

BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.

FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2010 AND 2009

WITH
INDEPENDENT AUDITORS' REPORT

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

**FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2010 and 2009

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Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Bert Nash Community Mental Health Center, Inc.

We have audited the accompanying statements of financial position of Bert Nash Community Mental Health Center, Inc. (Center) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Center for the year ended December 31, 2009, were audited by other auditors whose report, dated June 29, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of Bert Nash Community Mental Health Center, Inc., as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements for the year ended December 31, 2010 as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information for the year ended December 31, 2010, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information for the year ended December 31, 2009 was audited by other auditors whose report, dated June 29, 2010, expressed an unqualified opinion on such information in relation to the basic financial statements taken as a whole.

Allen, Gibbs & Houlik, L.C.

June 23, 2011

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

ASSETS

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,031,492 | \$ 955,537 |
| Accounts receivable | 464,457 | 390,360 |
| Life insurance receivable | 1,000,000 | -- |
| Other receivables | 67,375 | 48,339 |
| Prepaid expenses | 94,581 | 82,245 |
| Short term investments | 448,151 | 774,236 |
| | <u>3,106,056</u> | <u>2,250,717</u> |
| Total current assets | | |
| PROPERTY AND EQUIPMENT | | |
| Land | 66,400 | 66,400 |
| Buildings and improvements | 243,584 | 222,849 |
| Furniture, fixtures and equipment | 1,622,719 | 1,694,101 |
| Construction in progress | 6,425 | -- |
| Less accumulated depreciation | (1,279,945) | (1,273,192) |
| | <u>659,183</u> | <u>710,158</u> |
| Property and equipment, net | | |
| OTHER ASSETS | | |
| Cash surrender value of life insurance | -- | 206,625 |
| Cash held for endowment | 23,783 | 21,086 |
| Investments held for endowment | 2,486,763 | 2,268,435 |
| Long term investments | 819,029 | 914,427 |
| Investments in equity method investees | 329,121 | 51,415 |
| | <u>3,658,696</u> | <u>3,461,988</u> |
| Total assets | <u>\$ 7,423,935</u> | <u>\$ 6,422,863</u> |

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| Revenues: | | |
| State and Federal grants | \$ 1,162,465 | \$ 968,623 |
| Other grants | 248,337 | 399,850 |
| Douglas County tax levy | 695,000 | 700,000 |
| Douglas County subsidy | 1,194,586 | 1,163,593 |
| Donated office space | 486,108 | 486,108 |
| State aid | 248,078 | 248,076 |
| Fees | 5,719,246 | 5,920,765 |
| Interest and dividend income | 128,394 | 139,218 |
| Donations | 50,284 | 42,010 |
| Miscellaneous income | 171,905 | 57,189 |
| Proceeds from life insurance | 783,820 | -- |
| Change in value of cash surrender value of life insurance | 9,554 | 51,887 |
| Net realized and unrealized gains | 236,501 | 414,882 |
| | <u>11,134,278</u> | <u>10,592,201</u> |
| Expenses | | |
| Access center | 542,768 | 538,450 |
| Adult services | 4,647,560 | 4,764,626 |
| Child and family services | 3,257,878 | 3,360,343 |
| Medical services | 1,295,632 | 1,249,206 |
| Administration | 285,241 | 335,084 |
| Endowment fundraising | 40,028 | 2,933 |
| | <u>10,069,107</u> | <u>10,250,642</u> |
| Increase in net assets | <u>1,065,171</u> | <u>341,559</u> |
| Unrestricted net assets, beginning of year | <u>5,287,908</u> | <u>4,946,349</u> |
| Unrestricted net assets, end of year | <u>\$ 6,353,079</u> | <u>\$ 5,287,908</u> |

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

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

| | 2010 | 2009 |
|---|---------------------|-------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 1,065,171 | \$ 341,559 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| (Gain) loss on sale of property and equipment | (282) | 17,947 |
| Depreciation and amortization | 192,562 | 217,533 |
| Bad debts expense | 103,373 | 54,166 |
| Net realized and unrealized gains on investments | 248,068 | (414,882) |
| Net change due to receivable for insurance policy | (793,375) | (51,887) |
| Loss from equity method investees | 22,294 | -- |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (177,470) | 173,267 |
| Other receivables | (19,036) | 65,086 |
| Prepaid expenses | (12,336) | 27,003 |
| Deferred revenue | (83,916) | 66,181 |
| Accounts payable | 45,237 | (58,617) |
| Accrued expenses | (25,420) | 69,109 |
| Net cash flows from operating activities | 564,870 | 506,465 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (152,385) | (179,267) |
| Proceeds from sale of property and equipment | 11,080 | -- |
| Purchase of investments/earning reinvested | (876,513) | (380,673) |
| Proceeds from investments | 831,600 | -- |
| Capital contributed to equity method investees | (300,000) | (51,415) |
| Net cash flows from investing activities | (486,218) | (611,355) |
| Increase (decrease) in cash and cash equivalents | 78,652 | (104,890) |
| Cash and cash equivalents, beginning of year | 976,623 | 1,081,513 |
| Cash and cash equivalents, end of year | \$ 1,055,275 | \$ 976,623 |

