36,217 in fiscal year 2018 (-\$1,017,718) compared to fiscal year 2017 (-\$1,053,935). For brevity further analysis of the changes to the net position assets and deferred outflows of resources will be referred to as "assets np", whereas changes in net position liabilities and deferred inflows of resources will be identified as "liabilities np". In addition, increases in asset np and decreases in liability np have a positive impact on net position, whereas, asset np decreases and liability np increases have a negative effect on net position. A review of these two broad category groups, assets np and liabilities np, finds asset np declined by \$61,882 thereby affecting overall net position negatively. Conversely a decline of \$98,099 in liability np categories improves the net position. The \$61,882 asset np decrease less the \$98,099 liability np decrease equals the \$36,217 increase in the net position from year ending 2017 to 2018. Therefore, this financial snapshot from the

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year end 2018 compared to year 2017 suggests the Center's financial health improved during this time period.

The implementation of GASB 68 (Accounting and Financial Reporting for Pensions) due to the Center's participation in KPERS (Kansas Public Employees Retirement System) in fiscal year 2015 adversely affected the statement of net position by resulting in the first negative net position on agency financial statements, however, the changes in the related categories associated with GASB 68 compliance (deferred outflows – pensions, net pension liability and deferred inflows – pension) in fiscal year 2018 did not negatively impact the Center's net position, but instead improved net position by \$83,089. This contribution, however, was partially offset with changes in other net position categories. Overall non-pension related asset categories increased \$52,287 in fiscal year 2018 compared to the prior year and non-pension related liabilities and deferred inflows of resources increased \$99,159 for the same period resulting in the net effect of reducing net position by \$46,872. Therefore, the positive contribution to net position of \$83,089 by pension related categories less overall change in non-pension related categories of \$46,872 equals fiscal year 2018 change in net position of \$36,217. More detailed analysis of the \$52,287 increase of the asset categories reveals current assets increased by \$73,557 and non-current assets declined by \$21,270 ( $\$52,287 = 73,557 - 21,270$ ). The decline in non-current assets can be attributed to depreciation, whereas, the overall increase in current assets resulted from the increase in cash of \$167,318 at the end of fiscal year 2018 less reductions in AR – net of allowance (-\$69,503) and prepaid expenses (-\$24,258). With respect to the overall increase in non-pension categories of liabilities and deferred inflows of resources, we find each category contributed to the increase: current liabilities (+\$36,707), long-term liabilities (+43,515) and deferred inflows (+\$18,937). The \$36,707 increase in current liabilities fiscal year 2018 were primarily due to increase in current portion of capital lease payable (+\$24,411) and accrued payroll liabilities (+\$25,860), which were partially offset by a decline in accounts payable (-\$19,257). The \$43,515 increase in long-term liabilities can be attributed to increase in capital lease payable, net of current portion (+\$37,293) and compensated absences (+\$6,222), whereas, the \$18,937 increase in deferred Inflows was due solely to the increase in grants received in advance by the same amount.

Although the changes in the pension categories related to GASB 68 compliance at the end of year 2018 compared to the prior year had a positive effect on the net position in a year to year analysis, these categories as noted earlier were responsible for the Center's first negative net position and also the current one. A review of the three pension related categories (deferred outflows – pensions, net pension liability and deferred inflows – pension) balances at year end 2018 finds their total impact on net position to be a negative \$2,064,493. In other words, without the GASB compliance categories, the Center's net position would be a positive \$1,046,775 as of December 31, 2018. The reader should be advised not all governmental entities in Kansas present financial statements in compliance with GASB. Kansas statute 75-1120a allows most municipalities to annually file a GAAP Waiver, which allows the governmental entity to present their financial statements according to cash basis accounting principles as opposed to accrual basis accounting principles, which GASB requires. Since the pension related categories discussed earlier rely on accrual accounting, the financial statements of any municipality in Kansas participating in KPERS with a GAAP Waiver would not include this information even though they could participate in the same retirement program, KPERS, as the Center. Whereas GASB compliance may explain the overall negative net position of the Center, further analysis of other Center financial statements is required to detail the factors contributing to the positive indicator of a \$36,217 increase in net position as of December 31, 2018.

### **Statement of Revenues, Expenses, and Change in Net Position**

The statement of revenues, expenses, and change in net position includes the Center's revenues and expenses, both operating and non-operating for the year ended December 31, 2018. The statement reflects all current year's revenues and expenses regardless of when cash is received or paid (accrual method). There are three main sections in this financial statement: Operating Revenue, Operating



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Expenses and Non-operating Revenue. The Operating Revenue less Operating Expenses equals Net Operating Profit/Loss and adding the Non-operating revenue to Net Operating Profit/Loss equals Change in Net Position.

With respect to the \$344,596 increase in operating revenues, the factor having the most impact was the \$254,564 reduction in provision for bad debts. In the prior year (2017) the provision for bad debts was \$257,068 as opposed to \$20,621 in year 2018. Part of this significant decline can be attributed to the non-collectible AR residing in the Center's prior electronic medical record (EMR) software, which was written off at the end of year 2017 when migrating to the new EMR, however, this does not fully explain the decrease. The provision for bad debts in years 2015 and 2016 were \$166,903 and \$182,205 respectively suggesting there are other contributing factors. In an effort to improve cash flow, management at the Center has stressed the importance of improved collections from front office staff and as a result the overall amount referred for collections has been reduced, resulting in less accounts written off and a lower provision for bad debts. In addition, this writer has not observed AR balances steadily increasing in the new EMR software, Credible, implemented in March of 2017, which was the case with the prior software. As a result, it appears the improved software allows billing staff to keep AR balances more current, which results in more moderate adjustments to the allowance for doubtful accounts and bad debt expenses thereby further reducing the provision for bad debts. The state financial assistance increase of \$212,910 was the next most significant category aiding in the improved operating revenue in year 2018 compared to the prior year. This partial restoration of previously cut funding from the state represents allocations involving two different contracts since the state's fiscal year does not coincide with the calendar year. In addition, \$27,903 of the increase was one-time funds allocated by the state covering January 1, 2018 thru June 30, 2018 and \$11,983 was related to classifying supported housing revenue differently in year 2018 than 2017 at the direction of the Center's auditors. In addition, services fees net of discounts and allowances increased by \$18,118, however, this moderate increase was not due to an increase in services fees generated. The agency due to financial challenges did not fill one open therapist and med services position in year 2018. In addition, programs providing community services to special target populations experienced difficulty filling open positions. Both of these factors contributed to lower overall service fee revenue, however, the significant decline in service fee discounts was greater resulting in the moderate increase to program service fees net of discounts and allowances. Federal financial assistance also increased slightly by \$3,098 further improving overall operating revenue. Nevertheless these increases were partially offset by the decline in the other operating revenue category which declined \$124,163 from year 2017 to 2018. The agency received a two-year grant from the Centene Charitable Foundation, which ended in 2017 and was responsible \$76,073 in this operating revenue category in the prior year. In addition, the agency also received one-time meaningful use funds of \$42,500 related to the purchase of a new EMR in year 2017.

