

Wyandot Behavioral Health Network, Inc.

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2020 and 2019



Wyandot Behavioral Health Network, Inc.
June 30, 2020 and 2019

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Independent Auditor's Report

Audit Committee
Wyandot Behavioral Health Network, Inc.
Kansas City, Kansas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Wyandot Behavioral Health Network, Inc., which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wyandot Behavioral Health Network, Inc., as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, in 2020, Wyandot Behavioral Health Network, Inc., adopted ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Information

The consolidating schedules – Statement of Financial Position and Statement of Activities as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021, on our consideration of the Wyandot Behavioral Health Network, Inc.'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 Wyandot Behavioral Health Network, Inc.'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 Wyandot Behavioral Health Network, Inc.'s internal control over financial reporting and compliance.

BKD, LLP

Wyandot Behavioral Health Network, Inc.
Consolidated Statements of Financial Position
June 30, 2020 and 2019

Assets

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 7,172,259	\$ 3,882,088
Patient accounts receivable, net of allowance; 2020 - \$1,337,295, 2019 - \$1,179,255	900,528	1,055,868
Grants and contracts receivable	690,570	655,942
Other accounts receivable	9,259	1,797
Contributions receivable	29,930	227,144
Prepaid expenses	228,177	142,541
Total current assets	9,030,723	5,965,380
Investments	69,218	68,797
Property and Equipment , net of accumulated depreciation; 2020 - \$6,727,804, 2019 - \$6,329,932	8,833,469	9,223,446
Total assets	\$ 17,933,410	\$ 15,257,623

Liabilities and Net Assets

	2020	2019
Current Liabilities		
Current maturities of long-term debt	\$ 4,816,546	\$ 127,528
Accounts payable	2,285,403	2,227,501
Accrued expenses	1,235,508	1,158,405
Deferred revenue	111,482	74,825
	<hr/>	<hr/>
Total current liabilities	8,448,939	3,588,259
	<hr/>	<hr/>
Long-term Debt	2,292,588	3,014,668
	<hr/>	<hr/>
Total liabilities	10,741,527	6,602,927
	<hr/>	<hr/>
Net Assets		
Without donor restrictions	7,009,462	8,169,641
With donor restrictions	182,421	485,055
	<hr/>	<hr/>
Total net assets	7,191,883	8,654,696
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 17,933,410</u>	<u>\$ 15,257,623</u>

Wyandot Behavioral Health Network, Inc.
Consolidated Statements of Activities
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues, Gains and Other Support Without Donor Restrictions		
Net patient service revenue	\$ 11,543,761	\$ 13,112,108
Government grants	11,970,194	11,138,823
Tax levy - Unified Government	821,000	790,000
Rental income	60,672	73,356
Contributions and other grants	558,799	268,915
Investment income	8,136	22,201
Other income	360,561	492,535
Net assets released from restrictions	<u>337,021</u>	<u>51,895</u>
Total revenues, gains and other support without donor restrictions	<u>25,660,144</u>	<u>25,949,833</u>
Expenses and Losses		
Program services		
Mental health	15,918,068	16,424,905
Housing	<u>5,830,777</u>	<u>5,344,123</u>
Total program services	21,748,845	21,769,028
Management and general	<u>5,071,478</u>	<u>4,829,175</u>
Total expenses and losses	<u>26,820,323</u>	<u>26,598,203</u>
Change in net assets without donor restrictions	<u>(1,160,179)</u>	<u>(648,370)</u>
Net Assets With Donor Restrictions		
Contributions	34,387	485,055
Net assets released from restrictions	<u>(337,021)</u>	<u>(51,895)</u>
Change in net assets with donor restrictions	<u>(302,634)</u>	<u>433,160</u>
Change in Net Assets	(1,462,813)	(215,210)
Net Assets, Beginning of Year	<u>8,654,696</u>	<u>8,869,906</u>
Net Assets, End of Year	<u>\$ 7,191,883</u>	<u>\$ 8,654,696</u>

Wyandot Behavioral Health Network, Inc.
Consolidated Statements of Functional Expenses
Years Ended June 30, 2020 and 2019

