

**Sumner Mental Health Center
Wellington, Kansas**

**Independent Auditor's Report &
Financial Statements**

Year Ended December 31, 2018

Sumner Mental Health Center

1601 West 16th Street
Wellington, Kansas

Annual Financial Report

December 31, 2018

Executive Director
Richard Gaskill

Independent Auditor
Chad A. Andra CPA, LLC
Wellington, Kansas

Sumner Mental Health Center

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SUMNER MENTAL HEALTH CENTER

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October 16, 2019

**PSYCHIATRIST
MEDICAL DIRECTOR**

Trever Krehbiel, MD

Management's Discussion and Analysis

CHIEF EXECUTIVE OFFICER

Richard L. Gaskill, EdD

CLINICAL DIRECTOR

Jeanne Brown, MA

**DIRECTOR, COMMUNITY
SUPPORT SERVICES**

Sheila Schroeder, LCSW

**DIRECTOR
HUMAN RESOURCES
QUALITY ASSURANCE**

Linda L. Pfalzgraf, JD

**COORDINATOR, DRUG
ADDICTION SERVICES**

Jennie Pinion, LMSW, LMAC

**DIRECTOR
INFORMATION TECHNOLOGY**

David Robinson, MSW

**DIRECTOR
CHILDREN'S SERVICES**

Angela Baker, LCSW

**DIRECTOR
PATIENT ACCOUNTS**

Lynette Turney

My discussion and analysis of Sumner Mental Health's financial performance provides an overview of the Center's financial activities for the year ended December 31, 2018. Please review it in conjunction with the Center's financial statements, which begin on page 3. These financial statements are comprised of the (1) Statement of Net Position, which presents the Center's assets, liabilities and net position or equity; (2) the Statement of Revenue and Expense, which shows revenue, expense and net income for the current and previous years; (3) the Statement of Changes in Net Position, which shows the changes in composition of the Center's net position by reserved and restricted components. It also is the bridge between the Statement of Net Position and the Statement of Revenue and Expense as the net income from the Statement of Revenue and Expense accounts for the change in net position on the Statement of Net Position from the previous year to the current year; and (4) the Statement of Cash Flows, which shows the cash provided or used by the different activities of the Center.

Statement of Net Position Total unrestricted cash increased by \$194,758 in 2018 from \$625,940 to \$820,698. Cash funds have been reserved by the board of directors for future operating reserves and capital expenditures but are available for operations if needed. Patient accounts receivable increased \$7,324 to a balance of \$115,266 net of allowance for doubtful accounts. This represents approximately 14 business days of client billings, compared to 13 days of client billings at the end of 2017. Grants and other government funding receivable decreased by \$3,568 to a balance of \$50,911.

Fixed assets accounts net of accumulated depreciation decreased from \$716,582 at the end of 2017 to \$651,795 at the end of 2018, with the current year depreciation of \$82,902. Fixed asset replacements in 2018 were \$18,115 compared to \$58,579 in 2017. Fixed asset deletions in 2018 were \$101,450 compared to \$35,634 in 2017.

See accompanying notes

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EMERGENCY SERVICES 1-800-369-8222

All fees for required services are based on the consumer's ability to pay. Sumner Mental Health Center will not deny any necessary or appropriate services solely based on the inability to pay. All fees are subject to administrative review and reduction based on the consumer's individual circumstance.

(K.A.R. 30-60-15, 30-60-17)

Total assets increased by \$132,432 from \$1,518,026 at 12/31/17 to \$1,650,458. Total liabilities at the end of 2018 were \$298,874, down \$31,845 from a year earlier. The estimated liability for accrued compensated absences was retroactively restated due to the discovery of a computational error in the prior years. See **Footnote O** for more information regarding this change and restatement. Net position was \$1,351,584 as of 12/31/18, up \$164,277 from the end of 2017. Due to the 2018 net income and the decrease in the amount invested in fixed assets, the unrestricted and unreserved portion of net position increased by \$226,631 from \$78,324 at 12/31/17 (after restatement for the change in compensated absences payable) to \$304,955 at 12/31/18. The Center has no long term debt, but does expect that most of its accrued compensated absences will be paid out in periods more than one year from December 31, 2018 and has classified that amount as long term

Statement of Revenue and Expense Total operating income was \$3,456,744, up \$243,638 (7.6%) from 2017, due mostly to increases in patient income of \$111,917 and state assistance of \$168,224. These increases were offset somewhat by decreases in other operating income. County sales tax funding was unchanged at \$415,000. Operating expenses were \$3,295,070, which is an increase of \$11,520 (.4%) over 2017. The substantial increase in operating revenue along with a very small corresponding decrease in operating expenses resulted in a 2018 net income of \$164,277 compared to the 2017 net loss of \$56,245.