As noted earlier, the operating expenses decreased by \$369,591, which represents a 7.30% decrease compared to the operating expenses of the prior year. The reduction in employee related expenses accounted for most of the operating expense decline in year 2018. Besides the reduced clinical staffing previously mentioned, the agency also reduced administrative staff in an effort to improve the financial stability of the Center. Administrative staff reductions included the elimination of one management position and not filling an open billing position due to efficiencies realized with the new EMR. As a result, decreases in salaries (-\$146,397), KPERS (-\$61,662), employee benefits (-\$40,840), payroll taxes (-\$11,166) and conference & training (-\$8,764) resulted in a \$268,829 reduction in employee related expenses, which accounted for 72.74% of the \$369,591 overall decrease in operating expenses in year 2018. There was also a significant reduction in contractual expenses by \$69,020 (-11.92%) in 2018 compared to the prior year where the Center targeted two areas to further reduce operating costs: HR/Payroll services and software/technical support services. The Center previously contracted with Syndeo Outsourcing for HR, payroll and benefit management services and at the end of 2017 payroll processing and benefit management were added to tasks handled by the financial department and a new firm, Bandura, was contracted for HR support which reduced HR contractual expenses by \$20,942 in the current year. Similarly, the agency ended its contract with Nex-Tech for IT support services and utilized

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another vendor, ConvergeOne, which did not have a monthly fee and instead IT costs were incurred only when services were provided which reduced technology support costs. During 2017, the agency also incurred fees for two different EMRs when migrating to the new EMR, Credible, and these duplication of expenses ended at the end of year 2017. As a result, the Center's Tech/Software contractual expenses in year 2018 decreased by \$46,438. In addition to the decrease in contractual expenses, the advertising and public relations expenses also decreased by \$28,866 (-55.40%) in year 2018 further aiding the decline in operating expenses. As noted earlier, the Centene grant ended in 2017, which funded a significant portion of the advertising budget of the agency in 2017. The remaining operating expense categories experienced more modest reductions and were offset by similar modest increase primarily in building maintenance expense. The agency started contracting for janitorial services at the main building in Great Bend during 2017 as opposed to paying current employees overtime to perform custodial services. Since these expenses were incurred for all of 2018 and additional cleaning services were requested this category increased in year 2018, however, this also resulted in a reduction in employee expenses. Therefore, a significant portion of this increase represents the shifting of costs to a different operating expense category.

Although both operating revenue and expenses changed in a favorable way in year 2018, the same was not true for non-operating revenue, which declined 3.17% (-\$16,464). The reduced funding received from the grant with United Methodist Youthville (UMY) impacted non-operating revenue the most with \$35,260 less grant funds received in 2018 compared to 2017. This reduction was not unexpected and part of the phase out of the grant. Since this decrease in UMY funding in 2018 was greater than the overall decrease of non-operating revenue, increases were experienced in other non-operating revenue categories. The miscellaneous non-operating revenue category experienced the largest increase (+\$10,190) helping to offset the lower grant funding received from UMY. The item in this category responsible for most of the increase was the increase in non-clinical fees revenue the agency charges for things like copies of medical records. The reader will note when reviewing the non-operating revenue section of the statement of revenues, expenses, and change in net position the remaining increases occurred in County Financial Assistance, Gain on Sale of Assets and Interest Income.

**Statement of Cash Flows**

The statement of cash flows reflects cash provided by or used in operating activities, capital and related financing activities, and investing activities for the year ended December 31, 2018. The statement of cash flows represents detailed information about the cash activity of the Center during the year.

**TABLE 1**  
**STATEMENT OF NET POSITION**

	<u>2018</u>	<u>2017</u>
Current Assets	\$ <b>894,789</b>	821,232
Capital Assets	<b>537,390</b>	563,660
Other Assets	<b>5,550</b>	550
<b>Total Assets</b>	<b><u>1,437,729</u></b>	<u>1,385,442</u>
<b>Deferred Outflows of Resources</b>	<b><u>283,149</u></b>	<u>397,318</u>
Current Liabilities	<b>192,535</b>	155,828
Other Liabilities	<b>2,147,688</b>	2,328,472
<b>Total Liabilities</b>	<b><u>2,340,223</u></b>	<u>2,484,300</u>
<b>Deferred Inflows of Resources</b>	<b><u>398,373</u></b>	<u>352,395</u>

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Invested in Capital Assets, Net of Related Debt	475,686	563,660
Unrestricted	<u>(1,493,404)</u>	<u>(1,617,595)</u>
<b>Total Net Position</b>	<b>\$ (1,017,718)</b>	<b>(1,053,935)</b>

**TABLE 2**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**

	2018	2017
Total Operating Revenues	\$ 4,229,289	3,884,693
Total Operating Expenses	<u>4,695,730</u>	<u>5,065,321</u>
<b>Net Operating Loss</b>	<b>(466,441)</b>	<b>(1,180,628)</b>
Net Nonoperating Revenues	<u>502,658</u>	<u>519,122</u>
<b>Change in Net Position</b>	<b>36,217</b>	<b>(661,506)</b>
<b>Total Net Position, Beginning</b>	<u><b>(1,053,935)</b></u>	<u><b>(392,429)</b></u>
<b>Total Net Position, Ending</b>	<b>\$ (1,017,718)</b>	<b>(1,053,935)</b>

**TABLE 3**  
**CAPITAL ASSETS**

At the end of 2018, the Center had \$537,390 invested in capital assets less depreciation.

	2018	2017
Office Equipment	\$ 369,912	544,554
Transportation Equipment	492,494	521,559
Land	70,000	70,000
Building and Parking Lots	859,865	850,445
Accumulated Depreciation	<u>(1,254,881)</u>	<u>(1,432,318)</u>
<b>Net Capital Assets</b>	<b>\$ 537,390</b>	<b>563,660</b>

**FUTURE CHALLENGES**

The Center's past challenges in the area of technology and software for the most part have been addressed migrating to a new EMR in March of 2017, discontinuing legacy EMR software at the end of 2017 and replacing an aged server during 2018. The remaining hardware item still needing addressed is the aging thin clients which administrative and clinical staff use to access technology resources at the Center. It is important a solution be identified that would work well with Zoom for increasing demand of tele-video and leverage all of the capabilities of the new server. Based on our positive experience with ConvergeOne who implemented the new server, the Center believes they have a trusted technology partner with the expertise to assist in completing this remaining hardware challenge.