	2020				2019			
	Mental Health Programs	Housing Programs	Management and General	Total	Mental Health Programs	Housing Programs	Management and General	Total
Salaries	\$ 10,458,537	\$ 2,527,673	\$ 3,090,781	\$ 16,076,991	\$ 10,397,689	\$ 2,283,930	\$ 2,897,014	\$ 15,578,633
Fringe benefits	1,500,219	257,991	445,655	2,203,865	1,680,773	212,091	454,391	2,347,255
Payroll taxes	757,573	199,316	231,598	1,188,487	764,634	184,916	220,263	1,169,813
Total salaries and related expenses	12,716,329	2,984,980	3,768,034	19,469,343	12,843,096	2,680,937	3,571,668	19,095,701
Bad debt expense	1,287,308	1,193	-	1,288,501	1,217,634	174	-	1,217,808
Local travel	298,151	16,284	56,825	371,260	428,274	16,239	57,507	502,020
Purchased services	121,841	963,582	267,098	1,352,521	403,206	998,210	266,419	1,667,835
Rent expense	150,935	-	-	150,935	129,767	-	4,200	133,967
Repairs and maintenance	334,225	80,745	394,929	809,899	347,857	84,501	377,885	810,243
Insurance	177,024	33,906	46,570	257,500	204,298	25,057	48,217	277,572
Telephone	112,538	11,621	47,041	171,200	84,293	11,078	32,349	127,720
Postage and supplies	61,425	114,724	43,766	219,915	72,277	113,903	38,845	225,025
Utilities	196,650	102,554	32,165	331,369	216,380	108,687	42,626	367,693
Client residential	22,697	1,341,731	-	1,364,428	21,521	1,137,827	-	1,159,348
Interest expense	93,814	61,684	44,131	199,629	91,134	63,040	40,551	194,725
Medication, testing, therapy and laboratory expense	32,296	6,049	-	38,345	48,563	4,999	-	53,562
Legal and accounting	11,425	8,320	127,689	147,434	13,919	(3,890)	125,019	135,048
Printing expense	3,746	3,950	7,623	15,319	5,985	2,745	7,687	16,417
Other	2,994	682	30,341	34,017	7,949	1,638	39,828	49,415
Small equipment	6,471	5,504	36,548	48,523	2,415	1,146	36,676	40,237
Dues, licenses and publications	5,802	2,416	72,195	80,413	4,957	1,407	57,748	64,112
Advertising	100	379	11,768	12,247	955	-	3,475	4,430
Property taxes	(4,944)	(7,518)	2,317	(10,145)	130	-	1,084	1,214
Employee recruitment	35	-	21,950	21,985	1,034	-	25,615	26,649
Depreciation and amortization	287,206	97,991	60,488	445,685	279,261	96,425	51,776	427,462
Total expenses	\$ 15,918,068	\$ 5,830,777	\$ 5,071,478	\$ 26,820,323	\$ 16,424,905	\$ 5,344,123	\$ 4,829,175	\$ 26,598,203

Wyandot Behavioral Health Network, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ (1,462,813)	\$ (215,210)
Items not requiring (providing) operating activities cash flow		
Depreciation and amortization	445,685	427,462
Provision for uncollectible accounts	1,288,501	1,217,808
Contributions received for property acquisitions	-	(170,000)
Changes in		
Patient accounts receivable, net	(1,133,161)	(824,311)
Grants, contracts, contributions and other receivables	155,124	(531,063)
Prepaid expenses	(85,636)	27,929
Accounts payable and accrued expenses	135,005	15,483
Deferred revenue	36,657	2,378
	<u>(620,638)</u>	<u>(49,524)</u>
Investing Activities		
Purchase of investments	(421)	(375)
Purchase of property and equipment	(13,594)	(189,018)
	<u>(14,015)</u>	<u>(189,393)</u>
Financing Activities		
Proceeds from issuance of long-term debt	4,057,499	-
Principal payments on long-term debt	(132,675)	(140,726)
Proceeds from contributions restricted for property acquisitions	-	170,000
	<u>3,924,824</u>	<u>29,274</u>
Increase (Decrease) in Cash and Cash Equivalents	3,290,171	(209,643)
Cash and Cash Equivalents, Beginning of Year	<u>3,882,088</u>	<u>4,091,731</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,172,259</u>	<u>\$ 3,882,088</u>
Supplemental Cash Flows Information		
Interest paid	\$ 199,629	\$ 194,725
Capital lease obligation incurred for equipment	42,114	-

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Wyandot Behavioral Health Network, Inc., is a not-for-profit holding company headquartered in Kansas City, Kansas. Wyandot Behavioral Health Network, Inc. was formed in 2009 and has the following subsidiaries: Wyandot Center for Community Behavioral Healthcare, Inc. (“WCCBH”), PACES, Inc. (“PACES”), Kim Wilson Housing, Inc. (“KWH”), Wyandot Management Corporation, Inc. (“WMC”), Wyandot Center Health and Wellness Clinic, Rainbow Services, Inc. (RSI) and Envision Homes. All of the entities are collectively referred to as the “Organization” in the accompanying consolidated financial statements.