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

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bert Nash Community Mental Health Center, Inc. (Center) was formed in 1950 to provide mental health services to the people of Douglas County residents. The purpose of the Center as a charitable organization is to promote mental health wellness. This is accomplished by providing training, counseling and other services to those in need.

The major programs through which the Center provides its services are as follows.

The Access Center provides licensed master clinicians to perform psychiatric hospitalization assessments both on site and in community based emergencies.

Adult Services helps adults with a variety of concerns related to the stress associated with family, relationships, work, illness or the loss of a loved one. Stress in adults can result in physical complaints such as insomnia, depression, anxiety, eating disorders or alcohol and substance abuse. Adult services offer a variety of helping strategies based on individual needs including individual, couple, group and family therapy and psychological evaluations and appropriate medications.

Child and Family Services staff helps children and families cope with stresses related to family relationships, the challenges of parenting, blending families and the impact of job loss or divorce. Stress in children can manifest as chronic conflict with parents or children, failing grades, poor peer choices, drug use, and trouble with the law or physical complaints. A variety of helping strategies based on an individual child's and family's needs are used and are often provided in the home or other natural settings.

Medical Services staff consists of psychiatrists, psychiatric nurse practitioners, and registered nurses that provide medication evaluations and ongoing medication treatment to patients of the Center.

The Center has two locations in Douglas County, located in Lawrence and Eudora, Kansas. The financial statements reflect the activity of all the Center's operations.

Concentrations of Risk – The Center provides services and support to persons as described above. The majority of these services are rendered to Medicaid eligible individuals.

Due to the large volume of services provided that are dependent on the Center maintaining the right to serve the individuals who are Medicaid eligible, as well as providing services as stated in other grants and contracts, the loss of the ability to serve these persons would have a significant effect on the operations of the Center. The Center is subject to annual licensing visits for compliance with Kansas statutes and rules and regulations of the SRS. The Center's current license is effective through April 30, 2013.

Basis of Accounting – The accompanying financial statements of the Center have been prepared on the accrual basis of accounting.

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation – Under accounting principles generally accepted in the United States of America, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are required to be classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that neither expire by actions of the Center nor by the passage of time.

As of December 31, 2010 and 2009, the Center did not have any temporarily restricted or permanently restricted net assets.

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash equivalents include all highly liquid investment instruments with original maturities of three months or less. At December 31, 2010 and 2009, cash equivalents consisted primarily of certificates of deposits and money market accounts.

The Center maintains cash balances and certificates of deposit that are commonly in excess of FDIC insurance limits. The balances are insured up to \$250,000.

Investments in Mutual Funds – Investments in mutual funds are reported at fair value. Fair value is determined using quoted market prices in active markets for identical assets. Gains or losses on sales of investments are determined on a specific cost identification basis. Unrealized gains and losses are determined based on year-end value fluctuations. Investments received by gift are recorded at fair value at the date of receipt. The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in value of the investment securities will occur in the near term, and those changes could materially affect the amounts reported in the statement of financial position.

Investments in Equity Method Investees – Investee companies that are not consolidated but over which the Center exercises significant influence are accounted for under the equity method of accounting. Whether or not the Center exercises significant influence with respect to an investee depends on an evaluation of several factors including, among others, ownership level which is generally a 20% to 50% interest in the investee company. Under the equity method of accounting, an Investee company's accounts are not reflected in the Center's financial statements. However, the Center's carrying value in an equity method investee company is reflected in the Center's statement of financial position.

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Substantially all of the Center’s revenue is from service recipients, third party payers or governmental support. Revenue from governmental sources is recognized during the period the support is intended to cover. Prepayments are recorded as deferred revenue, while payments not yet received, but for which a commitment and fund availability have been established, are accrued as a receivable.