Remaining software challenges include implementing additional features in our new EMR to ensure we are leveraging the software to the fullest extent possible. The billing office has experienced significant improvement in efficiencies allowing less billing staff to handle agency billing and accounts receivable management. Current work is focused on implementing the EMR's client portal module allowing those receiving services at the Center to be able to access their records and make payments via this module.

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Other challenges faced by the agency revolve around staffing. The Center has experienced increased difficulty attracting clinical applicants for med and therapist positions over the last couple of years. The implementation of a significant productivity award for clinical staff providing therapy and case management services in the summer of 2018 has improved employee retention in these two groups, however, filling open med and therapy positions can still be a challenge. The agency currently is evaluating a merit raise for 2020 after not having raises since 2015 to further improve staff retention thereby reducing the effects of turnover.

Credentialing represents another challenge faced by the agency, which has not only increased in terms of complexity but also in the amount of time dedicated to this task to maximize agency reimbursement for services provided. The Center must ensure a provider credentialed with the clients insurance is assigned to allow reimbursement. Testing and configuring new features within the EMR will assist with handling this challenge.

The last notable challenge facing the Center relates to future payment reimbursement models on the horizon as payers move from fee for services structure to a value based reimbursement model. The new EMR the agency uses has features for complying with this change and current only a small portion of payer reimbursement is based on value based arrangements.

**CONTACTING THE CENTER'S FINANCIAL MANAGEMENT**

This annual financial report is designed to provide citizens, taxpayers, customers, board members and other users of this report a general overall summary of the Center's finances. The report is also to show the Center's accountability for the money it receives.

Further questions concerning the report or the financial status of **The Center for Counseling and Consultation** should be directed to Douglas Diel's office at 5815 Broadway Ave., Great Bend, Kansas, 67530, phone 620-792-2544.



Douglas Diel, M.S.  
Director of Finance

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Statements of Net Position  
December 31, 2018 and 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash	\$ 519,838	352,520
Accounts Receivable - Patients, Net of Allowance	346,542	416,045
Due From Employee	244	244
Prepaid Expenses	28,165	52,423
<b>Total Current Assets</b>	<b>894,789</b>	<b>821,232</b>
<b>Noncurrent Assets</b>		
Capital Assets, Not Depreciated	70,000	70,000
Capital Assets, Net of Accumulated Depreciation of \$1,254,881 and \$1,432,318	467,390	493,660
Beneficial Interest In Assets Held By Community Foundation	5,000	-
Other Assets	550	550
<b>Total Noncurrent Assets</b>	<b>542,940</b>	<b>564,210</b>
<b>Deferred Outflows of Resources</b>		
Deferred Outflows - Pensions	283,149	397,318
<b>Total Assets and Deferred Outflows of Resources</b>	<b>1,720,878</b>	<b>1,782,760</b>
	<u>LIABILITIES AND NET POSITION</u>	
<b>Current Liabilities</b>		
Current Portion of Capital Lease Payable	24,411	-
Accounts Payable	10,979	30,236
Accrued Salaries	102,566	98,669
Accrued Payroll Liabilities	48,449	22,589
Other Payables	6,130	4,334
<b>Total Current Liabilities</b>	<b>192,535</b>	<b>155,828</b>
<b>Long-Term Liabilities</b>		
Capital Lease Payable, Net of Current Portion	37,293	-
Compensated Absences	135,924	129,702
Net Pension Liability	1,974,471	2,198,770
<b>Total Long-Term Liabilities</b>	<b>2,147,688</b>	<b>2,328,472</b>
<b>Total Liabilities</b>	<b>2,340,223</b>	<b>2,484,300</b>
<b>Deferred Inflows of Resources</b>		
Grants Received in Advance	25,202	6,265
Deferred Inflows - Pensions	373,171	346,130
<b>Total Deferred Inflows of Resources</b>	<b>398,373</b>	<b>352,395</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>2,738,596</b>	<b>2,836,695</b>
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	475,686	563,660
Unrestricted	(1,493,404)	(1,617,595)
<b>Total Net Position</b>	<b>\$ (1,017,718)</b>	<b>(1,053,935)</b>

The notes to the financial statements are an integral part of this statement.

**THE CENTER FOR COUNSELING AND CONSULTATION**  
 Statements of Revenues, Expenses and Change in Net Position  
 For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>		
Program Service Fees, Net of Discounts and Allowances	\$ 3,219,033	3,200,915
Provision for Bad Debts	<u>(20,621)</u>	<u>(257,068)</u>
Net Program Service Fees	3,198,412	2,943,847
Federal Financial Assistance	33,369	30,271
State Financial Assistance	991,088	778,178
EAP Assistance Grant	872	2,686
Rent	1,250	1,250
Other	<u>4,298</u>	<u>128,461</u>
<b>Total Operating Revenues</b>	<u>4,229,289</u>	<u>3,884,693</u>
<b>Operating Expenses</b>		
Advertising and Public Relations	23,234	52,100
Building Maintenance	49,004	34,622
Conferences and Training	27,181	35,945
Contractual	510,112	579,132
Dues and Fees	18,142	18,085
Employee Benefits	711,004	751,844
Equipment Maintenance	33,466	41,924
Group Incentives	18,195	17,666
Housing and Flex Funds	7,258	11,908
Insurance	71,291	70,167
KPERS	230,714	292,376
Occupancy	58,272	55,663
Other	12,625	8,253
Payroll Taxes	181,721	192,887
Postage	8,379	7,571
Collection Fees	449	10,335
Salaries	2,586,848	2,733,245
Supplies	22,986	22,518
Travel	34,217	38,340
Depreciation	<u>90,632</u>	<u>90,740</u>
<b>Total Operating Expenses</b>	<u>4,695,730</u>	<u>5,065,321</u>
<b>Net Operating Loss</b>	<u>(466,441)</u>	<u>(1,180,628)</u>
<b>Nonoperating Revenues</b>		
State Aid	255,708	255,708
County Financial Assistance	205,821	202,676
Other Grant	17,144	52,404
Miscellaneous	16,508	6,318
Gain on Sale of Assets	3,387	140
Interest Income	<u>4,090</u>	<u>1,876</u>
<b>Total Nonoperating Revenues</b>	<u>502,658</u>	<u>519,122</u>
<b>Change in Net Position</b>	<b>36,217</b>	<b>(661,506)</b>
<b>Total Net Position - Beginning</b>	<u>(1,053,935)</u>	<u>(392,429)</u>
<b>Total Net Position - Ending</b>	<u>\$ (1,017,718)</u>	<u>(1,053,935)</u>

The notes to the financial statements are an integral part of this statement.