WMC is a for-profit corporation, which was formed in 2009 to develop and market the Organization’s billing software. WMC has partnered with three other organizations to form a limited liability company called Corridor Technology Solutions, LLC (“CTS”). WMC’s investment in CTS is reported using the equity method of accounting.

KWH is a not-for-profit organization formed in 2009 that provides safe, decent and affordable housing for persons with special needs.

WCCBH is a not-for-profit organization that provides a variety of mental health services including clinical, substance abuse, sexual abuse, medical and community and other related services to adults in Wyandotte County, Kansas. The main sources of WCCBH’s revenue are patient service fees, including Medicaid, other third-party payers and government grants.

PACES is a not-for-profit organization that spun off as a separate entity from WCCBH in 2011. PACES provides a variety of mental health services, including clinical, child and adolescent, substance abuse, sexual abuse, medical and community and other related services to children, adolescents and families in Wyandotte County, Kansas. The main sources of PACES’ revenue are patient service fees, including Medicaid, other third-party payers and government grants.

Wyandot Center Health and Wellness Clinic is a not-for-profit organization which was formed in 2012 to provide medical services mainly to uninsured, underinsured and medically underserved persons. The Clinic had no operating activity during the years ended June 30, 2020 and 2019.

Rainbow Services, Inc. (“RSI”) is a not-for-profit organization formed in 2014 to provide assessment and stabilization services for persons with mental health or substance abuse issues. Effective February 1, 2014, RSI entered into a three-year lease agreement with the Secretary of the Kansas Department for Aging and Disability Services (“KDADS”) for a portion of the Rainbow Hospital. In 2019, the services provided under this agreement were moved to a building owned by the Organization. The main sources of RSI’s revenue are the operation of a twenty-four hour seven day a week residential care facility and patient service fees, including Medicaid, other third-party payers and government grants.

Envision Homes is a not-for-profit organization which was formed in 2020 to provide a comprehensive range of safe, affordable and dignified housing options for vulnerable neighbors burdened by housing instability in Wyandotte County. Envision Homes had no operating activity during the year ended June 30, 2020.

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Principles of Consolidation

The consolidated financial statements include the accounts of Wyandot Behavioral Health Network, Inc., WMC, KWH, WCCBH, PACES, RSI and Envision Homes. All significant intercompany accounts and transactions have been eliminated in consolidation.

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 consolidated financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. At June 30, 2020 and 2019, cash equivalents consisted of a money market account and a repurchase sweep account invested in municipal bonds.

At June 30, 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$5,973,000.

Investments and Investment Return

The Organization measures securities, other than investments that qualify for the equity method of accounting, at fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Patient Accounts Receivable

The Organization reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Organization provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Property and Equipment

Property and equipment acquisitions over \$1,000 are capitalized and stated at cost less accumulated depreciation and amortization. Depreciation and amortization is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	<u>Years</u>
Buildings	40
Leasehold improvements	4 to 10
Furniture and fixtures	3 to 10
Equipment	3 to 5
Vehicles	5

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Self-Insurance

The Organization self insures a significant portion of certain expected losses related to employee health benefits subject to a stop-loss amount. The maximum liability is a monthly rolling calculation of the cumulative monthly claims limit less the cumulative prior payment amount. Provisions for losses expected under this program are recorded based upon the Organization's estimates of the aggregate liability for claims incurred and totaled \$91,926 and \$114,024 for the years ended June 30, 2020 and 2019, respectively, and is included in accrued expenses in the consolidated statements of financial position. The amount of actual losses incurred could differ materially from the estimates reflected in these consolidated financial statements.

Professional Liability Claims

The Organization recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 6*.

Deferred Revenue

Revenue from grants and contracts is deferred and recognized over the periods to which the revenues relate or as conditions are met.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Net Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered.

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Charity Care

The Organization provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, those amounts are not included in net patient service revenue. The costs of charity care provided were approximately \$965,000 and \$966,000 in 2020 and 2019, respectively. The cost of charity care is estimated by applying the ratio of cost-to-gross charges to the gross uncompensated charges. The Organization provides other uncompensated care to patients in addition to amounts designated as charity care.

Government Grants and Contracts

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Government grants and contracts represent approximately 47 percent and 42 percent of total revenues for the years ended June 30, 2020 and 2019, respectively.

