

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH  
AND MENTAL RETARDATION BOARD, INC.**

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**FINANCIAL REPORT**

**JUNE 30, 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Western Kentucky Regional Mental Health  
and Mental Retardation Board, Inc.  
Paducah, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Western Kentucky Regional Mental Health and Mental Retardation Board, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Kentucky Regional Mental Health and Mental Retardation Board, 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 accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Western Kentucky Regional Mental Health  
and Mental Retardation Board, Inc.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, on our consideration of Western Kentucky Regional Mental Health and Mental Retardation Board, 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 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 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 Western Kentucky Regional Mental Health and Mental Retardation Board, Inc.'s internal control over financial reporting and compliance.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2018 Western Kentucky Regional Mental Health and Mental Retardation Board, Inc. adopted Accounting Standards Update (USA) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.

***Clayton, Byrd & Meeks, LLP***

Paducah, Kentucky  
April 30, 2021

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**STATEMENTS OF FINANCIAL POSITION  
June 30, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, restricted (Note 2)	\$ 2,234,443	\$ 1,660,658
Time and savings deposits, restricted (Note 2)	424,112	417,165
Patient accounts receivable, less allowance for doubtful accounts 2020, \$822,436; 2019, \$598,073	339,843	344,359
State and SCL Medicaid receivables, less allowance for doubtful accounts 2020, \$1,129,502; 2019, \$349,215	1,260,940	1,195,454
Receivables from local grants and other contracts	492,383	717,548
Prepaid expense and other current assets	85,758	104,012
<b>Total current assets</b>	<b>4,837,479</b>	<b>4,439,196</b>
<b>BOARD DESIGNATED FUNDS (Note 2)</b>	243,787	243,787
<b>PURPOSE RESTRICTED FUNDS (Note 2)</b>	261,616	261,616
	<b>505,403</b>	<b>505,403</b>
<b>PROPERTY AND EQUIPMENT, at cost</b>		
Land	85,212	85,212
Building and improvements	7,525,491	7,340,287
Furniture, fixtures and equipment	1,670,655	1,836,121
Vehicles	487,142	509,254
Leasehold improvements	87,711	56,488
	<b>9,856,211</b>	<b>9,827,362</b>
Less accumulated depreciation	(4,931,064)	(4,735,403)
	<b>4,925,147</b>	<b>5,091,959</b>
<b>BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION (Note 14)</b>	7,937	7,910
<b>OTHER ASSETS (Note 5)</b>	31,148	33,631
<b>TOTAL ASSETS</b>	<b>\$ 10,307,114</b>	<b>\$ 10,078,099</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,123,560	\$ 970,365
Accounts payable to affiliates and consumers	328,006	283,357
Payroll taxes and amounts withheld from employees	239,891	297,786
Accrued payroll expense	151,495	153,025
Accrued vacation expense	339,341	361,140
Accrued sick leave	105,324	88,703
Deferred revenue	137,003	280,844
Accrued interest payable	1,495	3,282
Current portion of capital lease	79,740	144,169
Current portion of long-term debt	154,137	149,223
<b>Total current liabilities</b>	<b>2,659,992</b>	<b>2,731,894</b>
<b>LONG-TERM DEBT AND CAPITAL LEASES LESS CURRENT PORTION (Note 8)</b>	3,216,882	2,424,486
<b>Total liabilities</b>	<b>5,876,874</b>	<b>5,156,380</b>
<b>NET ASSETS (Note 2)</b>		
Without donor restrictions	4,160,687	4,652,193
With donor restrictions	269,553	269,526
<b>Total net assets</b>	<b>4,430,240</b>	<b>4,921,719</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,307,114</b>	<b>\$ 10,078,099</b>

The Notes to Financial Statements are an integral part of these statements.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**STATEMENTS OF ACTIVITIES  
June 30, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING ACTIVITIES</b>						
<b>Revenues and Support</b>						
Charges to patients	\$ 17,988,934	\$ -	\$ 17,988,934	\$ 16,343,883	\$ -	\$ 16,343,883
Less allowances for charity, uncollectible accounts and state Medicaid receivable	(3,368,603)		(3,368,603)	(2,963,270)	-	(2,963,270)
<b>Net patient revenues</b>	<u>14,620,331</u>	-	<u>14,620,331</u>	<u>13,380,613</u>	-	<u>13,380,613</u>
Revenues from governmental and other agencies			-			-
State cost reimbursement contracts	5,215,513	-	5,215,513	5,181,330	-	5,181,330
State fee for service contracts	2,404,985	-	2,404,985	2,429,750	-	2,429,750
Local revenue	1,180,022	-	1,180,022	1,137,801	-	1,137,801
Contributions	336,121		336,121	1,091,992	-	1,091,992
Miscellaneous	790,617		790,617	855,656	-	855,656
<b>Total revenues and support</b>	<u>24,547,589</u>	-	<u>24,547,589</u>	<u>24,077,142</u>	-	<u>24,077,142</u>
<b>Expenses</b>						
<b>Program Services</b>						
Mental Health	9,366,470		9,366,470	9,448,556	-	9,448,556
Mental Retardation	5,673,877	-	5,673,877	5,311,949	-	5,311,949
Substance Abuse	7,096,045		7,096,045	6,572,459	-	6,572,459
<b>Total Program Services</b>	<u>22,136,392</u>	-	<u>22,136,392</u>	<u>21,332,964</u>	-	<u>21,332,964</u>
<b>Support Services</b>						
Management and general	2,954,768	223	2,954,991	2,533,043	222	2,533,265
<b>Total Support Services</b>	<u>2,954,768</u>	<u>223</u>	<u>2,954,991</u>	<u>2,533,043</u>	<u>222</u>	<u>2,533,265</u>
			-			-
<b>Change in net assets from operations</b>	(543,571)	(223)	(543,794)	211,135	(222)	210,913
<b>NONOPERATING ACTIVITIES</b>						
Investment income	65,817	154	65,971	82,251	150	82,401
Change in value of beneficial interest in assets held by others	-	96	96	-	106	106
Gain (loss) on disposal of assets	(13,752)		(13,752)	(82,227)	-	(82,227)
<b>Total nonoperating activities</b>	52,065	250	52,315	24	256	280
<b>Change in Net Assets</b>	(491,506)	27	(491,479)	211,159	34	211,193
<b>Beginning Net Assets</b>	<u>4,652,193</u>	<u>269,526</u>	<u>4,921,719</u>	<u>4,441,034</u>	<u>269,492</u>	<u>4,710,526</u>
<b>Ending Net Assets</b>	<u>\$ 4,160,687</u>	<u>\$ 269,553</u>	<u>\$ 4,430,240</u>	<u>\$ 4,652,193</u>	<u>\$ 269,526</u>	<u>\$ 4,921,719</u>