**THE CENTER FOR COUNSELING AND CONSULTATION**

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

	2018	2017
<b>Cash Flows From Operating Activities</b>		
Patient Services	\$ 3,269,711	3,319,644
Grants and Contracts	1,044,266	780,882
Payments to Employees	(3,757,397)	(4,022,906)
Payments to Suppliers	(878,916)	(999,085)
Other Receipts	5,548	129,539
<b>Net Cash Used by Operating Activities</b>	<b>(316,788)</b>	<b>(791,926)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
State Aid	255,708	255,708
County Financial Assistance	205,821	202,676
Other Grant	17,144	52,404
Miscellaneous	16,508	6,318
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>495,181</b>	<b>517,106</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal Payments on Lease Payable	(13,552)	-
Proceeds From Sale of Assets	3,387	140
Purchase of Capital Assets	-	(85,068)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(10,165)</b>	<b>(84,928)</b>
<b>Cash Flows Used by Investing Activities</b>		
Interest Income	4,090	1,876
Donation to Beneficial Interest	(5,000)	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(910)</b>	<b>1,876</b>
<b>Net Increase (Decrease) in Cash</b>	<b>167,318</b>	<b>(357,872)</b>
<b>Cash - Beginning of Year</b>	<b>352,520</b>	<b>710,392</b>
<b>Cash - End of Year</b>	<b>\$ 519,838</b>	<b>352,520</b>
<b>Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities</b>		
<b>Net Operating Loss</b>	<b>\$ (466,441)</b>	<b>(1,180,628)</b>
<b>Adjustments to Reconcile Net Operating Loss to Net Cash Used By Operating Activities</b>		
Depreciation	90,632	90,740
(Increase) Decrease in		
Accounts Receivable	69,503	371,463
Due From Employee	-	(172)
Prepaid Expenses	31,915	(23,117)
Increase (Decrease) in		
Capital Lease Payable	3,237	-
Accounts Payable	(19,257)	28,261
Accrued Salaries	3,897	(4,643)
Accrued Payroll Liabilities	25,860	(4,689)
Other Payables	1,796	4,334
Compensated Absences	6,222	(9,808)
Net Pension Liability	(83,089)	(33,414)
Grants Received in Advance	18,937	(30,253)
<b>Net Cash Used by Operating Activities</b>	<b>\$ (316,788)</b>	<b>(791,926)</b>

The notes to the financial statements are an integral part of this statement.

## THE CENTER FOR COUNSELING AND CONSULTATION

Notes to Financial Statements

December 31, 2018 and 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of **The Center for Counseling and Consultation**, relating to the programs included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governments* (GASB 34 Edition), and by the Financial Accounting Standards Board, when applicable. The following is a summary of such significant policies.

#### **Financial Reporting Entity**

The Center is a quasi-governmental organization and is operated and licensed as a community mental health center under the laws and regulations enumerated under K.S.A. 19-4001 et. seq. The purpose of the Center is to provide mental health services and education to the communities in the following four counties: Barton, Stafford, Rice and Pawnee. The Center does not have any component units.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The entity financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the supplemental financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. For financial statement reporting purposes, the Center is considered a special-purpose government engaged only in business-type activities and consists of one proprietary fund.

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first, and then unrestricted resources as needed.

#### **Budgetary Information**

The Center is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. The internal budget is the source of the budget amounts listed in the supplementary information.

#### **Revenue Classification**

The Center has classified its revenues as either operating or nonoperating according to the following criteria:

**Operating Revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) patient services, (2) federal and state grants and contracts, and (3) management fees.

**Nonoperating Revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as donations, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state aid, county appropriations, and interest on investments.



## THE CENTER FOR COUNSELING AND CONSULTATION

Notes to Financial Statements

December 31, 2018 and 2017

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### **Patient Service Revenue**

The Center has agreements with several organizations that provide for payments on covered services rendered by the Center. The basis for payments under the agreements is at established rates. The Center also participates in a Participating CMHC Agreement with the Kansas Department for Aging and Disability Services (KDADS) to provide payments for patient services provided, which are governed by various rules and regulations by KDADS. Funding is comprised of funding allotments from Mental Health Reform, the Governor's Mental Health Initiatives, the Block Grant for Community Mental Health Services, and State Aid.

### **Cash**

For purposes of the statement of cash flows, the Center considers all unrestricted, highly liquid deposits with original maturities of three months or less as cash.

### **Accounts Receivable**

Accounts receivable consists of patient services and coverage plans. Accounts receivable are recorded net of discounts and estimated allowance for uncollectible amounts.

Management determines the adequacy of the allowance for doubtful accounts based upon review of the aged accounts receivable. Amounts determined uncollectible are charged to the allowance account and removed from accounts receivable.

The allowance for uncollectible amounts for insurance coverage plan accounts receivable is computed as 30% of all accounts receivable over 30 days, 50% of all accounts receivable over 60 days, 60% of all accounts receivable over 90 days and 80% for all accounts over 120 days. The insurance coverage plan uncollectible amount was \$81,258 and \$113,133 as of December 31, 2018 and 2017, respectively.

The allowance for uncollectible amounts for self-pay accounts receivable is computed as 50% of all accounts receivable over 60 days, 70% of all accounts receivable over 90 days, 80% of all accounts receivable over 120 days and 100% for all accounts in collection. The amount reported in self-pay accounts receivable is reduced by both sliding scale fee discounts and special fees prior to booking the receivable. The self-pay uncollectible amount was \$870,152 and \$827,643 as of December 31, 2018 and 2017, respectively.

The Center does not have any cost reports or settlements with third-party payers. The Center has contracted with various organizations at set, upfront rates that do not get adjusted until the contracts are renewed. No retrospective adjustments are made.

### **Prepaid Items**

Payments made to vendors for goods or services that will benefit periods beyond the current year are recorded as prepaid items when they are deemed material and it is considered appropriate.

### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the statements of net position. Assets over \$5,000 are capitalized and recorded at historical cost, estimated historical cost if actual cost is not available, or estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

**THE CENTER FOR COUNSELING AND CONSULTATION**

Notes to Financial Statements

December 31, 2018 and 2017

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Capital assets are capitalized and depreciated over the remaining useful lives of the related capital asset categories as applicable.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	45 years
Parking Lots	20 years
Building Equipment	10 years
Equipment and Vehicles	5 years

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Center reports collective deferred outflows for pensions. See Note 6 for more information on these deferred outflows.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Center reports collective deferred inflows for pensions and grant revenue. See Note 6 for more information on the pension deferred inflows.

**Net Position**

The Center's net position is classified as follows:

- a. *Invested in capital assets, net of related debt:* This represents the Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- b. *Restricted net position:* Restricted net position includes resources in which the Center is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. There were no restrictions as of December 31, 2018 and 2017.
- c. *Unrestricted net position:* The Center receives various funds from organizations which are available for use at the discretion of the Center.

**Income Taxes**

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, income taxes are not provided for in the financial statements.