Contributions and Contributions Receivable

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method. As of June 30, 2020 and 2019, all contributions receivable were due within one year.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program and management and general categories based on the direct cost method and other methods.

Note 2: Change in Accounting Principle

On July 1, 2019, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using a modified prospective basis to all agreements not completed as of July 1, 2019, or entered into after July 1, 2019.

The core guidance in ASU 2018-08 is to provide guidance around the determination of distinguishing contributions versus exchange transactions. In addition, the standard clarified the requirements for determining whether a contribution is conditional.

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Adoption of ASU 2018-08 resulted in presentation changes to the consolidated financial statements and related disclosures in the notes to the consolidated financial statements. These changes impacted the classification of certain federal and state grants historically considered to be exchange transactions.

Under the clarified guidance, the Organization determined commensurate value was not exchanged under these agreements; therefore, these grants are considered conditional contributions and revenue is recognized once the condition is met, which is generally as the qualifying expenses are incurred.

As revenue continues to be recognized based on expenses incurred, there was not a material change in the recognition of revenue.

Note 3: Conditional Contributions and Grants

The Organization has received the following conditional promises to give at June 30, 2020 and 2019 that are not recognized in the consolidated financial statements:

	<u>2020</u>	<u>2019</u>
<u>Wyandot Community Center for Behavioral Health</u>		
Conditional promises to give upon incurring qualifying expenses	\$ 23,495	\$ -
<u>Kim Wilson Housing</u>		
Conditional promises to give upon incurring qualifying expenses	1,562,196	-
<u>PACES</u>		
Conditional promises to give upon incurring qualifying expenses	<u>48,180</u>	<u>-</u>
Total	<u><u>\$ 1,633,871</u></u>	<u><u>\$ -</u></u>

No amounts are reported for the year ended June 30, 2019, as the conditional grants were historically considered exchange transactions, as discussed in *Note 2*.

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 4: Investments

Investments at June 30 consisted of the following:

	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ 42,922	\$ 42,501
Equity method investment	<u>26,296</u>	<u>26,296</u>
	<u>\$ 69,218</u>	<u>\$ 68,797</u>

Note 5: Property and Equipment

Property and equipment at June 30 consisted of:

	<u>2020</u>	<u>2019</u>
Land	\$ 609,445	\$ 609,445
Buildings	12,529,491	12,535,331
Buildings and leasehold improvements	1,391	1,391
Furniture and fixtures	653,552	687,766
Equipment	1,464,333	1,431,053
Vehicles	303,061	259,948
Construction in process	-	28,444
	<u>15,561,273</u>	<u>15,553,378</u>
Less accumulated depreciation	<u>6,727,804</u>	<u>6,329,932</u>
	<u>\$ 8,833,469</u>	<u>\$ 9,223,446</u>

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 6: Professional Liability Claims

Wyandot Behavioral Health Network, Inc. pays fixed premiums for annual professional liability insurance coverage under an occurrence basis policy. Under such policy, claims incurred during the policy period, regardless of when they are reported to the insurer, are covered. The Organization also purchases excess umbrella liability coverage, which provides additional coverage above the basis limits up to the amount specified in the umbrella policy.

Based upon the Organization's claims experience, no accrual has been made for the Organization's estimated professional liability claims, including costs associated with litigating or settling claims, under its insurance policy as of June 30, 2020 and 2019. The Organization is not aware of any unasserted claims or unreported incidents which are expected to exceed insurance coverage limits. It is reasonably possible that this estimate could change materially in the future.

Note 7: Long-term Debt and Line of Credit

A summary of long-term debt at June 30 is as follows:

	<u>2020</u>	<u>2019</u>
Notes payable	\$ 3,014,648	\$ 3,142,196
Paycheck Protection Program Loans	4,057,500	-
Capital lease obligation	36,986	-
	<u>7,109,134</u>	<u>3,142,196</u>
Less current maturities	<u>4,816,546</u>	<u>127,528</u>
	<u>\$ 2,292,588</u>	<u>\$ 3,014,668</u>

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

A description of each debt instrument at June 30 is as follows:

	2020	2019
<u>Various Entities</u>		
Note payable to bank; due January 2021; payable \$25,970 monthly, including interest at 6%; with a final balloon payment of \$2,940,105 including interest; collateralized by real estate. Loan allocated amount to Wyandot Behavioral Health Network, Inc. (\$638,685), WCCBH (\$1,876,072), PACES (\$472,479) and RSI (\$27,412).	\$ 3,014,648	\$ 3,138,261
Paycheck Protection Program Loan; payable in 18 installments monthly including 1.00% interest beginning after the applicable deferral period of six months. A portion of the loan may be eligible for forgiveness under the CARES Act. Loan amount for Wyandot Behavioral Health Network, Inc. (\$767,500), WCCBH (\$1,252,500), PACES (\$1,430,000), KWH (\$122,500) and RSI (\$485,000).	4,057,500	-
<u>Wyandot Behavioral Health Network, Inc.</u>		
Capital lease covering a vehicle; due August 2025; payable \$741 monthly, including interest at 7.99%.	36,986	-
<u>Kim Wilson Housing</u>		
Note payable to bank; due August 2019; payable \$1,984 monthly, including interest at 4%.	-	3,935
Total long-term debt	7,109,134	3,142,196
Less current maturities	4,816,546	127,528
	\$ 2,292,588	\$ 3,014,668

Wyandot Behavioral Health Network, Inc.
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Aggregate annual maturities of long-term debt and payments on capital lease obligations at June 30, 2020 are:

	Long-Term Debt (Excluded Leases)	Capital Lease Obligations Other
2021	\$ 4,810,473	\$ 8,887
2022	2,261,675	8,887
2023	-	8,887
2024	-	8,887
2025	-	8,887
Thereafter	-	831
	<u>\$ 7,072,148</u>	45,266
Less amount representing interest		<u>(8,280)</u>
Present value of future minimum lease payments		<u>\$ 36,986</u>

Property and equipment include the following property under capital leases at June 30:

	2020	2019
Vehicles	\$ 43,114	\$ -
Less accumulated depreciation	<u>(7,904)</u>	<u>-</u>
	<u>\$ 35,210</u>	<u>\$ -</u>

The entity received a PPP loan established by the CARES Act and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as a gain in the consolidated financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

The Organization has a \$500,000 revolving line of credit which expires in July 2020. At June 30, 2020 and 2019, there were no borrowings against this line. The line is collateralized by real estate. The line bears interest of 6 percent, payable monthly. Outstanding principal is due upon maturity.

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 8: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Alive and thrive	\$ 158,034	\$ 129,317
Housing location services	24,387	20,997
Crisis clinic	-	37,837
Trauma informed access and outreach	-	69,760
Promises to give, the proceeds from which have been restricted by donors for		
Alive and thrive	-	140,000
Housing location services	-	25,663
Crisis clinic	-	61,481
	<u>\$ 182,421</u>	<u>\$ 485,055</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Alive and Thrive	\$ 121,283	\$ -
Housing location services	-	51,895
Release of restriction from donor	215,738	-
	<u>\$ 337,021</u>	<u>\$ 51,895</u>

Note 9: Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and line of credit. See *Note 7* for information about the Organization's line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing mental health care services and housing services, as well as the conduct of services undertaken to support those activities to be general expenditures.

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

As of June 30, 2020 and 2019, the following tables show the total financial assets held by the Organization and could be made readily available within one year of the consolidated statements of financial position date to meet general expenditures:

	2020	2019
Cash and cash equivalents	\$ 7,172,259	\$ 3,882,088
Accounts receivable, net	900,528	1,055,868
Grants and contracts receivable	690,570	655,942
Other accounts receivable	9,259	1,797
Contributions receivable due within one year	29,930	227,144
Investments	42,922	42,501
	\$ 8,845,468	\$ 5,865,340

The Organization receives contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 2020 and 2019, restricted contributions of \$182,421 and \$485,055, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

Note 10: County Tax Levy

The Organization receives funding from the Unified Government Board of Commissioners derived from a Wyandotte County tax levy. The Organization accounts for the funding as a contribution in accordance with ASC Topic 958-605 – *Revenue Recognition*. The revenue is recognized as the cash is collected on a monthly basis as no communication is obtained regarding a promised annual amount. The Organization has recognized \$821,000 and \$790,000, respectively, for the years ended June 30, 2020 and 2019.

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 11: Operating Leases

Noncancellable operating leases for office space and equipment expire in various years through 2023. These leases generally require the Organization to pay all executory costs (property taxes, maintenance and insurance). Rental expense for these leases included in the consolidated statements of activities for the years ended June 30, 2020 and 2019 was approximately \$153,000 and \$171,000, respectively.