The Notes to Financial Statements are an integral part of these statements.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2020**

	<b>Program</b>			<b>General and Administrative</b>	<b>Total</b>
	<b>Mental Health</b>	<b>Mental Retardation</b>	<b>Substance Abuse</b>		
Payroll and fringe benefits	\$ 1,817,428	\$ 1,053,089	\$ 1,375,810	\$ 1,427,687	\$ 5,674,014
Payments to affiliates	-	-	-	-	-
Transportation and travel	142,467	82,551	107,849	66,591	399,458
Rent	328,853	30,250	48,377	-	407,480
Supplies and expenses	358,699	193,945	529,133	61,334	1,143,111
Repairs and maintenance	111,638	64,687	84,511	18,941	279,777
Depreciation	147,687	85,575	111,800	24,425	369,487
Purchased services	3,868,416	2,230,691	2,914,289	68,509	9,081,905
Communications and space costs	79,940	46,320	60,515	319,491	506,266
Respite, ALU and other MH & MR expenses	2,147,737	1,676,082	1,588,509	-	5,412,328
Other expenses	363,605	210,687	275,252	968,013	1,817,557
	<u>\$ 9,366,470</u>	<u>\$ 5,673,877</u>	<u>\$ 7,096,045</u>	<u>\$ 2,954,991</u>	<u>\$ 25,091,383</u>

**STATEMENTS OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2019**

	<b>Program</b>			<b>General and Administrative</b>	<b>Total</b>
	<b>Mental Health</b>	<b>Mental Retardation</b>	<b>Substance Abuse</b>		
Payroll and fringe benefits	\$ 1,995,520	\$ 1,156,283	\$ 1,511,275	\$ 1,369,708	\$ 6,032,786
Payments to affiliates	-	-	-	-	-
Transportation and travel	181,310	105,058	137,254	78,645	502,267
Rent	392,917	28,474	48,108	-	469,499
Supplies and expenses	1,031,678	194,859	495,878	59,271	1,781,686
Repairs and maintenance	103,912	60,211	78,661	17,630	260,414
Depreciation	154,905	89,758	117,265	24,425	386,353
Purchased services	3,410,529	1,969,017	2,572,014	60,367	8,011,927
Communications and space costs	92,268	53,464	69,848	294,909	510,489
Respite, ALU and other MH & MR expenses	2,010,122	1,611,139	1,485,082	-	5,106,343
Other expenses	75,395	43,686	57,074	628,310	804,465
	<u>\$ 9,448,556</u>	<u>\$ 5,311,949</u>	<u>\$ 6,572,459</u>	<u>\$ 2,533,265</u>	<u>\$ 23,866,229</u>

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**STATEMENTS OF CASH FLOWS  
June 30, 2020 and 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from patient services	\$ 15,817,588	\$ 13,345,667
Cash received from governmental and other agencies	9,672,530	9,722,562
Interest received	59,024	78,803
Donations received	20,643	30,678
Cash paid to employees, affiliates and suppliers	(25,536,375)	(22,439,358)
Interest paid	(66,353)	(80,250)
<b>Net cash provided (used) by operating activities</b>	<b>(32,943)</b>	<b>658,102</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(126,153)	(186,334)
Proceeds from sale of assets	-	-
<b>Net cash used by investing activities</b>	<b>(126,153)</b>	<b>(186,334)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans	1,026,200	-
Payments on mortgages and capital leases payable	(293,319)	(281,659)
<b>Net cash used by financing activities</b>	<b>732,881</b>	<b>(281,659)</b>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>573,785</b>	<b>190,109</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<b>2,166,061</b>	<b>1,975,952</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<b>2,739,846</b>	<b>2,166,061</b>
<b>RECONCILIATION OF NET INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net increase (decrease) in net assets	(491,479)	211,193
Adjustments to reconcile net change in assets to net cash provided by operating activities:		
Depreciation and amortization	371,970	388,835
(Gain) loss on disposal of assets	13,752	82,227
Reinvested interest and dividends	(6,974)	(3,632)
Changes in assets and liabilities:		
(Increase) decrease in receivables	164,195	(124,723)
(Increase) decrease in prepaid expenses and other current assets	18,254	(39,204)
Increase (decrease) in accounts payable and accrued expenses	41,180	154,081
Increase (decrease) in deferred revenue	(143,841)	(10,675)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (32,943)</b>	<b>\$ 658,102</b>

The Notes to Financial Statements are an integral part of these statements.