Summary. The \$164,277 net income in 2018 follows a modest operating loss in 2017 of \$56,245 and returns the Center to a healthier position at 12/31/18. The Center was able to increase cash balances and to better position itself for possible uncertainties in state funding and other operational issues. Although there was a significant increase in 2018 state funding, these funds have been unstable and subject to reductions in prior years.



Rick Gaskill, Executive Director

See accompanying notes



CHAD A. ANDRA, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors and Management
of Sumner Mental Health Center
Wellington, Kansas**

We have audited the accompanying statement of net position of Sumner Mental Health Center (a component unit of Sumner County), as of December 31, 2018, and the related statement of revenue and expense, statement of changes in net position, and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Sumner Mental Health Center as of December 31, 2018, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 1 through 2 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.

Prior Year Comparative Analysis

The financial statements for the year ended December 31, 2017, were audited by a predecessor auditor whose report dated September 24, 2018, expressed an unmodified opinion on the financial statements.

Chad A. Andra, CPA, LLC

Chad A. Andra, CPA, LLC
Wellington, Kansas
October 16, 2019

Sumner Mental Health Center

Statement of Net Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
<u>Current assets</u>		
Cash	\$ 820,698	\$ 625,940
Accounts receivable, net of allowance for doubtful accounts of \$12,807 for 2018 and \$11,994 for 2017	115,266	107,942
Due from grants and other governmental funding	50,911	54,479
Prepaid expenses	7,280	9,356
Total current assets	<u>\$ 994,155</u>	<u>\$ 797,717</u>
<u>Fixed assets</u>		
Furniture, fixtures and equipment	\$ 424,526	\$ 507,861
Vehicles	356,247	356,247
Office building	1,294,554	1,294,554
Less accumulated depreciation	<u>(1,423,532)</u>	<u>(1,442,080)</u>
Total fixed assets	<u>\$ 651,795</u>	<u>\$ 716,582</u>
<u>Other assets</u>		
Cash in bank, restricted	\$ 4,231	\$ 3,451
Utility deposits	277	276
Total other assets	<u>\$ 4,508</u>	<u>\$ 3,727</u>
Total assets	<u>\$ 1,650,458</u>	<u>\$ 1,518,026</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 37,392	\$ 34,173
Accrued wages and benefits	68,548	60,255
Accrued compensated absences, short term	10,193	12,974
Total current liabilities	<u>\$ 116,133</u>	<u>\$ 107,402</u>
<u>Non-Current liabilities</u>		
Accrued compensated absences, long term	\$ 182,741	\$ 223,317
Total non-current liabilities	<u>\$ 182,741</u>	<u>\$ 223,317</u>
Total liabilities	<u>\$ 298,874</u>	<u>\$ 330,719</u>
<u>NET POSITION</u>		
Invested in fixed assets	\$ 651,795	\$ 716,582
Reserved for operations	186,423	185,634
Reserved for capital expenditures	153,338	152,689
Reserved for information technology	50,842	50,627
Temporarily restricted for employee benefits	4,231	3,451
Unrestricted	304,955	78,324
Total net position	<u>\$ 1,351,584</u>	<u>\$ 1,187,307</u>