Future minimum lease payments at June 30, 2020 were:

2021	\$ 78,965
2022	78,965
2023	<u>29,743</u>
Future minimum lease payments	<u><u>\$ 187,673</u></u>

Note 12: Retirement Plan

Wyandot Behavioral Health Network, Inc. has a defined contribution pension plan covering substantially all employees. The Plan allows for employee contributions equal to up to 12 percent of the employee's annual compensation plus the employer will match 33 percent of the employee's contribution up to a maximum contribution of 6 percent of the employee's annual compensation. During the years ended June 30, 2020 and 2019, the Organization contributed \$145,967 and \$137,613, respectively, to the Plan.

Note 13: Concentration of Credit Risk

The Organization provides services through its outpatient care facilities located in Wyandotte County, Kansas. The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements.

The mix of net receivables from patients and third-party payers at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Medicaid	95%	91%
Medicare	1%	6%
Patients	1%	1%
Other third-party payers	<u>3%</u>	<u>2%</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 14: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs are supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2020				
Cash equivalents -				
repurchase sweep account				
Municipal bonds	\$ 1,125	\$ -	\$ 1,125	\$ -
June 30, 2019				
Cash equivalents -				
repurchase sweep account				
Municipal bonds	\$ 8,548	\$ -	\$ 8,548	\$ -

Wyandot Behavioral Health Network, Inc.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2020.

Cash Equivalents

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization does not hold any Level 3 securities.

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Note 1*.

Revenue Concentrations

A substantial portion of the Organization's revenues are derived from the state-sponsored Medicaid program. Approximately 88 percent and 87 percent of net patient service revenue is from participation in the Medicaid program for the years ended June 30, 2020 and 2019, respectively. Laws and regulations governing the Medicaid program are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Functional Allocation of Expenses

As discussed in *Note 1*, certain costs have been allocated among the program and management and general categories based on the direct cost method and other methods.

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Self-Insurance

Estimates related to the accrual for self-insured employee health benefit claims are described in *Note 1*.

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in *Notes 1* and *6*.

Litigation

The Organization is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Note 16: COVID-19 Pandemic & CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

The extent of the COVID-19 pandemic's adverse effect on the Organization's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Organization's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Provider Relief Fund

During the year ended June 30, 2020, the Organization received \$216,573 of distributions from the CARES Act Provider Relief Fund (collectively the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Organization accounts for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Organization’s revenues and expenses through June 30, 2020, the Organization recognized \$216,573, related to the distributions from the Provider Relief Fund, and these payments are recorded as government grants revenue in the accompanying consolidated statement of activities.

Subsequent to year-end, HHS issued guidance on the use of payments from the Provider Relief Fund. The Organization considers the guidance issued subsequent to year-end to be substantive changes in guidance rather than clarifications of guidance existing at June 30, 2020. As a result, the amounts recorded in the consolidated financial statements compared to the Organization’s Provider Relief Fund reporting could differ. This difference cannot be currently estimated but could be material.

The Organization will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Organization’s revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, our ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

Note 17: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from

Wyandot Behavioral Health Network, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Organization is in the process of evaluating the effect the amendment will have on the consolidated financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the consolidated financial statements; however, the standard is expected to have a material effect on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 18: Subsequent Events

Subsequent to year end, the Organization was awarded approximately \$1,834,000 in Coronavirus Relief Funds as created in section 5001 of H.R. 748, of the CARES Act from Wyandotte County and the State of Kansas. All funds will be required to be spent by December 30, 2020.

Subsequent events have been evaluated through January 29, 2021, which is the date the consolidated financial statements were available to be issued.

Other Information

Wyandot Behavioral Health Network, Inc.
Consolidating Schedule – Statement of Financial Position
June 30, 2020

Assets

	Wyandot Behavioral Health Network, Inc.	Wyandot Management Corporation, Inc.	Kim Wilson Housing, Inc.	Wyandot Center for Community Behavioral Healthcare, Inc.	PACES, Inc.	Rainbow Services, Inc.	Eliminations	Consolidated
Current Assets								
Cash and cash equivalents	\$ 1,058,930	\$ 128	\$ 1,306,824	\$ 2,595,917	\$ 584,103	\$ 1,626,357	\$ -	\$ 7,172,259
Patient accounts receivable, net of allowance of \$1,337,295	-	-	245	313,882	521,120	65,281	-	900,528
Grants and contracts receivable	-	-	35,686	101,437	149,620	403,827	-	690,570
Other accounts receivable	428	-	969	3,355	3,525	982	-	9,259
Intercompany receivable	1,673,558	-	-	30,172	-	1,809,593	(3,513,323)	-
Contributions receivable	-	-	4,666	25,264	-	-	-	29,930
Prepaid expenses	118,236	-	83,679	17,790	5,572	2,900	-	228,177
Total current assets	2,851,152	128	1,432,069	3,087,817	1,263,940	3,908,940	(3,513,323)	9,030,723
Investments	-	26,296	-	42,922	-	-	-	69,218
Property and Equipment, net of accumulated depreciation of \$6,727,804	580,355	-	123,247	5,123,039	1,948,900	1,057,928	-	8,833,469
Other Assets								
Investment in subsidiary	(9,522)	-	-	-	-	-	9,522	-
Total assets	\$ 3,421,985	\$ 26,424	\$ 1,555,316	\$ 8,253,778	\$ 3,212,840	\$ 4,966,868	\$ (3,503,801)	\$ 17,933,410