**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The Western Kentucky Regional Mental Health and Mental Retardation Board, Inc. (the "Board"), is a nonprofit organization which works to meet the mental health, mental retardation/developmental disability, and substance abuse needs of people within a nine county region of western Kentucky. The Board's goal has been to impact upon the community by helping individuals improve the quality of their lives. The Board receives its support primarily from patient service revenues, state and local grants, and donor contributions.

**Patient, State and SCL Medicaid Receivables**

Patient, State and SCL Medicaid receivables result from the services provided by the Board. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts.

The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicaid health care coverage, and other collection indicators.

The Board's primary concentration of credit risk is patient accounts receivable, which consist of amounts owed by various governmental agencies, insurance companies, and private patients. The Board manages the receivables by regularly reviewing its patient accounts and contracts and by providing appropriate allowances for uncollectible amounts.

**Patient Service Revenues**

Patient service revenues are recorded at established rates. The Board has agreements with third-party payers, including state contracts, that provide for payments to the Board at amounts different from its established rates. The difference is accounted for as allowances. Payment arrangements include reimbursed costs, fee-for-service, discounted charges, and per diem payments. After the Board obtains the maximum contract fee, charity allowances are recorded as deductions from revenues for services performed to patients who are unable to pay for such services.

**Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions (Continued)**

Certain in-kind contributions are included as Contributions in the Statement of Activities. In-kind contributions consist of the contributed use of property, contributed specialized or skilled services and consumable supplies that would otherwise be purchased by the Board if they were not donated. In-kind contributions are recorded at their fair-value as of the date the contributions were received.

**Recognition of Revenue**

Revenues from state grants for general operating purposes are recognized monthly on a pro rata basis over the fiscal periods covered by the grants.

**Property and Equipment**

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Board reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Board reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets. Amortization of assets acquired under capital lease obligations is included as depreciation expense in the statement of activities.

**Net Assets**

During 2018, the Board adopted ASU No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net assets classification requirements and the information presented in the financial statements and notes about not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

For financial reporting purposes, the Board follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions-Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of donations, non-restrictive grants, etc.
- With Donor Restrictions-Net assets subject to donor-imposed restrictions that will be met either by actions of the Fund or the passage of time. Items that affect this net asset category are donations for which donor-imposed restrictions have not been met in the year of receipt.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Board considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Board designated and purpose restricted funds are considered to be cash and cash equivalents.

**Income Taxes**

The Board is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Gifts to the Western Kentucky Regional Mental Health and Mental Retardation Board, Inc. are tax deductible.

**Accrued Vacation**

An accrued liability for employees' vacation earned, but not taken at year-end, is recorded.

**Estimates**

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

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Charity Care**

The Board provides services to consumers regardless of their ability to pay. The Board does not offer free services, however, consumers are encouraged to apply for a co-pay on a sliding fee scale which is based on income and family size. The cost of charity care provided by the board for the year ended June 30, 2020 and 2019 was \$225,271 and \$42,111, respectively. The cost of charity care is calculated by applying a total cost-to-charge ratio for the Board's services to the total unreimbursed self pay and fee-for-service charges.

**Covid-19 Pandemic**

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. In response to the pandemic, various policies were implemented by federal, state and local governments, including temporarily closing of parts of the office building. The pandemic has negatively affected national, state and local economies along with global financial markets and the health care landscape in general. While the future impacts of the pandemic cannot be quantified at this time, the Board continues to monitor its course and, if necessary, is prepared to take additional measures to protect the health and welfare of the Organization.

**Recent Accounting Pronouncements**

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) – Restricted Cash, which requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amount generally described as restricted cash or restricted cash equivalents. This ASUs is effective for the Organization for the year ending June 30, 2020. The Organization has applied the provisions of this ASU on the financial statements.

**NOTE 2 - NET ASSETS**

**Net assets without donor restrictions** - Revenues derived from unrestricted contributions, government grants and contracts, investment income and other inflows of assets whose use by the Board is not limited by donor-imposed restrictions are classified as net assets without donor restrictions. Certain unrestricted net assets have been designated by the Board as restricted or reserved for specific purposes. Net assets without donor restrictions were as follows for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Undesignated	\$1,258,345	\$2,330,583
Board designated	243,787	243,787
Board designated – Restricted liquid assets	2,234,443	1,660,658
Board designated – Restricted time and savings	<u>424,112</u>	<u>417,165</u>
	<u>\$4,160,687</u>	<u>\$4,652,193</u>

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 2 - NET ASSETS (CONTINUED)**

**Board designated funds** – The Board has designated funds to be utilized for capital additions or expansions to any of the Board’s facilities which are expected to occur in future years. Amounts designated at June 30 were as follows:

	<b>2020</b>	<b>2019</b>
	<u>\$ 243,787</u>	<u>\$ 243,787</u>

**Board Designated - Restricted liquid assets** – The Board has implemented a plan for assignment and restriction of liquid assets. Restriction limits are as follows at June 30:

	<b>2020</b>	<b>2019</b>
Reserve to fund accrued payroll, vacation and sick leave	\$ 596,160	\$ 602,868
Operating reserve (deficit)	<u>1,638,283</u>	<u>1,057,790</u>
	<u>\$2,234,443</u>	<u>\$1,660,658</u>

**Board Designated - Restricted time and savings deposits** -- To provide adequate funding for future obligations, the Board has restricted the use of certain time and saving deposits, including Certificates of Deposits and Christopher House tenant deposit accounts. The balances of these accounts are included in Time and savings deposits and were as follows at June 30:

	<b>2020</b>	<b>2019</b>
Operating reserve Certificate of Deposit	\$ 423,320	\$ 416,373
Christopher House Tenant Deposits	<u>792</u>	<u>792</u>
	<u>\$ 424,112</u>	<u>\$ 417,165</u>

**Net assets with donor restrictions** – Contributions and other inflows of assets whose use by the Board is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Board, such as usage for specified programs, including certain overhead and indirect costs.

When a donor restriction expires, either by the stipulated time restriction expiring or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Net assets with donor restrictions were as follows for the years ended June 30:

	<b>2020</b>	<b>2019</b>
Specific Purpose		
Alcohol and drug abuse program	\$ 261,616	\$ 261,616
Beneficial interest in assets held by Community Foundation	<u>7,937</u>	<u>7,910</u>
	<u>\$ 269,553</u>	<u>\$ 269,526</u>

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 3 - IN-KIND CONTRIBUTIONS**

During the years ended June 30, 2020 and 2019, the Board was the beneficiary of donated goods and services. The value of these in-kind donations is reflected in support and revenue without donor restrictions and in the following expenses for the years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Mental Health		
Rent	\$ 276,647	\$ 343,777
Supplies and expenses	26,860	700,734
	<u>303,507</u>	<u>1,044,511</u>
Mental Retardation		
Supplies and expenses	1,665	3,097
	<u>1,665</u>	<u>3,097</u>
Substance Abuse		
Rent	8,856	10,908
Payroll and fringe benefits	--	648
Supplies and expenses	1,450	2,150
	<u>10,306</u>	<u>13,706</u>
<b>Total in-kind contributions</b>	<b><u>\$ 315,478</u></b>	<b><u>\$1,061,314</u></b>

**NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Financial assets available for general expenditure without donor restrictions limiting their use, within one year of the statement of financial position, are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 2,478,230	\$ 1,904,445
Time and savings deposits	424,112	417,165
Accounts Receivable	<u>2,093,133</u>	<u>2,257,361</u>
<b>Total financial assets</b>	<b><u>\$ 4,995,475</u></b>	<b><u>\$ 4,578,971</u></b>

As part of the Board's liquidity management, financial assets are structured to be available as its expenditures, liabilities, and other obligations come due.

**NOTE 5 - OTHER ASSETS**

In March 2004, the Board entered into a \$1,800,000 capital lease agreement through the Kentucky League of Cities. In connection with this debt obligation, certain legal and administrative fees were incurred. These costs have been capitalized and are being amortized over the debt repayment period. The unamortized debt issuance costs as of June 30, 2020 and 2019 amounted to \$11,528 and \$12,601, respectively.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 5 - OTHER ASSETS (CONTINUED)**

In April 2005, the Board entered into a \$2,400,000 capital lease agreement through the Kentucky League of Cities. In connection with this debt obligation, certain legal and administrative fees were incurred. These costs have been capitalized and are being amortized over the debt repayment period. The unamortized debt issuance costs as of June 30, 2020 and 2019 amounted to \$19,620 and \$21,030, respectively.

**NOTE 6 - COMMITMENTS**

**Christopher House**

As part of a management agreement signed with the Christopher House Corporation, the Board has agreed to provide all administrative and regulatory services for the Christopher House Project. Christopher House Project is a home located in Fancy Farm, Kentucky that provides housing for a maximum of 3 persons. These residents must be mentally handicapped individuals. The home and other fixed assets are owned by the Christopher House Corporation. The Board leases all the assets of Christopher House Corporation for a nominal fee annually.

The Project is regulated by the U. S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project is subject to Section 8 Housing Assistance Payment agreements with HUD, and a significant portion of the Project's rental income is received from HUD. The Project's Section 8 rent subsidy is a nonmajor program.

**NOTE 7 - RETIREMENT PLAN**

In connection with the Board's agreements with Kentucky Retirement Systems-Kentucky Employee Retirement System (KERS), the Board participates with other organizations in the State in a defined benefit pension plan. This multi-employer plan covers all of the Board's employees who are eligible to participate. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plans by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Board chooses to stop participating in its multi-employer plan, it may be required to pay those plans an amount based on the unfunded status of the plan, referred to as a withdrawal liability. At this time, the Board has not established any liabilities because withdrawal from this plan is not probable.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 7 - RETIREMENT PLAN (CONTINUED)**

The amount shown below as “actuarial accrued net pension liability” and “actuarial accrued net OPEB liability” are standardized disclosure measures of the present value of pension and OPEB benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measures are the actuarial present value of credited projected benefits and are intended to help users assess the System’s funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems (PERS). The measures are independent of the actuarial funding method used to determine contributions to the System.