See accompanying notes

Sumner Mental Health Center
Statement of Revenue and Expense
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Patient Income</u>		
Fees charged	\$ 3,195,955	\$ 3,135,550
Less contractual and other adjustments	<u>(1,027,356)</u>	<u>(1,078,868)</u>
	<u>\$ 2,168,599</u>	<u>\$ 2,056,682</u>
<u>Non-Patient Income</u>		
Sumner County - appropriation	\$ 415,000	\$ 415,000
State of Kansas - State aid	465,214	262,020
State of Kansas - Mental Health Reform	9,266	53,929
State of Kansas - Screens	9,693	-
Other grants	337,138	358,239
Contract and workshop fees	20,136	42,355
Other income	<u>31,698</u>	<u>24,881</u>
	<u>\$ 1,288,145</u>	<u>\$ 1,156,424</u>
Total operating income	<u>\$ 3,456,744</u>	<u>\$ 3,213,106</u>
<u>Operating Expense</u>		
Salaries and fringe benefits	\$ 2,465,357	\$ 2,442,507
Contracted professional services	323,862	333,782
Conferences, education and travel	17,707	22,059
Supplies	22,477	20,948
Agency, meetings, lodging	25,370	29,286
Communications	57,488	58,479
Crisis contingency	100	3,449
Utilities	36,361	35,301
Repairs and maintenance	25,931	22,203
Transportation	56,376	53,556
Dues and subscriptions	15,626	18,831
Insurance	35,039	30,532
Software maintenance and other IT	86,120	75,975
Other operating	44,354	36,944
Depreciation	<u>82,902</u>	<u>99,698</u>
Total operating expense	<u>\$ 3,295,070</u>	<u>\$ 3,283,550</u>
Net operating income	\$ 161,674	\$ (70,444)
<u>Non-Operating Income (Expense)</u>		
Gain on sale of vehicle	\$ -	\$ 10,602
Interest income	<u>2,603</u>	<u>3,597</u>
Total non-operating income	<u>\$ 2,603</u>	<u>\$ 14,199</u>
Net income (loss)	<u>\$ 164,277</u>	<u>\$ (56,245)</u>

See accompanying notes

Sumner Mental Health Center
Statement of Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	<u>Reserved</u>	<u>Invested in Fixed Assets</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Net Assets</u>
Balance, December 31, 2016	\$ 370,561	\$ 757,701	\$ 5,462	\$ 232,698	\$ 1,366,422
Effect of prior period adjustment <i>(See footnote O)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(122,870)</u>	<u>(122,870)</u>
Balance, December 31, 2016 restated	370,561	757,701	5,462	109,828	1,243,552
Transfer	18,389	-	(2,011)	(16,378)	-
Net changes	-	(41,119)	-	41,119	-
2017 net income (as restated)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,245)</u>	<u>(56,245)</u>
Balance, December 31, 2017	\$ 388,950	\$ 716,582	\$ 3,451	\$ 78,324	\$ 1,187,307
Transfer	1,653	-	780	(2,433)	-
Net changes	-	(64,787)	-	64,787	-
2018 net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,277</u>	<u>164,277</u>
Balance, December 31, 2018	<u>\$ 390,603</u>	<u>\$ 651,795</u>	<u>\$ 4,231</u>	<u>\$ 304,955</u>	<u>\$ 1,351,584</u>

See accompanying notes

Sumner Mental Health Center
Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flow from Operating Activities</u>		
Cash received from patients	\$ 2,161,275	\$ 2,048,962
Cash received from intergovernmental entities	1,230,185	1,069,144
Other operating cash receipts	61,528	67,236
Cash payments to employees and for employee benefits	(2,497,258)	(2,454,937)
Cash payments for contracted professional services	(326,127)	(330,691)
Cash payments for supplies	(22,477)	(20,948)
Cash payments for other operating expenses	(396,076)	(391,915)
	\$ 211,050	\$ (13,149)
 <u>Cash Flow from Investing Activities</u>		
Interest income	\$ 2,603	\$ 3,597
Payments on debt principal	-	-
	\$ 2,603	\$ 3,597
 <u>Cash Flows from Capital and Related Financing Activities</u>		
Interest expense	\$ -	\$ -
Purchase of fixed assets	(18,115)	(58,579)
Sale of fixed assets	-	10,602
	\$ (18,115)	\$ (47,977)
Net increase (decrease) in cash	\$ 195,538	\$ (57,529)
Cash, beginning of the year	629,391	686,920
Cash, end of the year	\$ 824,929	\$ 629,391
Unrestricted cash, end of year	\$ 820,698	\$ 625,940
Temporarily restricted cash, end of year	4,231	3,451
	\$ 824,929	\$ 629,391
Interest Paid	\$ -	\$ -

See accompanying notes

Sumner Mental Health Center
Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Reconciliation of operating income to net cash provided by operating activities</u>		
Net operating income (loss)	\$ 161,674	\$ (70,444)
Adjustments to reconcile net operating income to net cash provided by operations:		
Depreciation	82,902	99,698
(Increase) decrease in:		
Patient accounts receivable	(7,324)	(7,720)
Grants & other governmental funding receivable	3,568	(20,044)
Prepaid expenses	2,076	(3,791)
Increase (decrease) in:		
Accounts payable	3,219	1,237
Accrued wages and benefits	8,293	(2,636)
Accrued compensated absences	(43,357)	(9,449)
Deferred revenue	-	-
	-	-
Net cash provided (used) by operations	\$ 211,051	\$ (13,149)

See accompanying notes

Sumner Mental Health Center

Notes to Financial Statements

December 31, 2018 and 2017

NOTE A – SUMMARY OF ACCOUNTING POLICIES

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements.