Wyandot Behavioral Health Network, Inc.
Consolidating Schedule – Statement of Financial Position (Continued)
June 30, 2020

Liabilities and Net Assets

	Wyandot Behavioral Health Network, Inc.	Wyandot Management Corporation, Inc.	Kim Wilson Housing, Inc.	Wyandot Center for Community Behavioral Healthcare, Inc.	PACES, Inc.	Rainbow Services, Inc.	Eliminations	Consolidated
Current Liabilities								
Current maturities of long-term debt	\$ 984,449	\$ -	\$ 54,218	\$ 2,430,421	\$ 1,105,388	\$ 242,070	\$ -	\$ 4,816,546
Accounts payable	356,515	-	141,428	1,388,928	287,744	110,788	-	2,285,403
Accrued expenses	324,755	-	38,035	324,023	368,931	179,764	-	1,235,508
Deferred revenue	802	-	103,597	4,083	3,000	-	-	111,482
Intercompany payable	-	35,946	-	1,809,593	-	1,667,784	(3,513,323)	-
Total current liabilities	1,666,521	35,946	337,278	5,957,048	1,765,063	2,200,406	(3,513,323)	8,448,939
Long-term Debt	458,722	-	68,282	698,151	797,091	270,342	-	2,292,588
Total liabilities	2,125,243	35,946	405,560	6,655,199	2,562,154	2,470,748	(3,513,323)	10,741,527
Net Assets								
Without donor restrictions	1,138,708	(9,522)	1,125,369	1,598,579	650,686	2,496,120	9,522	7,009,462
With donor restrictions	158,034	-	24,387	-	-	-	-	182,421
Total net assets	1,296,742	(9,522)	1,149,756	1,598,579	650,686	2,496,120	9,522	7,191,883
Total liabilities and net assets	\$ 3,421,985	\$ 26,424	\$ 1,555,316	\$ 8,253,778	\$ 3,212,840	\$ 4,966,868	\$ (3,503,801)	\$ 17,933,410

Wyandot Behavioral Health Network, Inc.
Consolidating Schedule – Statement of Activities
Year Ended June 30, 2020