Vesting in a retirement benefit begins immediately upon entry into the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1981, 6% thereafter through June 30, 1986 and 4% thereafter. All required contributions were paid at year end or within thirty (30) days thereafter. The percentage of the Board’s contribution to total employers’ contribution in the KERS for the year is not known.

The KERS total actuarial accrued net pension liability was \$16,356,674,000, and the net assets available for the benefits were \$2,233,672,000 as of June 30, 2019.

The KERS total actuarial accrued net OPEB liability was \$3,217,985,000, and the net assets available for the benefits were \$995,089,000 as of June 30, 2019.

The Board’s participation in the plan for the year ended June 30, 2020 and 2019 is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employee Identification Number (EIN) and the three-digit plan number assigned to the plan by the Internal Revenue Service.

The Board is providing less than 5% of the total contributions to the plan.

Form 5500 is not required for this plan.

Unless otherwise noted, the most recent “Pension Protection Act (PPA) Zone Status” available in 2020 and 2019 is for the plan’s year end at June 30, 2019 and 2018, respectively. The zone status is based on information that the Board received from the plan. A plan in the “red” zone has been determined to be in “critical status”, based on criteria established under the Tax Code and is generally less than 65% funded. A plan in the “yellow” zone has been determined to be in “endangered status”, based on criteria established under the Tax Code and is generally less than 80% funded. A plan in the green zone is generally at least 80% funded.

The “FIP/RP Status Pending/Implemented” column indicates a plan for which a financial improvement plan (FIP), as required under the Code to be adopted by a plan in the “yellow” zone, or a Rehabilitation Plan (RP), as required under the Code to be adopted by a plan in the “red” zone, is either pending or has been implemented.



**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 7 - RETIREMENT PLAN (CONTINUED)**

The “Surcharge Imposed” column indicates whether the Board’s contribution rate for 2019 included an amount in addition to the contribution rate specified in the applicable collective bargaining agreement, as imposed by a plan in “critical status”, in accordance with the requirement of the Code. The last column lists the expiration dates of the collective bargaining agreements to which the plan is subject. Finally, there have been no significant changes that affect the comparability of 2020 and 2019 contributions.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending/ Implemented</u>	<u>Contributions of the Organization</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreement</u>
		<u>June 30, 2019</u>	<u>2018</u>		<u>June 30, 2020</u>	<u>2019</u>		
KERS	61-0600439	Red	Red	N/A	\$1,714,268	\$1,791,802	N/A	N/A

**NOTE 8 - LONG-TERM DEBT**

The Board signed a promissory note with Paducah Bank and Trust, dated December 12, 2012. The promissory note stipulates that principal advances will not exceed \$370,250. The outstanding principal balance at June 30, 2020 and 2019 was \$20,446 and \$80,248, respectively. The note accrues interest at 5.0% per annum. The promissory note is due on demand. If demand is not made, the Board will repay the loan in 36 monthly payments of \$5,208 commencing October 12, 2018 with any remaining outstanding principal due September 12, 2020. The note is secured by certain investments owned by Four Rivers Charitable Foundation, Inc., a related party (Note 11), having a market value of \$841,178 as of June 30, 2020.

On July 7, 2004, the Board signed a \$79,000 mortgage loan from Paducah Bank and Trust Company for the purpose of purchasing a home to be used for therapeutic rehabilitation for consumers. At June 30, 2020 and 2019, the mortgage payable totaled \$0 and \$602, respectively. The mortgage is payable in 180 monthly installments of \$713 at an annual interest rate of 5.50% through November 7, 2015 and 6.97% thereafter. The mortgage is secured by real estate located in Paducah, Kentucky.

On March 25, 2004, the Board entered into a \$1,800,000 capital lease agreement through the Kentucky League of Cities Funding Trust for the purpose of purchasing and renovating a new facility that houses the regional administrative offices and certain outpatient services. The agreement was amended November 5, 2015. At June 30, 2020 and 2019, the balance of the debt instrument was \$916,030 and \$984,955, respectively. Monthly payments are to continue until April 15, 2031, the termination date. The interest rate is variable based on terms set forth in the agreement. Due to the variable interest rate, principal and interest payments approximate \$8,600 monthly at an assumed rate of 2%. The rate was 2.856% and 2.917% at June 30, 2020 and 2019, respectively. The agreement is secured by real estate and personal property located in Paducah, Kentucky.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

On April 15, 2005, the Board entered into a \$2,400,000 capital lease agreement through the Kentucky League of Cities Funding Trust for the completion of renovations to a new facility purchased in March of 2004. The renovations to the facility allow for the provision of additional outpatient services. The agreement was amended November, 2015. At June 30, 2020 and 2019, the balance of the debt instrument was \$1,415,640 and \$1,495,938, respectively. Monthly payments are to continue until June 1, 2034, the termination date. The interest rate is variable based on terms set forth in the agreement. Due to the variable interest rate, principal and interest payments approximate \$11,000 monthly at an assumed rate of 2%. The rate was 2.856% and 2.917% at June 30, 2020 and 2019, respectively. The agreement is secured by real estate and personal property located in Paducah, Kentucky.