**NOTE 2 – CASH**

The Center's carrying amount of deposits and cash on hand was \$519,838 and \$352,520 and the bank balance was \$532,427 and \$393,715 at December 31, 2018 and 2017, respectively. The bank balance was held by one financial institution resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$282,427 and \$143,715 at December 31, 2018 and 2017, respectively, was collateralized with securities held by pledging financial institutions' agents in the Center's name. The Center does not have a deposit policy for custodial credit risk.

The Center has no investment policy that would further limit its investment choices.

**THE CENTER FOR COUNSELING AND CONSULTATION**

Notes to Financial Statements

December 31, 2018 and 2017

**NOTE 3 – CAPITAL ASSETS**

The following is a summary of changes in the various capital asset categories for the year ended December 31, 2018.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 70,000	-	-	70,000
<b>Depreciable Capital Assets</b>				
Office Equipment	544,554	64,361	(239,004)	369,912
Transportation Equipment	521,559	-	(29,065)	492,494
Buildings and Parking Lots	859,865	-	-	859,865
<b>Total Depreciable Capital Assets</b>	1,925,978	64,361	(268,069)	1,722,271
<b>Accumulated Depreciation</b>	<u>(1,432,318)</u>	<u>(90,632)</u>	<u>268,069</u>	<u>(1,254,881)</u>
<b>Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>493,660</u>	<u>(26,270)</u>	<u>-</u>	<u>467,390</u>
<b>Capital Assets, Net of Accumulated Depreciation</b>	\$ <u><u>563,660</u></u>	<u><u>(26,270)</u></u>	<u><u>-</u></u>	<u><u>537,390</u></u>

The following is a summary of changes in the various capital asset categories for the year ended December 31, 2017.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 70,000	-	-	70,000
<b>Depreciable Capital Assets</b>				
Office Equipment	468,906	75,648	-	544,554
Transportation Equipment	521,559	-	-	521,559
Buildings and Parking Lots	850,445	9,420	-	859,865
<b>Total Depreciable Capital Assets</b>	1,840,910	85,068	-	1,925,978
<b>Accumulated Depreciation</b>	<u>(1,341,578)</u>	<u>(90,740)</u>	<u>-</u>	<u>(1,432,318)</u>
<b>Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>449,332</u>	<u>(5,672)</u>	<u>-</u>	<u>493,660</u>
<b>Capital Assets, Net of Accumulated Depreciation</b>	\$ <u><u>569,332</u></u>	<u><u>(5,672)</u></u>	<u><u>-</u></u>	<u><u>563,660</u></u>

**THE CENTER FOR COUNSELING AND CONSULTATION**

Notes to Financial Statements

December 31, 2018 and 2017

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**NOTE 4 – CAPITAL LEASES**

**The Center for Counseling and Consultation** is obligated under a certain capital lease dated March 13, 2018. The Center is the lessee of office equipment under a capital lease expiring in 2021. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of the asset under capital leases is included in depreciation expense for the year ended December 31, 2018.

Following is a summary of property held under capital lease:

Office Equipment	\$	64,361
Accumulated Amortization		<u>(10,061)</u>
	\$	<u>54,300</u>

Minimum future lease payments under the capital lease as of December 31, 2018 were as follows:

	Amount
2019	\$ <u>27,576</u>
2020	27,576
2021	<u>11,490</u>
Net Minimum Lease Payments	66,642
Amount Representing Interest	<u>(4,938)</u>
Present Value of Net Minimum Lease Payments	\$ <u>61,704</u>

The interest rate on the capital lease is 6.25%.

**NOTE 5 – COMPENSATED ABSENCES**

The Center provides vacation to its eligible employees as follows:

Clinical staff shall earn vacation at the rate of 1¼ days for each month of employment. After 5 years, clinical staff shall earn 20 days of vacation per year. Full-time support staff shall earn two weeks vacation the first year and thereafter shall earn vacation at the rate of 1¼ days for each month of employment. After 5 years the support staff shall earn 20 days of vacation. Vacation is available to part-time employees who are scheduled to work 20 hours or more per week on a pro-rata basis proportionate to the time they work. Vacation may carry over up to a maximum of 240 hours. Employees who have completed the introductory period shall be paid up to 160 hours of unused vacation at the time of termination. The Center's maximum potential carryover liability has been estimated at \$154,529 and \$145,897. The Center's potential liability for vacation paid upon termination has been estimated at \$135,924 and \$129,702 at December 31, 2018 and 2017, respectively, and is recorded in the financial statements.

The Center provides sick leave to its full-time eligible employees at the rate of 8 hours per month and may accumulate the hours up to a maximum of 480 hours. Part-time employees shall earn sick leave pro-rata on the same basis as full-time employees. Accumulated sick leave is not paid upon termination. The Center's potential liability for sick leave has been estimated at \$187,807 and \$206,159 at December 31, 2018 and 2017, respectively, and is not recorded in the financial statements.

## THE CENTER FOR COUNSELING AND CONSULTATION

Notes to Financial Statements

December 31, 2018 and 2017

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### NOTE 6 – DEFINED BENEFIT PENSION PLAN

#### Plan Description

**The Center for Counseling and Consultation** participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public Employees, which includes
  - State/School Employees
  - Local Employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected. Those employees participating in the Pension Plan for the Center are included in the local employees group.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at [www.kpers.org](http://www.kpers.org).

#### Benefits

Benefits are established by statute and may only be changed by the Legislature. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85 points.

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. The monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with 5 years of service or 60 with 30 years of service. Early retirement is available at age 55 with 10 years of service with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

## THE CENTER FOR COUNSELING AND CONSULTATION

Notes to Financial Statements

December 31, 2018 and 2017

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### Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended June 30, 2018.

For the year ended December 31, 2018, the actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory employer capped contribution rate for local employees are both 8.39%. The member contribution rate as a percentage of eligible compensation for the fiscal year ended June 30, 2018 was 6.00% for local employees.

For the year ended December 31, 2017, the actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory employer capped contribution rate for local employees are both 8.46%. The member contribution rate as a percentage of eligible compensation for the fiscal year ended June 30, 2017 was 6.00% for local employees.

Contributions to the pension plan for the Center were \$286,951 and \$315,508 for the years ended December 31, 2018 and 2017, respectively.

### Employer Allocations

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Fireman
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the Center's share of the collective pension amounts as of June 30, 2018 and 2017 was based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2018 and 2017, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

### Net Pension Liability

Net pension liability activity for the years ended June 30 was as follows:

**THE CENTER FOR COUNSELING AND CONSULTATION**

Notes to Financial Statements

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net Pension Liability	\$1,974,471	\$2,198,770
Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	December 31, 2017	December 31, 2016
Center's Proportion	0.142%	0.152%
Change in Proportion	-0.010%	-0.019%

**Actuarial Assumptions**

The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Price inflation	2.75%
Salary increase, including wage increases	3.50 to 12.00%, including inflation
Long-term rate of return net of investment expense, including price inflation	7.75%

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2017 and 2016 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015. The experience study is dated November 18, 2016.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Global Equity	47.00	%	6.85	%
Fixed Income	13.00		1.25	
Yield Driven	8.00		6.55	
Real Return	11.00		1.71	
Real Estate	11.00		5.05	
Alternatives	8.00		9.85	
Short-Term Investments	2.00		(0.25)	
<b>Total</b>	<u>100.00</u>	<b>%</b>		

**Discount Rate**

The discount rate used to measure the total pension liability for the years ended December 31, 2018 and 2017 was 7.75%. The state, school and local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap was 1.2%.