The Center has agreements with third-party payers that provide payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per service, reimbursed costs, discounted charges and per diem payments. Net service patient revenues is reported at the estimated net realizable value from patients, third-party payers, and other for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Such agreements are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Accounts Receivable – Accounts receivable consist primarily of fees owed by clients and third-party payers. Clients are charged full rates for services, but accounts are frequently settled for amounts less than the full rate as a result of contractual adjustments made upon subsequent payment by third-party payers. Estimated allowances for these contractual adjustments are reflected in the net accounts receivable amount on the statement of financial position.

The Center uses the allowance method to account for estimated uncollectible accounts receivable, and the allowance is determined by management based on the Center’s past collection experience. The provision is made in amounts required to maintain an adequate allowance to cover anticipated bad debts, resulting from nonpayment by clients. A receivable is considered to be past due if any portion of the receivable balance is more than 30 days old. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Below is a summary of accounts receivable at December 31, 2010 and 2009.

| | 2010 | 2009 |
|--|-------------------|-------------------|
| Patient accounts receivable | \$ 587,706 | \$ 546,178 |
| Less: Allowance for uncollectible accounts | 123,249 | 155,818 |
| Net estimated realizable accounts receivable | <u>\$ 464,457</u> | <u>\$ 390,360</u> |

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment – The Center capitalizes all expenditures for property and equipment over \$500. Property and equipment are recorded at cost at the date of acquisition, or fair value at the date of donation, and are depreciated under a straight-line method over the estimated useful lives of 40 years for buildings and improvements and 3 to 10 years for furniture, fixtures and equipment. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recognized in operations for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals or betterments are capitalized.

Deductions are made for retirements resulting from renewals or betterments. Contributions of long-lived assets without restrictions are reported as unrestricted support. Contributions of assets with restrictions are reported as restricted support and, in accordance with the nature and type of restriction are considered to have time and use restrictions released over the useful life of the assets, unless the restriction is otherwise stated.

Depreciation expense for the years ended December 31, 2010 and 2009 was \$192,562 and \$217,533, respectively.

Life Insurance Receivable/Cash Surrender Value Life Insurance Policy – The Center owned and was the beneficiary of a cash surrender value life insurance policy that was triggered in 2010. The payment was not received until 2011, so the payment is recorded as a receivable on the 2010 financial statements. Prior to this, the policy was accounted for at net realizable value as provided by generally accepted accounting principles.

Income Taxes – The Center is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Center has not been classified as a private foundation. However, the Center is subject to federal income tax on any unrelated business income.

Effective January 1, 2009, the Center adopted the new accounting requirements related to uncertain tax positions. Tax positions taken may include positions that the Center is exempt from income taxes or be related to how the Center determines its unrelated business income. The adoption of the new accounting method had no effect on the Center's financial statements. Previously, the Center had accounted for tax positions in accordance with guidance on accounting for contingencies. Currently, the Center recognizes the financial statement effects of a tax position only when it believes it can more likely than not sustain the position upon an examination by the relevant tax authority.

Tax years that remain open include fiscal years ending 2007, 2008, 2009 and 2010.

Overhead Allocation – Overhead costs are allocated to each program based upon the percentage of the average number of department and staff hours spent on each program.

Functional Allocation of Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, including functional allocations during the reporting period. Actual results could differ from those estimates.

Advertising – Advertising costs are expensed as incurred. Advertising expense for the years ended 2010 and 2009 was \$16,881 and \$24,400 respectively.

Donated Use of Facility – The Center operates in a facility provided by the City of Lawrence, Kansas. The Center records the lease value of the building in which it operates as revenue and expense on the statement of activities.

Subsequent events – Subsequent events have been evaluation through June 23, 2011, the date which the financial statements were available to be issued.

Reclassifications – Certain reclassifications were made to the 2009 financial statements where appropriate, in order to conform to the presentation used in the 2010 financial statements. These reclassifications had no impact on net assets as previously reported.