On December 19, 2005, the Board received a \$157,500 loan from Paducah Bank and Trust Company for the purpose of purchasing a house to be used as a staffed residence for mental retardation consumers. At June 30, 2020 and 2019, the mortgage payable totaled \$7,285 and \$21,359, respectively. The mortgage is payable in 180 monthly installments of \$1,478 at an annual interest rate of 3.75%. The mortgage is secured by real estate located in Mayfield, Kentucky.

On September 3, 2015, the Board signed a promissory note with Paducah Bank and Trust with an original principal amount of \$40,510. At June 30, 2020 and 2019, the outstanding principal balance was \$0 and \$2,697, respectively. The note is due in 48 monthly installments of \$931, including interest. The note accrues interest at 4.75% per annum. The note is secured by a small bus and a minivan.

On September 15, 2015, the Board signed a promissory note with Paducah Bank and Trust with an original principal amount of \$33,347. At June 30, 2020 and 2019, the outstanding principal balance was \$1,795 and \$9,049, respectively. The note is due in 60 monthly installments of \$628, including interest. Interest accrues at 4.75% per annum. The note is secured by two passenger vehicles.

On June 15, 2018, the Board signed a capital lease with Cisco Capital in the amount of \$52,765 for the purchase of a new phone system. At June 30, 2020 and 2019, the outstanding balance due was \$11,027 and \$31,897. The capital lease is payable in 36 monthly payments of \$1,776 including with no interest.

On October 16, 2018, the Board signed a capital lease with Cisco Capital in the amount of \$116,782 for the purchase of a new server. At June 30, 2020 and 2019, the outstanding balance due was \$52,336 and \$91,132. The capital lease is payable in 36 monthly payments of \$3,294 including interest of 1.00%.

On April 20, 2020, the Board signed a Payroll Protection Program loan in the amount of \$1,026,200. This note is SBA guaranteed and carries interest at 1.0%. If funds are used as outlined in the program, the entire amount can be forgiven.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

The combined aggregate amount of maturities for long-term debt and capital leases are as follows:

Year ending June 30,	2021	\$ 689,975
	2022	742,261
	2023	164,092
	2024	169,286
	2025	174,807
	Thereafter	<u>1,510,338</u>
		<u>\$ 3,450,759</u>

Interest expense for the year ended June 30, 2020 and 2019 was \$64,566 and \$80,375.

**NOTE 9 - CONCENTRATION OF CREDIT RISKS**

To minimize custodial credit risk, the Board has entered into a Master Sweep Repurchase Agreement with Paducah Bank & Trust. At the end of each business day, excess funds are swept and used to purchase government securities which the bank will resale back to them the following day. Once the funds are swept, they are no longer considered deposits and are not insured by the FDIC. In the event of a banking institution failure, the FDIC would recognize the perfected security interest in the invested securities enabling the funds to be returned to the cash accounts of the Board. As of June 30, 2020 and 2019, approximately \$2,724,237 and \$2,131,660 of cash and cash equivalents, respectively, were included as part of the Master Sweep Repurchase Agreement. The remainder of cash and cash equivalents was covered by FDIC insurance.

The Board has invested approximately \$422,819 and \$415,872 into Certificates of Deposit through the Certificate of Deposit Account Registry Service (CDARS) at June 30, 2020 and 2019, respectively. The CDARS program is a self-described deposit-placement service in which participating financial institutions act as agents for depositors in placing funds at other participating institutions. Large-dollar deposits can be placed with CDARS and member institutions issue CD's in amounts under \$250,000. Therefore, each deposit is eligible for FDIC insurance at each member bank.

**NOTE 10 - INCOME TAX**

The Board has been classified as other-than private foundations and is exempt under Section 501(c)(3) of the Internal Revenue Code. The Board is subject to income tax on income generated from any unrelated business.

The Board has adopted ASC740-10 as it relates to the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Board has analyzed it's tax positions taken for filings with the Internal Revenue Service and Kentucky Department of Revenue. The Board has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2020.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 10 - INCOME TAX (CONTINUED)**

The Board's Forms 990, *Return of Organization Exempt from Income Tax* are subject to examination by the IRS, generally for three years after they were filed. At June 30, 2020, the years ended June 30, 2017, 2018 and 2019 remain open for examination.

**NOTE 11 - RELATED PARTY TRANSACTIONS**

**Omnipath, Inc.**

Omnipath, Inc. (Omnipath) provides the Board with contract employment services, including skilled and special services. Omnipath is a non-profit Kentucky corporation. As part of the management agreement, the Board agreed to provide an individual to serve in the role of Executive Director for Omnipath. As a result, certain members of the executive management team of the Board also serve as part of the executive management team of Omnipath. Amounts paid to Omnipath for the years ending June 30, 2020 and 2019 were \$8,643,383 and \$7,793,870, respectively. Amounts due from Omnipath at June 30, 2020 and 2019 were \$72 and \$232,363, respectively.

**Four Rivers Recovery Center, LLC**

Four Rivers Recovery Center, LLC, a Kentucky for-profit Limited Liability Company, operating as Centerpoint of Paducah (Centerpoint), maintains a 100-bed substance abuse recovery center in Paducah, Kentucky. The Board provides the substance abuse program for the residents of Centerpoint. Certain members of the executive management team of the Board also serve as part of the executive management team of Centerpoint. A separate statement of activities is included as part of the audited financial statements as additional information. Amounts due from Centerpoint at June 30, 2020 and 2019 are \$271,496 and \$256,402, respectively.