**THE CENTER FOR COUNSELING AND CONSULTATION**

Notes to Financial Statements

December 31, 2018 and 2017

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

For the year ended December 31, 2018, the following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$2,895,849	\$1,974,471	\$1,195,823

For the year ended December 31, 2017, the following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$3,166,710	\$2,198,770	\$1,382,835

**Pension Expense**

For the years ended December 31, 2018 and 2017, the Center recognized pension expense of \$119,322 and \$192,893, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2018</u>		<u>2017</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 7,129	55,948	10,635	76,029
Net differences between projected and actual earnings on investments	46,189	-	68,971	-
Changes in assumptions	48,002	307,715	118,413	16,078
Changes in proportion	85,503	9,508	90,798	254,023
Contributions subsequent to measurement date	<u>96,326</u>	<u>-</u>	<u>108,501</u>	<u>-</u>
<b>Total</b>	<u>\$ 283,149</u>	<u>373,171</u>	<u>397,318</u>	<u>346,130</u>

The \$96,326 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2019	\$ 19,306
2020	(37,838)
2021	(112,429)



**THE CENTER FOR COUNSELING AND CONSULTATION**

Notes to Financial Statements

December 31, 2018 and 2017

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2022	\$	(48,799)
2023		(6,588)

**NOTE 7 – DEFERRED COMPENSATION PLAN**

The Center sponsors a deferred compensation plan under Internal Revenue Code Section 457(b). All KPERS eligible employees are eligible to participate under the plan and are enrolled. Employees may supplement their KPERS retirement with a voluntary elective option to contribute to the plan offered by ING specifically for KPERS members. The Center is not required to make any contributions.

**NOTE 8 – OTHER POST EMPLOYMENT BENEFITS**

The Center allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Center is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

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. The premium is paid in full by the insured.

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 9 – LITIGATION**

**The Center for Counseling and Consultation** is party to various legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material financial impact on the funds of the Center.

**NOTE 10 – RISK MANAGEMENT**

**The Center for Counseling and Consultation** is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center has been unable to obtain health insurance at a cost it considered to be economically justifiable. For this reason, the Center joined together with other entities in the State to participate in the State Employee Health Plan (SEHP), a public entity risk pool currently operating as a common risk management and insurance program for 92,040 covered lives.

The Center pays monthly premiums to the SEHP for its health insurance coverage. The agreement to participate provides that the SEHP will be self-sustaining through member premiums and will not reinsure through commercial companies. Additional premiums may be due if total claims for the pool are different than what has been anticipated by SEHP management.

The Center carries commercial insurance for all other risks of loss, including property, general liability, inland marine, automobile, professional liability, crime, workers compensation, director's and officer's liability, and medical professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**THE CENTER FOR COUNSELING AND CONSULTATION**

Notes to Financial Statements

December 31, 2018 and 2017

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**NOTE 11 – CONTINGENCY**

The Center participates in numerous state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Center's management, any liability for reimbursement, which may arise as the result of such audits, is not believed to be material.

The Center also receives a substantial amount of revenue from third party payers, such as Medicare, Medicaid and Blue Cross Blue Shield. A significant reduction in reimbursements from any of these parties could have a material impact on the Center's programs and services.

**NOTE 12 – CONCENTRATIONS**

**The Center for Counseling and Consultation** provides counseling to individuals in multiple county areas. The Center grants credit without collateral to its patients, most of whom are insured under third-party payer agreements. The mix of receivables from third-party payers and patients at December 31<sup>st</sup> was as follows:

	<u>2018</u>	<u>2017</u>
Medicare	7%	7%
Blue Cross Blue Shield	8%	8%
Medicaid/KanCare	49%	46%
Other Commercial Insurance	3%	4%
Other Third-Party and Patient Payers	33%	35%

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 10, 2019, which is the date the financial statements were available to be issued.

**INDEPENDENT AUDITORS' 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  
**The Center for Counseling and Consultation**  
Great Bend, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **The Center for Counseling and Consultation**, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2019. The report on the audited financial statements was qualified because it did not include the required annual cost and long-term obligations of the other postemployment benefits as required by Governmental Auditing Standards Board Statements Number 75 and accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered **The Center for Counseling and Consultation'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 **The Center for Counseling and Consultation's** internal control. Accordingly, we do not express an opinion on the effectiveness of **The Center for Counseling and Consultation's** internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (2018-001 and 2018-002) to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2018-003) to be a significant deficiency.

**THE CENTER FOR COUNSELING AND CONSULTATION**

Required Supplementary Information

**INDEPENDENT AUDITORS' 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  
**The Center for Counseling and Consultation**  
Great Bend, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **The Center for Counseling and Consultation**, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2019. The report on the audited financial statements was qualified because it did not include the required annual cost and long-term obligations of the other postemployment benefits as required by Governmental Auditing Standards Board Statements Number 75 and accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered **The Center for Counseling and Consultation'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 **The Center for Counseling and Consultation's** internal control. Accordingly, we do not express an opinion on the effectiveness of **The Center for Counseling and Consultation's** internal control.

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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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2018-003) to be a significant deficiency.

### **Compliance and Other Matters**

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

### **The Center for Counseling and Consultation's Response to Findings**

**The Center for Counseling and Consultation's** response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **The Center for Counseling and Consultation's** response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Adams, Brown, Beran & Ball, Chartered*

**ADAMS, BROWN, BERAN & BALL, CHTD.**

Certified Public Accountants

October 10, 2019

**THE CENTER FOR COUNSELING AND CONSULTATION**  
Schedule of Proportionate Share of the Collective Net Pension Liability  
Kansas Public Employees Retirement System  
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The Center's proportion of the collective net pension liability	<b>0.142%</b>	0.152%	0.171%	0.175%
The Center's proportionate share of the net pension liability	\$ <b>1,974,471</b>	2,198,770	2,646,813	2,295,884
The Center's covered-employee payroll	\$ <b>2,452,822</b>	2,616,146	2,744,831	2,918,607
The Center's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	<b>80.50%</b>	84.05%	96.43%	78.66%
Plan's fiduciary net position	\$ <b>19,696,209,235</b>	18,633,840,421	17,192,432,371	16,635,520,735
Plan fiduciary net position as a percentage of the total pension liability	<b>68.88%</b>	67.12%	65.10%	64.95%

*Changes of assumptions and other inputs*

- Price inflation lowered from 3.00% to 2.75%
- Investment return was lowered from 8.00% to 7.75%
- General wage growth was lowered from 4.00% to 3.50%
- Payroll growth was lowered from 4.00% to 3.00%

GASB 68 requires presentation of ten years. Until a full 10-year trend is compiled, the Center will present information for those years for which information is available.