2. INVESTMENTS

Investments include the following at December 31:

| | 2010 | 2009 |
|------------------------------|--------------|--------------|
| Mutual Funds | | |
| Diversified Emerging Markets | \$ 276,841 | \$ 256,138 |
| European Stock | 487,717 | 511,145 |
| Diversified Pacific/Asia | 243,118 | 232,142 |
| Foreign Large Blend | 191,276 | 172,133 |
| Large Blend | 1,267,595 | 1,103,003 |
| Inflation-Protected Bond | 175,309 | 168,857 |
| Short Term Bond | 243,358 | 173,837 |
| | \$ 2,885,214 | \$ 2,617,255 |

Investment income (loss) consists of the following for the year ended December 31:

| | 2010 | 2009 |
|------------------------------|------------|------------|
| Realized/unrealized gain | \$ 248,068 | \$ 414,882 |
| Interest and dividend income | 128,394 | 139,218 |
| | \$ 376,462 | \$ 554,100 |

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS

3. EQUITY METHOD INVESTEEES

During 2009, the Center purchased a 25% share of Corridor Technology Solutions, LLC (CTS). During 2010, the Center purchased a 37.5% share of Corridor Technology Enterprises, LLC (CTE). The Center uses the billing software, PowerFace, that was developed by CTS, and CTE licenses the software rights held in CTS.

The investments in both companies are accounted for by the equity method of accounting. The carrying value represents the Center's equity at December 31, 2010 and 2009. Under the equity method of accounting, the original investment is increased by earnings and decreased by losses of the LLCs. Distributions received from the LLCs reduce the Center's investment.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles provide guidance which defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement, and enhances disclosures about fair value measurements.

This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Inputs – Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial instruments subject to these additional disclosure requirements follow.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value with Level 2 or 3 inputs, including the general classification of such instruments pursuant to the valuation hierarchy.

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets forth the Center's financial assets that were measured at fair value on a recurring basis as of December 31, 2010 and 2009.

| | 2010 Fair Value Measurements Using | | | |
|------------------------------|------------------------------------|---------|---------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| Mutual Funds | | | | |
| Diversified Emerging Markets | \$ 276,841 | \$ -- | \$ -- | \$ 276,841 |
| European Stock | 487,717 | -- | -- | 487,717 |
| Diversified Pacific/Asia | 243,118 | -- | -- | 243,118 |
| Foreign Large Blend | 191,276 | -- | -- | 191,276 |
| Large Blend | 1,267,595 | -- | -- | 1,267,595 |
| Inflation-Protected Bond | 175,309 | -- | -- | 175,309 |
| Short Term Bond | 243,358 | -- | -- | 243,358 |
| | \$ 2,885,214 | \$ -- | \$ -- | \$ 2,885,214 |

| | 2009 Fair Value Measurements Using | | | |
|-------------|------------------------------------|---------|---------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| Investments | \$ 2,617,255 | \$ -- | \$ -- | \$ 2,617,255 |
| | \$ 2,617,255 | \$ -- | \$ -- | \$ 2,617,255 |

5. RELATED PARTY TRANSACTIONS

The Center operates a residential housing program for its clients through Building Independence, Inc. (the Corporation). The housing properties are owned by the Corporation, financed with loan proceeds provided by the U.S. Department of Housing and Urban Development, and supervised and managed by Center personnel. The Center donates supervision, management and administrative services to the Corporation on a no cost basis. In addition, the Corporation also reimburses the Center for certain costs incurred related to the Corporation. As of December 31, 2010 and 2009, the Center carried amounts due from the Corporation in the amounts of \$16,195 and \$7,514, respectively, which are included in other receivables. Reimbursements to the Center from the Corporation during 2010 and 2009 amounted to \$1,403 and \$7,657 respectively.

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS

5. RELATED PARTY TRANSACTIONS (CONTINUED)

A condensed unaudited balance sheet and income statement is presented below for the Corporation as of and for the years ended December 31, 2010 and 2009, respectively.

| ASSETS | 2010 | 2009 |
|----------------------------------|--------------------|--------------------|
| Current assets | \$ 40,465 | \$ 37,434 |
| Property and equipment | 178,233 | 187,425 |
| Total assets | <u>\$ 218,698</u> | <u>\$ 224,859</u> |
| Liabilities | <u>\$ 17,723</u> | <u>\$ 7,763</u> |
| Net assets | <u>200,975</u> | <u>217,596</u> |
| Total liabilities and net assets | <u>\$ 218,698</u> | <u>\$ 224,859</u> |
| | | |
| Total revenue | \$ 11,161 | \$ 13,427 |
| Total expense | <u>27,782</u> | <u>25,677</u> |
| Decrease in net assets | <u>\$ (16,621)</u> | <u>\$ (12,250)</u> |

6. RETIREMENT PLAN

The Center participates in the Kansas Public Employees Retirement System (KPERs) plan. KPERs is a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas Statutes. KPERs provides retirement benefits, life insurance, disability income benefits and death benefits.