Reporting entity

The Sumner Mental Health Center (the Center) is a fully licensed and accredited community mental health center that provides a full range of behavioral health services providing 24-hour Emergency screening/aftercare, outpatient, consultation education and alcohol/drug abuse services to the Sumner County area. The Center is a governmental entity formed by resolution of the Board of Sumner County pursuant to K.S.A. 19-4001 on December 31, 1983. The Center's office is in Wellington, Kansas. A seven member Board of Directors governs the Center, which is appointed by the Sumner County Commissioners. Sumner County holds title to all real estate of the Center and annually levies an ad valorem tax for the benefit of the Center. The Center is considered to be a legally separate component unit of Sumner County, Kansas for financial reporting purposes and is recognized as a separate 501(c)(3) organization by the Internal Revenue Service.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenue and expenses include exchange transactions. Interest income and interest on capital assets related debt are included in non-operating revenues and expenses.

The Center prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

Compensated Absences

The Center combines vacation, sick, emergency, funeral and maternity leave into a single paid time off (PTO) policy. Depending upon years of service, employees receive from 2 to 2.5 days per month for time off which accumulate to a maximum of 480 hours (60 days). Prior to January 1, 2018 the maximum accumulation was 960 hours (120 days). The PTO days may be used as needed, and upon leaving the employment of the Center, the balance of accumulated PTO (limited to 480 hours) will be paid to the employee over a reasonable period of time. It was noted while preparing these financial statements that the policy for paying out the PTO hours had changed in a prior year, so a prior period adjustment was necessary on these statements. See Footnote O for a discussion of these changes.

Sumner Mental Health Center

Notes to Financial Statements

December 31, 2018 and 2017

Property, plant and equipment

Property and equipment are stated at cost. Depreciation and amortization of property and equipment is provided on the straight-line method over the estimated useful life of the assets. Depreciation of property and equipment is on the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	10 years
Office furniture	10 years
Computer equipment	5 years

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterment to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties.

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.

Cash equivalents

The Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017 there were no cash equivalents.

Patient accounts receivable

The Center reports patient accounts receivable for services rendered at gross billed amount. The Center provides an allowance for uncollectible accounts based on aging of these accounts.

NOTE B – CASH DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Center's policy for custodial credit risk requires compliance with provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas bonds of any city, county, school district or special road district of the state of Kansas, bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2018 and 2017, respectively, \$581,880 and \$406,389 of the Center's bank balance of \$831,880 and \$656,389 were exposed to custodial credit risk as follows:

	<u>2018</u>	<u>2017</u>
Uninsured and collateralized by pledging financial institution's trust department or agent in the Center's name	\$581,880	\$406,389

Sumner Mental Health Center

*Notes to Financial Statements
December 31, 2018 and 2017*

NOTE C – PREPAID EXPENSES

The prepaid expenses were as follows:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Prepaid dues	\$ 6,192	\$ 6,264
Prepaid insurance	1,088	0
Prepaid life & disability insurance	0	3,092
	<u>\$ 7,280</u>	<u>\$ 9,356</u>

NOTE D – CHANGES IN PROPERTY AND EQUIPMENT

Summary of changes in fixed assets follows:

	<u>Balance 12/31/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2018</u>
Furniture and equipment	\$ 507,861	\$ 18,115	\$ 101,450	\$ 424,526
Vehicles	356,248	-	-	356,248
Office building and improvements	1,294,554	-	-	1,294,554
Total	<u>\$ 2,158,663</u>	<u>\$ 18,115</u>	<u>\$ 101,450</u>	<u>\$ 2,075,328</u>

Building Facility-Related Party Lease

On February 12, 1996, the Center completed and occupied a new facility in Wellington, KS. The building was funded by a Community Block Development Grant through Sumner County, contributions from private individuals, Sumner County, disposition of the old facility, and funding from the Sumner Mental Health Center. The Center has a written lease on the facility with the county, who holds title to the real estate. \$10 per year rent is paid by the Center to Sumner County for the facility.