**THE CENTER FOR COUNSELING AND CONSULTATION**

Supplementary Information



**THE CENTER FOR COUNSELING AND CONSULTATION**

Schedule of the Center's Contributions  
 Kansas Public Employees Retirement System  
 December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ <b>213,615</b>	237,441	346,123	374,750
Contributions in relation to the contractually required contribution	<u>213,615</u>	<u>237,441</u>	<u>346,123</u>	<u>374,750</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The Center's covered-employee payroll	\$ <b>2,452,822</b>	2,616,146	2,744,831	2,918,607
Contributions as a percentage of covered-employee payroll	<b>8.71%</b>	9.08%	12.61%	12.84%

GASB 68 requires presentation of ten years. Until a full 10-year trend is compiled, the Center will present information for those years for which information is available.

**THE CENTER FOR COUNSELING AND CONSULTATION**  
Schedule of Revenues, Expenses and Change in Net Position - Budget and Actual  
For the Year Ended December 31, 2018

	<b>2018</b>		
	Original and Final Budget	Actual	Variance Over (Under)
<b>Operating Revenues</b>			
Program Service Fees, Net of Discounts and Allowances	\$ 4,179,659	<b>3,219,033</b>	(960,626)
Provision for Bad Debts	-	<b>(20,621)</b>	(20,621)
Net Program Service Fees	4,179,659	<b>3,198,412</b>	(981,247)
Federal Financial Assistance	32,594	<b>33,369</b>	775
State Financial Assistance	597,443	<b>991,088</b>	393,645
EAP Assistance Grant	-	<b>872</b>	872
Rent	3,000	<b>1,250</b>	(1,750)
Other	3,500	<b>4,298</b>	798
<b>Total Operating Revenues</b>	<b>4,816,196</b>	<b>4,229,289</b>	(586,907)
<b>Operating Expenses</b>			
Advertising and Public Relations	13,000	<b>23,234</b>	10,234
Building Maintenance	40,344	<b>49,004</b>	8,660
Conferences and Training	54,300	<b>27,181</b>	(27,119)
Contractual	545,208	<b>510,112</b>	(35,096)
Dues and Fees	19,547	<b>18,142</b>	(1,405)
Employee Benefits	821,288	<b>711,004</b>	(110,284)
Equipment Maintenance	25,500	<b>33,466</b>	7,966
Group Incentives	16,000	<b>18,195</b>	2,195
Housing and Flex Funds	13,100	<b>7,258</b>	(5,842)
Insurance	74,717	<b>71,291</b>	(3,426)
KPERS	345,228	<b>230,714</b>	(114,514)
Occupancy	54,106	<b>58,272</b>	4,166
Other	12,641	<b>12,625</b>	(16)
Payroll Taxes	217,988	<b>181,721</b>	(36,267)
Postage	10,500	<b>8,379</b>	(2,121)
Professional Fees	7,500	<b>449</b>	(7,051)
Salaries	2,849,528	<b>2,586,848</b>	(262,680)
Supplies	31,500	<b>22,986</b>	(8,514)
Travel	59,250	<b>34,217</b>	(25,033)
<b>Total Operating Expenses</b>	<b>5,211,245</b>	<b>4,605,098</b>	(606,147)
<b>Net Operating Loss</b>	<b>(395,049)</b>	<b>(375,809)</b>	19,240
<b>Nonoperating Revenues</b>			
State Aid	255,708	<b>255,708</b>	-
County Financial Assistance	206,341	<b>205,821</b>	(520)
Other Grant	-	<b>17,144</b>	17,144
Miscellaneous	-	<b>16,508</b>	16,508
Gain on Sale of Assets	-	<b>3,387</b>	3,387
Interest Income	2,000	<b>4,090</b>	2,090
<b>Total Nonoperating Revenues</b>	<b>464,049</b>	<b>502,658</b>	38,609
<b>Change in Net Position</b>	<b>69,000</b>	<b>126,849</b>	57,849
<b>Total Net Position - Beginning</b>	<b>-</b>	<b>(1,053,935)</b>	(1,053,935)
<b>Total Net Position - Ending</b>	<b>69,000</b>	<b>(927,086)</b>	(996,086)
<b>Adjustment for GAAP</b>			
Depreciation	(69,000)	<b>(90,632)</b>	(21,632)
<b>Total Net Position Per Client</b>	<b>\$ -</b>	<b>(1,017,718)</b>	(1,017,718)

**THE CENTER FOR COUNSELING AND CONSULTATION**  
Schedule of Findings and Responses  
For the Year Ended December 31, 2018

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses a qualified opinion on the financial statements of **The Center for Counseling and Consultation**.
2. The Independent Auditors' 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* identified the following deficiencies in internal control over financial reporting that are considered to be material weaknesses (2018-001 and 2018-002) and a significant deficiency (2018-003).
3. No instances of noncompliance material to the financial statements of **The Center for Counseling and Consultation** were disclosed during the audit.

**B. FINDINGS AND RESPONSES – FINANCIAL STATEMENTS AUDIT**

**Material Weakness in Internal Control**

**2018-001**

Criteria

Capital leases should be recorded as debt on the financial statements and the asset should be capitalized per the Center's capitalization policy.

Context

Internal controls should be in place to ensure that the entity reviews all lease agreements for proper treatment per accounting standards.

Cause

The Center entered into one capital lease in 2018, but treated it as an operating lease.

Effect

Capital lease payable and capital assets were understated by \$64,361.

Recommendation

We recommend that policies and procedures be developed and implemented to ensure that all lease purchase agreements are reviewed and recorded properly.

Views of responsible officials and planned corrective actions

See attached corrective action response.

**2018-002**

Criteria

All activity within the bank account maintained by the Center should be recorded within the accounting software and reconciled monthly.

Context

Internal controls over the process of reconciling the bank reconciliations are not properly in place.

## THE CENTER FOR COUNSELING AND CONSULTATION

Schedule of Findings and Responses  
For the Year Ended December 31, 2018

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### Cause

Implementation of a new accounting software and EMR software in the prior year caused processes to change and created delays in the bank reconciliation completion.

### Effect

The bank reconciliations for 2018 were not completed until March of 2019. Due to transactions not being posted timely, the monthly financial statements compiled for the Board were not accurate.

### Recommendation

We encourage the Director of Finance to provide proper guidance and training to the Accountant and allow full access to the proper software programs so the Accountant can ensure completion of the bank reconciliation process timely and accurately. The Director of Finance should then review and approve the bank reconciliation after completion.