Since 1996, all participating employees have been included in KPERs. Employees are eligible upon employment. K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERs member-employee contribution rates. Effective July 1, 2009 KPERs has two benefit structures, and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. The KPERs member-employee contribution rates are 4% of covered salary for Tier 1 members and 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. KPERs is funded on an actuarial reserve basis. The amount of employer contribution expenses was \$430,922 and \$382,565 for the years ending December 31, 2010 and 2009, respectively.

7. ENDOWMENTS

The Center's endowment consists of funds established to support the general operations of the Center, and consist solely of funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENTS (CONTINUED)

The investment policy of the Center reflects the long-term nature of endowed funds in which the principal is protected. The policy states that the investment portfolio balance shall consist of a maximum position of 85% equity mutual funds, a maximum position of 30% fixed income mutual funds, and a minimum of 3% money market funds or other cash equivalents. The Investment Committee retains the authority to change allocations as deemed necessary.

The Board of Directors has adopted a formal policy of determining the factors for calculating the annual distribution from the endowment funds on an annual basis. Current practice is to distribute five percent of the trailing 36-month average market value of these investments to the Center's general operations.

Endowment net asset composition by type of fund as of December 31 are as follows:

| | 2010 <u>Unrestricted</u> | 2009 <u>Unrestricted</u> |
|----------------------------------|-----------------------------|-----------------------------|
| Board-designated endowment funds | \$ 3,510,546 | \$ 2,496,146 |
| Total funds | <u>\$ 3,510,546</u> | <u>\$ 2,496,146</u> |

Changes in endowment net assets as of December 31 are as follows:

| | 2010 <u>Unrestricted</u> | 2009 <u>Unrestricted</u> |
|---|-----------------------------|-----------------------------|
| Endowment net assets, beginning of year | \$ 2,496,146 | \$ 2,093,338 |
| Investment income | 72,229 | 59,648 |
| Net appreciation | 208,492 | 395,996 |
| Life insurance | 793,375 | 51,887 |
| Contributions | 71,904 | 37,354 |
| Amounts appropriated for expenditure | (131,600) | (142,077) |
| Endowment net assets, end of year | <u>\$ 3,510,546</u> | <u>\$ 2,496,146</u> |

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS

8. CONCENTRATION OF CREDIT RISK

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, was as follows:

| | 2010 | 2009 |
|--------------------------|-------------|-------------|
| Medicaid | 46% | 44% |
| Patients | 24% | 33% |
| Other third-party payers | 22% | 18% |
| Medicare | 8% | 5% |
| | <u>100%</u> | <u>100%</u> |

9. SUBSEQUENT EVENTS

Subsequent to year end, the Center signed a letter of intent to purchase a building for future expansion. The amount of the Center's commitment was \$825,000.

Subsequent to year end, the Center was notified of funding cuts that affect their services rendered to Medicaid eligible individuals. These cuts include reduced fees per service, as well as a cap on the number of total services that can be billed. It is unknown at this point the full impact of these cuts on the Center.