NOTE E – RETIREMENT PLANS

The Center has elected to not participate in the Social Security System. In lieu of Social Security the Center has adopted a defined contribution plan, the Sumner County Mental Health 403(b) Plan, under Internal Revenue Code 403 (b) which covers all employees. The Center contributes 10% of employee's base compensation to the plan, under which investments are immediately vested and self-directed by each participant. The Center made \$206,512 of such contributions in 2018 and \$201,633 in 2017, which were remitted after each payroll. The Center's governing body has the authority to amend the contribution rate, but has made no changes in the Plan's history.

NOTE F – BUDGETS

The budget of the Sumner Mental Health Center is an administrative tool and is not required under Kansas law.

Sumner Mental Health Center

Notes to Financial Statements

December 31, 2018 and 2017

NOTE G-GRANT PROGRAMS

In the normal course of operations, the Center participates in various federal or state grant programs from year to year. The programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant and liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE H – RISK MANAGEMENT

The Center is exposed to various risks of loss from torts: theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE I – RESERVE ACCOUNTS

2017 The Board of Directors approved the transfer of \$17,000 to be transferred to the reserve for operations account from the checking account. There was no other activity in these reserve accounts in 2017, except for interest income.

2018 There was no activity in these reserve accounts in 2018, except for interest income.

These reserves are not restricted but instead are designated by the board. They are separately held in checking accounts at Bank of Commerce.

NOTE J – RESTRICTED CASH

Restricted cash is composed of the following accounts:

	<u>12/31/18</u>	<u>12/31/17</u>
1. Cash in cafeteria plan	<u>\$4,231</u>	<u>\$3,451</u>

NOTE K – DISCUSSION AND ANALYSIS

Our discussion and analysis of Sumner Mental Health Center's financial performance provides an overview of the Center's financial activities for the fiscal year ended December 31, 2018. Please review it in conjunction with the Center's financial statement.

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through October 16, 2019, which is the date the financial statements were available to be released.

Sumner Mental Health Center

Notes to Financial Statements

December 31, 2018 and 2017

NOTE M – STATE AWARDS (CASH BASIS) GRANT FISCAL YEARS ENDED IN 2018

	State Aid 7/1/2017 – 6/30/2018	MHCC 7/1/2017 – 6/30/2018
Grants received	<u>\$436,509</u>	<u>\$23,044</u>
Salaries and Benefits	<u>\$436,509</u>	<u>\$23,044</u>

NOTE N – CONTINGENT LIABILITY

Sumner Mental Health Center accepted \$17,000 from a federal grant for which the grant requirements were not met. The Center had a change in software providers and could not complete the grant documentation requirements. It is not clear at this time if the federal government will require these grant funds to be paid back. The Center has reserved \$17,000 for potential payback of the amount required.

NOTE O – PRIOR PERIOD ADJUSTMENT

As noted on the Statement of Changes in Net Position, and in Footnote A, there has been a mathematical error in calculating the Compensated Absences payable for several years. The calculation was being prepared using an old formula that should have been revised when the policy changed. The balance as of December 31, 2016 has been recalculated to the correct balance, and 2017 net income has been restated. The changes are as follows:

<u>Accrued Compensated Absences</u>	Short Term	Long Term	Total
As originally reported, 12/31/2016	\$ 6,217	\$ 116,653	\$ 122,870
Correction in calculation	<u>6,217</u>	<u>116,653</u>	<u>122,870</u>
As restated, 12/31/16	\$ 12,434	\$ 233,306	\$ 245,740
Change in balance, as originally reported in 2017	270	(4,995)	(4,725)
Correction in calculation	<u>270</u>	<u>(4,994)</u>	<u>(4,724)</u>
As restated, 12/31/17	<u>\$ 12,974</u>	<u>\$ 223,317</u>	<u>\$ 236,291</u>

Net Assets

Net assets, as originally stated, 12/31/16	\$ 1,366,422
Correction in calculation of accrued compensated absences	<u>(122,870)</u>
As restated, 12/31/16	<u>\$ 1,243,552</u>
2017 net income (loss) as originally reported	\$ (60,970)
Correction in calculation of 2017 salary & benefit expense	<u>4,725</u>
2017 net income (loss) as restated	<u>\$ (56,245)</u>
Net assets as restated, 12/31/17	<u>\$ 1,187,307</u>