### Views of responsible officials and planned corrective actions

See attached corrective action response.

## Significant Deficiency in Internal Control

### 2018-003

#### Criteria

Internal controls should be in place to ensure that employees are getting paid for actual time worked.

#### Context

A total of 62 payroll transactions were examined for allowable costs for the federal and state grants. Of the 62 transactions reviewed, 3 timesheets were discovered to have not been reviewed and approved by a supervisor prior to them being processed for payroll payment.

#### Cause

Time sheets were processed for payroll payments prior to having the proper supervisor's authorization.

#### Effect

Time worked is not being evaluated to ensure employees are being paid for time actually worked.

#### Recommendation

The Center should implement internal controls to ensure that employees' timesheets have been reviewed and approved by a supervisor before being paid.

#### Views of responsible officials and planned corrective actions

See attached corrective action response.

## C. COMPLIANCE REQUIREMENTS PER AGREEMENT FOR PARTICIPATING COMMUNITY MENTAL HEALTH CENTER CONSOLIDATED CONTRACT – MHCC 18-004

No material findings or questioned costs were disclosed per the Agreement for Participating Community Mental Health Center Consolidated Contract – MHCC 18-004 as required per the SRS Recipient Monitoring letter dated July 9, 2009.

**THE CENTER FOR COUNSELING AND CONSULTATION**

Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2018

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**B. FINDINGS AND RESPONSES – FINANCIAL STATEMENTS AUDIT**

**Material Weakness in Internal Control**

**2017-001**

Criteria

Internal controls should be in place to ensure accounts receivable are properly billed, recorded and written off in a timely manner.

Context

Internal controls over the process of billing and collection of accounts receivable are not properly in place. The Center's policy on how and when delinquent accounts should be written off or sent to collections does not consistently reflect the process being followed.

Cause

Accounts receivable accounts were not fully evaluated to determine whether or not they need written off or sent to collections.

Effect

Due to the fact that accounts receivable balances were not properly reviewed at year end a material adjustment totaling \$78,342 was needed to increase the allowance for doubtful accounts.

Recommendation

We encourage individual accounts be evaluated to determine whether or not they need written off or sent to collections. A process should then be established going forward to continue monitoring these accounts for collectability.

Current Status

Improvements have been made to the internal controls around accounts receivable and this issue is no longer viewed as a material weakness or significant deficiency.

**2017-002**

Criteria

All activity within the bank account maintained by the Center should be recorded within their accounting software and reconciled monthly.

Context

Internal controls over the process of reconciling the bank reconciliations are not properly in place.

Cause

Implementation of a new accounting software and EMR software, within the same year, caused processes to change and thus delays in the bank reconciliation completion.

Effect

The bank reconciliations for the 2017 year were not completed until May of 2018. Due to transactions not being posted timely the monthly financial statements compiled for the Board were not accurate.

## THE CENTER FOR COUNSELING AND CONSULTATION

Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2018

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### Recommendation

We encourage the Financial Director to provide proper guidance and training to the Accountant and allow full access to the proper software programs so the Accountant can ensure completion of the bank reconciliation process timely and accurately. The Finance Director should then review and approve the bank reconciliation after completion.

### Current Status

This is still an ongoing issue. See current year finding 2018-002.

### Significant Deficiency in Internal Control

#### 2017-003

#### Criteria

Internal controls should be in place to ensure that employees are getting paid for actual time worked.

#### Context

Safeguards are not in place to prevent employees from getting paid for time not worked. Currently, the Center does not have a policy that requires timecards to be approved before sending to Sydneo for payroll processing.

#### Cause

Timesheets are either not provided for employees who are paid or not signed off on by the employee's supervisor.

#### Effect

Time worked is not being evaluated to ensure employees are being paid for time actually worked. Currently, supervisors are not required to review and sign off on employee timesheets.

#### Recommendation

The Center should implement a policy in which employees' timesheets must be reviewed and signed off on by a supervisor before being paid.

#### Current Status

This is still an ongoing issue. See current year finding 2018-003.

**THE CENTER FOR COUNSELING AND CONSULTATION**  
Schedule of Expenditures 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 Number	Federal Expenditures	State Expenditures
<b>U.S. Department of Health and Human Services</b>				
<b>Passed Through Kansas Department for Aging and Disability Services</b>				
Mental Health Reform			\$ -	909,789
State Aid			-	255,708
State Hospital Screen Revenue			-	69,316
Supported Housing Fund			-	11,983
<b>Passed Through Area Mental Health Center</b>				
Block Grants for Community Mental Health Services	93.958	MHCC-18-004	33,369	-
<b>Total Expenditures of Federal and State Awards</b>			<b>\$ 33,369</b>	<b>1,246,796</b>

See accompanying notes to schedule of expenditures of federal and state awards.

**THE CENTER FOR COUNSELING AND CONSULTATION**  
Notes to Schedule of Expenditures of Federal and State Awards  
For the Year Ended December 31, 2018

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of **The Center for Counseling and Consultation**, and is presented on the accrual basis of accounting in compliance with the GASB 34 reporting model.

**NOTE 2 – OTHER EXPENDITURES**

**The Center for Counseling and Consultation** did not receive any federal awards in the form of noncash assistance, insurance, loans, or loan guarantees and incurred no expenditures in relation thereof for the year ended December 31, 2018.



**THE CENTER FOR COUNSELING AND CONSULTATION**  
Schedule of Revenues and Expenditures  
Budget and Actual - Grants  
December 31, 2018

FEDERAL FUNDS	CFDA	Budget	Actual	
			1/1/18 to 06/30/18	7/1/18 to 12/31/18
Regional Recovery Center				
Revenues	93.958	\$ <u>33,369</u>	<u>13,974</u>	<u>19,395</u>
Expenditures		\$ <u>33,369</u>	<u>13,974</u>	<u>19,395</u>
<b>STATE FUNDS</b>				
Mental Health Reform				
Revenues		\$ <u>909,789</u>	<u>438,042</u>	<u>471,747</u>
Expenditures		\$ <u>909,789</u>	<u>438,042</u>	<u>471,747</u>
State Aid				
Revenues		\$ <u>255,708</u>	<u>127,854</u>	<u>127,854</u>
Expenditures		\$ <u>255,708</u>	<u>127,854</u>	<u>127,854</u>
State Hospital Screen Revenue				
Revenues		\$ <u>69,316</u>	<u>34,658</u>	<u>34,658</u>
Expenditures		\$ <u>69,316</u>	<u>34,658</u>	<u>34,658</u>
Supportive Housing Fund				
Revenues		\$ <u>11,983</u>	<u>8,209</u>	<u>3,774</u>
Expenditures		\$ <u>11,983</u>	<u>8,209</u>	<u>3,774</u>