SUPPLEMENTARY INFORMATION

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2010

| | <u>Access Center</u> | <u>Adult Services</u> | <u>Child & Family Services</u> | <u>Medical Services</u> | <u>Administration</u> | <u>Endowment Fundraising</u> | <u>Total</u> |
|------------------------------------|--------------------------|---------------------------|--|-----------------------------|-----------------------|----------------------------------|----------------------|
| Expenses | | | | | | | |
| Salaries | \$ 314,881 | \$ 2,205,248 | \$ 1,676,518 | \$ 811,668 | \$ 1,378,249 | \$ -- | \$ 6,386,564 |
| Payroll taxes and benefits | 68,284 | 780,484 | 577,135 | 165,546 | 557,615 | -- | 2,149,064 |
| Education | 30 | 3,697 | 3,824 | 1,954 | 19,321 | -- | 28,826 |
| Program costs | 285 | 60,975 | 41,444 | 3,248 | 16,332 | -- | 122,284 |
| Communications | 1,450 | 20,051 | 12,989 | 580 | 57,010 | -- | 92,080 |
| Transportation | 3,982 | 115,577 | 33,822 | 273 | 15,390 | -- | 169,044 |
| Postage | -- | 1 | 38 | 32 | 16,417 | -- | 16,488 |
| Office supplies | 16 | 216 | 99 | -- | 24,096 | -- | 24,427 |
| Dues and subscriptions | -- | 65 | 200 | 1,637 | 29,126 | -- | 31,028 |
| Advertising | -- | -- | -- | -- | 16,881 | -- | 16,881 |
| Legal and accounting | -- | 30 | -- | -- | 15,142 | -- | 15,172 |
| Recruitment expense | 40 | 330 | 200 | 4,021 | 2,409 | -- | 7,000 |
| Equipment | -- | 153 | -- | -- | 18,582 | -- | 18,735 |
| Computer equipment/support | -- | -- | -- | 2,634 | 60,068 | -- | 62,702 |
| Insurance | -- | 2,464 | -- | 18,763 | 42,536 | -- | 63,763 |
| Utilities and building maintenance | -- | 316,517 | 151,829 | 49,257 | 775 | -- | 518,378 |
| Bad debts | 1,975 | 74,867 | 6,409 | 20,122 | -- | -- | 103,373 |
| Depreciation | 1,939 | 15,637 | 26,467 | 1,774 | 146,745 | -- | 192,562 |
| Miscellaneous expense | -- | (96) | 1,027 | -- | 9,777 | 40,028 | 50,736 |
| Administrative overhead | 149,886 | 1,051,344 | 725,877 | 214,123 | (2,141,230) | -- | -- |
| Total Expenses | <u>\$ 542,768</u> | <u>\$ 4,647,560</u> | <u>\$ 3,257,878</u> | <u>\$ 1,295,632</u> | <u>\$ 285,241</u> | <u>\$ 40,028</u> | <u>\$ 10,069,107</u> |

**BERT NASH COMMUNITY
MENTAL HEALTH CENTER, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2009

| | <u>Access Center</u> | <u>Adult Services</u> | <u>Child & Family Services</u> | <u>Medical Services</u> | <u>Administration</u> | <u>Endowment Fundraising</u> | <u>Total</u> |
|------------------------------------|--------------------------|---------------------------|--|-----------------------------|-----------------------|----------------------------------|----------------------|
| Expenses | | | | | | | |
| Salaries | \$ 317,763 | \$ 2,287,692 | \$ 1,729,444 | \$ 812,705 | \$ 1,358,521 | \$ -- | \$ 6,506,125 |
| Payroll taxes and benefits | 54,372 | 741,479 | 588,221 | 162,593 | 542,338 | -- | 2,089,003 |
| Education | 57 | 12,381 | 4,272 | 2,769 | 25,004 | -- | 44,483 |
| Program costs | 31 | 75,351 | 30,988 | 1,738 | 13,372 | -- | 121,480 |
| Communications | 1,943 | 21,943 | 13,294 | 1,334 | 50,910 | -- | 89,424 |
| Transportation | 5,123 | 123,060 | 33,374 | 58 | 15,264 | -- | 176,879 |
| Postage | -- | 40 | -- | -- | 14,435 | -- | 14,475 |
| Office supplies | -- | 319 | 299 | 781 | 37,407 | -- | 38,806 |
| Dues and subscriptions | -- | 100 | 978 | 2,054 | 27,333 | -- | 30,465 |
| Advertising | -- | -- | -- | -- | 24,400 | -- | 24,400 |
| Legal and accounting | -- | 58 | -- | -- | 37,982 | -- | 38,040 |
| Recruitment expense | 90 | 565 | 949 | 9,832 | 22,104 | -- | 33,540 |
| Equipment | -- | -- | -- | -- | 24,385 | -- | 24,385 |
| Computer equipment/support | -- | -- | 120 | 2,993 | 108,665 | -- | 111,778 |
| Insurance | -- | 2,687 | -- | 32,875 | 43,457 | -- | 79,019 |
| Utilities and building maintenance | -- | 323,105 | 151,839 | 47,153 | 1,240 | -- | 523,337 |
| Bad debts | 1,347 | 31,427 | 7,218 | 14,794 | (1,410) | -- | 53,376 |
| Depreciation | 1,971 | 19,252 | 21,396 | 1,773 | 173,141 | -- | 217,533 |
| Miscellaneous expense | -- | 109 | -- | -- | 31,052 | 2,933 | 34,094 |
| Administrative overhead | 155,753 | 1,125,058 | 777,951 | 155,754 | (2,214,516) | -- | -- |
| Total Expenses | <u>\$ 538,450</u> | <u>\$ 4,764,626</u> | <u>\$ 3,360,343</u> | <u>\$ 1,249,206</u> | <u>\$ 335,084</u> | <u>\$ 2,933</u> | <u>\$ 10,250,642</u> |