**Four Rivers Charitable Foundation, Inc.**

Four Rivers Charitable Foundation, Inc. (the Foundation) is a non-profit Kentucky corporation established for the purpose of being a fund-raising entity to benefit the Board. Certain members of the executive management team of the Board also serve as part of the executive management team of the Foundation. The Foundation holds the collateral for a promissory note that was signed December 12, 2012 between the Board and The Paducah Bank and Trust Company. The collateral is in the form of an investment account maintained through Paducah Bank. The funds had a market value as of June 30, 2020 and 2019 of \$841,178 and \$794,796, respectively.

**Four Rivers Innovative Solutions, LLC**

The Commonwealth of Kentucky provides that certain consumers of the Board have the option to provide their own caretakers. Four Rivers Innovative Solutions, LLC (FRIS) was established to manage the payroll expenses and liabilities of those consumers electing the consumer directed option (CDO). The Board provides funding to FRIS for the CDO program. FRIS is a Kentucky for-profit Limited Liability Company. Certain members of the executive management team of the Board also serve as part of the executive management team of Four Rivers Innovative Solutions, LLC. Amounts paid to Four Rivers Innovative Solutions, LLC for the years ending June 30, 2020 and 2019 were \$4,725,845 and \$4,482,912, respectively.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 12 - CONTINGENCIES**

**Grant Programs**

The Board derives a significant portion of its support from grants through federal, state, and local governments. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Board for its disbursements. The Board currently does not expect to refund monies advanced nor does it expect refusal of any reimbursements. Continuation of the Board's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantors' intended to continue their programs.

**NOTE 13 - OPERATING LEASES**

The Board has entered into an operating lease for office equipment with noncancellable lease terms in excess of one year. Future minimum rental payments under the agreement are as follows:

Year ending June 30,	2021	\$ 50,214
	2022	13,149
		<u>\$ 63,363</u>

Total rental expense for the years ended June 30, 2020 and 2019 was \$548,396 and \$536,096, respectively. These amounts include both month-to-month operating rental agreements as well as leases with noncancellable lease terms in excess of one year. The Board rents administrative and clinical space with base terms containing 30 to 60 days cancellation notices.

**NOTE 14 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

During the year ended December 31, 2015, the Board transferred assets in the amount of \$7,500 to the Community Foundation of West Kentucky (the "Foundation") to establish the Four Rivers Behavioral Health Endowment, a permanent Agency Endowment Fund. As part of the agreement, variance powers exist whereby the Endowment Fund will be subject to the power reserved by the Board of Directors of the Foundation to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations, if in the sole judgment of the Foundation Board (without the approval of any participating Trustee, custodian or Agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. In all such cases, the Foundation Board of Directors will seek an alternative use consistent with the Board's charitable goals.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 15 - FAIR VALUE MEASUREMENTS**

The Board follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. 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. The accounting standards relating to fair value measurements establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Investments and the beneficial interest in assets held by others recorded at fair value in the accompanying statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by this guidance, are as follows:

<b><u>Level Input</u></b>	<b><u>Input Definition</u></b>
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The fair value of the Board's beneficial interest in assets held by others at the Community Foundation (the "Foundation") is determined based on the Board's allocated share of the Foundation's investment pool. Information is provided to the Board by Foundation management in the form of investment reports.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 15 - FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table summarizes fair value measurements by level at June 30, 2020 and 2019 for financial assets and liabilities measured at fair value on a recurring basis:

	<b>2020</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Total</b>
Beneficial interest in assets held by Community Foundation	\$ --	\$ --	\$ 7,937	\$ 7,937
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,937</u>	<u>\$ 7,937</u>

	<b>2019</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Total</b>
Beneficial interest in assets held by Community Foundation	\$ --	\$ --	\$ 7,910	\$ 7,910
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,910</u>	<u>\$ 7,910</u>

The table below sets forth a summary of the changes in the fair value of the Board's Level 3 financial assets during the years ended June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
	<b>Beneficial Interest in Assets Held by Community Foundation</b>	<b>Beneficial Interest in Assets Held by Community Foundation</b>
Balance, beginning of year	\$ 7,910	\$ 7,876
Interest and dividends	154	150
Realized gains (losses)	200	342
Unrealized gains (losses)	(104)	(235)
Administrative fees	(223)	(223)
Balance, end of year	<u>\$ 7,937</u>	<u>\$ 7,910</u>

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019**

**NOTE 16 - NONCASH INVESTING AND FINANCING ACTIVITIES**

Noncash investing and financing are as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purchase of server		
Cost of server	\$ --	\$ 116,782
Capital Leases	--	(116,782)
Cash down payment	<u>\$ --</u>	<u>\$ --</u>

**NOTE 17 - SUBSEQUENT EVENTS**

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 30, 2021, the date financial statements were available to be issued.



Greg L. Yates, CPA  
Patrick T. Whalen, CPA  
James R. Hite, CPA



William B. Byrd, CPA  
Rick A. Meeks, CPA

## INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors  
Western Kentucky Regional Mental Health  
and Mental Retardation Board, Inc.  
Paducah, Kentucky

We have audited the financial statements of Western Kentucky Regional Mental Health and Mental Retardation Board, Inc. as of and for the years ended June 30, 2020 and 2019, and have issued our report thereon dated April 30, 2021, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Statement of Activities-Centerpoint of Paducah is presented for the 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 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.