	Wyandot Behavioral Health Network, Inc.	Wyandot Management Corporation, Inc.	Kim Wilson Housing, Inc.	Wyandot Center for Community Behavioral Healthcare, Inc.	PACES, Inc.	Rainbow Services, Inc.	Eliminations	Consolidated
Revenues, Gains and Other Support								
Without Donor Restrictions								
Net patient service revenue				\$ 3,839,160	\$ 7,184,699	\$ 519,902		\$ 11,543,761
Government grants	\$ 10,000		\$ 1,733,457	4,680,981	1,938,651	3,607,105		11,970,194
Tax levy - Unified Government			-	696,000	125,000	-		821,000
Rental income	32,139		27,762	-	771	-		60,672
Contributions and other grants	540		25,613	469,633	63,013	-		558,799
Investment income	2,477		-	5,659	-	-		8,136
Management fee	4,475,258		-	-	-	-	\$ (4,475,258)	-
Other income	424,162		350	114,525	3,655	60	(182,191)	360,561
Net assets released from restrictions	121,283		46,660	99,318	69,760	-	-	337,021
Total revenues, gains and other								
support without donor restrictions	5,065,859		1,833,842	9,905,276	9,385,549	4,127,067	(4,657,449)	25,660,144
Expenses and Losses								
Program services								
Mental health	-		-	8,085,945	8,017,123	-	(185,000)	15,918,068
Housing	-		1,952,008	-	-	3,878,769	-	5,830,777
Total program services	-		1,952,008	8,085,945	8,017,123	3,878,769	(185,000)	21,748,845
Management and general	5,068,669	\$ 2,809	-	1,525,657	2,324,160	625,441	(4,475,258)	5,071,478
Total expenses and losses	5,068,669	2,809	1,952,008	9,611,602	10,341,283	4,504,210	(4,660,258)	26,820,323
Change in net assets without donor restrictions	(2,810)	(2,809)	(118,166)	293,674	(955,734)	(377,143)	2,809	(1,160,179)
Net Assets With Donor Restrictions								
Contributions	10,000	-	24,387	-	-	-	-	34,387
Net assets released from restrictions	(121,283)	-	(46,660)	(99,318)	(69,760)	-	-	(337,021)
Change in net assets with donor restrictions	(111,283)	-	(22,273)	(99,318)	(69,760)	-	-	(302,634)
Change in Net Assets Before Transfers (to) from Affiliate								
	(114,093)	(2,809)	(140,439)	194,356	(1,025,494)	(377,143)	2,809	(1,462,813)
Transfers (to) from Affiliate								
	599,951	-	425,293	(1,070,900)	45,656	-	-	-
Change in Net Assets								
	485,858	(2,809)	284,854	(876,544)	(979,838)	(377,143)	2,809	(1,462,813)
Net Assets, Beginning of Year								
	810,884	(6,713)	864,902	2,475,123	1,630,524	2,873,263	6,713	8,654,696
Net Assets, End of Year								
	\$ 1,296,742	\$ (9,522)	\$ 1,149,756	\$ 1,598,579	\$ 650,686	\$ 2,496,120	\$ 9,522	\$ 7,191,883

Supplementary Information

Wyandot Behavioral Health Network, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
U.S. Department of Health & Human Services, passed through the Kansas Department for Aging and Disability Services Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	IH79SM063401-01	\$ -	\$ 276,328
Projects for Assistance in Transition from Homelessness	93.150	PATH 07-028	-	75,000
Block Grants for Community Mental Health Services	93.958	MHRC 08-028	-	267,767
Block Grants for Community Mental Health Services	93.958	3B09SM010020	-	249,605
Total CFDA # 93.958			-	517,372
U.S. Department of Health & Human Services, passed through the Missouri Department of Mental Health Block Grants for Prevention and Treatment of Substance Abuse	93.959	ER19713CHN2	-	10,295
U.S. Department of Housing and Urban Development, passed through the Kansas Housing Resources Corporation Home Investment Partnerships Program	14.239	M-19-SG20-0220	-	5,391
Home Investment Partnerships Program	14.239	M-18-SG20-0220	-	57,624
Home Investment Partnerships Program	14.239	M-17-SG20-0200	-	20,518
Home Investment Partnerships Program	14.239	M-16-SG20-0200	-	11,390
Total CFDA # 14.239			-	94,923
U.S. Department of Housing and Urban Development Continuum of Care Program	14.267		-	828,410
U.S. Department of Housing and Urban Development, passed through the Missouri Department of Mental Health Continuum of Care Program	14.267	SCJ, SCZ, SCI, SZD	-	821,625
Total CFDA # 14.267			-	1,650,035
			\$ -	\$ 2,623,953

Wyandot Behavioral Health Network, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Wyandot Behavioral Health Network, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Wyandot Behavioral Health Network, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Wyandot Behavioral Health Network, Inc.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Wyandot Behavioral Health Network, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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***

Independent Auditor's Report

Audit Committee
Wyandot Behavioral Health Network, Inc.
Kansas City, Kansas

We have audited, 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, the consolidated financial statements of Wyandot Behavioral Health Network, Inc. (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 29, 2021, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principle.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
January 29, 2021

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Audit Committee
Wyandot Behavioral Health Network, Inc.
Kansas City, Kansas

Report on Compliance for the Major Federal Program

We have audited Wyandot Behavioral Health Network, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Wyandot Behavioral Health Network, Inc.'s major federal program for the year ended June 30, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Wyandot Behavioral Health Network, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
January 29, 2021

Wyandot Behavioral Health Network, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Summary of Auditor's Results

Consolidated Financial Statements

1. The type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the consolidated financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes No

7. The Organization's major program was:

Cluster/Program	CFDA Number
Continuum of Care Program	14.267

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The Organization qualified as a low-risk auditee? Yes No

Wyandot Behavioral Health Network, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

Findings Required to be Reported by *Government Auditing Standards*

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

No matters are reportable.

Wyandot Behavioral Health Network, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

Reference Number	Summary of Finding	Status
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No matters are reportable.