*Clayton, Byrd & Meeks, LLP*

Paducah, Kentucky  
April 30, 2021

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC. AND RELATED ENTITY**

**ADDITIONAL INFORMATION  
Years ended June 30, 2020 and 2019**

**STATEMENT OF ACTIVITIES-CENTERPOINT OF PADUCAH**

	<u>2020</u>	<u>2019</u>
<b>REVENUES AND SUPPORT</b>		
Grant revenue	\$ 197,500	\$ 197,500
Contract revenue	637,547	668,960
Local Government Contribution	285,861	313,099
Donations	16,608	28,936
Other income	<u>234,109</u>	<u>260,891</u>
<b>Total revenues and support</b>	<u>1,371,625</u>	<u>1,469,386</u>
<b>EXPENSES</b>		
Payroll and fringe benefits	246,807	237,988
Transportation and travel	9,112	7,613
Rent	32,969	32,353
Supplies and expenses	416,688	360,525
Repairs and maintenance	12,813	15,731
Purchased services	568,889	550,341
Regional office expenses	190,175	186,883
Other expenses	<u>38,480</u>	<u>39,853</u>
<b>Total expenses</b>	<u>1,515,933</u>	<u>1,431,287</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>\$ (144,308)</u>	<u>\$ 38,099</u>

Greg L. Yates, CPA  
Patrick T. Whalen, CPA  
James R. Hite, CPA



William B. Byrd, CPA  
Rick A. Meeks, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Western Kentucky Regional Mental Health  
and Mental Retardation Board, Inc.  
Paducah, Kentucky

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 financial statements of Western Kentucky Regional Mental Health and Mental Retardation Board, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Western Kentucky Regional Mental Health and Mental Retardation Board, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

Our consideration of the 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 organizations'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.

***Clayton, Byrd & Meeks, LLP***

Paducah, Kentucky  
April 30, 2021

Greg L. Yates, CPA  
Patrick T. Whalen, CPA  
James R. Hite, CPA



William B. Byrd, CPA  
Rick A. Meeks, CPA

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Western Kentucky Regional Mental Health  
and Mental Retardation Board, Inc.  
Paducah, Kentucky

### Report on Compliance for Each Major Federal Program

We have audited Western Kentucky Regional Mental Health and Mental Retardation Board, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Western Kentucky Regional Mental Health and Mental Retardation Board, Inc.'s major federal programs for the year ended June 30, 2020. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs 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 Board'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 each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Western Kentucky Regional Mental Health and Mental Retardation Board, Inc. complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Other Matters**

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

### **Report on Internal Control Over Compliance**

Management of the Board 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 Board's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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 Board'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 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 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.

*Clayton, Byrd & Meeks, LLP*

Paducah, Kentucky  
April 30, 2021

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2020**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>			
Passed-through Kentucky Cabinet for Health and Family Services:			
Substance Abuse Block Grant	93.959	TAA6-018200-19 TAA7-018200-19 TAA8-018200-19	\$ 908,110
Community Mental Health Services Block Grant	93.958	TBAV-018300-19	496,441
Substance Abuse and Mental Health Services Administration (SAMHSA)	93.243	1H79TIO26775 TAUA-019000-19 TABC-019500-19	207,355
Opioid STR	93.788	T300-TABF-020300	458,304
Total U.S. Department of Health & Human Services			2,070,210
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Passed-through Kentucky Justice and Public Safety Cabinet:			
Bureau of Justice Assistance	16.585	2016-DC-BX-0043	36,359
Total U.S. Department of Justice			36,359
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>			
Passed-through State of Kentucky:			
Department for Local Government Public Housing	14.850		3,450
Community Development Block Grant/State's Program	14.228	19-008	197,500
Total U.S. Department of Housing & Urban Development			200,950
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 2,307,519</b>

**Note 1 - Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Board, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies:**

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 allowable or are limited as to reimbursement. The Project has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Pass Through of Federal Funds:**

No federal awards were passed through to sub-recipients.

**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**SECTION I-SUMMARY OF AUDITOR'S RESULT**

1. The auditors' report expresses an unmodified opinion on the financial statements of Western Kentucky Regional Mental Health and Mental Retardation Board, Inc.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Western Kentucky Regional Mental Health and Mental Retardation Board, Inc. were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs to Western Kentucky Regional Mental Health and Mental Retardation Board, Inc. expresses an unmodified opinion.
6. Audit findings that are required to be reported under 2 CFR Section 200.516 (a) are reported in this Schedule.
7. The programs tested as major programs were the U. S. Department of Health and Human Services' Substance Abuse Block Grant, CFDA #93.959 and Community Mental Health Services Block Grant, CFDA #93.958.
8. The threshold for distinguishing between Type A and Type B programs was \$750,000.
9. Western Kentucky Regional Mental Health and Mental Retardation Board, Inc. qualifies as a low risk auditee.

**SECTION II-FINDINGS - FINANCIAL STATEMENT AUDIT**

None noted.

**SECTION III-FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None Noted.



**WESTERN KENTUCKY REGIONAL MENTAL HEALTH AND  
MENTAL RETARDATION BOARD, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2020**

**FINANCIAL STATEMENT AUDIT**

None Noted.

**MAJOR FEDERAL AWARD PROGRAMS**

None Noted.

**U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

None Noted.