



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

DCCCA, INC.

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

DCCCA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
DCCCA, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of DCCCA, Inc. (DCCCA), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 DCCCA'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 DCCCA'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.

An Independently Owned Member, RSM US Alliance

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DCCCA as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on July 1, 2018, DCCCA adopted ASU 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 this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules listed in the accompanying table of contents, including the 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* are presented for purposes of additional analysis and are 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 December 10, 2019 on our consideration of DCCCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DCCCA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DCCCA's internal control over financial reporting and compliance.

Berwick Trahan + Co., P.A.

December 10, 2019
Topeka, Kansas

DCCCA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,384,205
Accounts receivable:	
Grants and contracts, net of allowance for doubtful accounts of \$ 66,318	1,768,363
Client and Medicaid, net of allowance for doubtful accounts of \$ 44,422	189,816
Other	806
Prepaid expenses	176,314
Short-term investments	701,934

Total current assets 4,221,438

Long-term investments 42,086,218

Property and equipment:

Buildings	6,085,279
Leasehold improvements	38,313
Furniture, fixtures and equipment	1,241,420
Less accumulated depreciation	(5,251,053)
Construction in progress	1,194,446
Land	3,959,615

Net property and equipment 7,268,020

Total assets \$ 53,575,676

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

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 711,554
Accrued expenses	999,519
Deferred revenue	<u>19,212</u>
Total current liabilities	1,730,285
Long-term accrued expenses	<u>245,960</u>
Total liabilities	<u>1,976,245</u>
Net assets:	
Without donor restrictions:	
Undesignated	9,416,207
Board designated	<u>42,086,218</u>
Total without donor restrictions	51,502,425
With donor restrictions	<u>97,006</u>
Total net assets	51,599,431
Total liabilities and net assets	<u><u>\$ 53,575,676</u></u>

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

DCCCA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in net assets:			
Revenues and support:			
Contracts	\$ 11,830,543	\$ -	\$ 11,830,543
Grants	5,886,093	-	5,886,093
Program fees	1,960,148	-	1,960,148
Net investment and interest income	2,063,005	-	2,063,005
Rental income	29,586	-	29,586
Contributions	122,893	36,565	159,458
Other	103,693	-	103,693
Net gain on sale of assets	765,678	-	765,678
Net assets released from restriction	48,881	(48,881)	-
	<u>22,810,520</u>	<u>(12,316)</u>	<u>22,798,204</u>
Expenses:			
Program:			
Child placing services	9,980,753	-	9,980,753
Behavioral health services	6,439,771	-	6,439,771
Prevention and education services	3,050,304	-	3,050,304
Operations services	1,415,914	-	1,415,914
	<u>20,886,742</u>	<u>-</u>	<u>20,886,742</u>
Management and general	<u>1,673,853</u>	<u>-</u>	<u>1,673,853</u>
	<u>22,560,595</u>	<u>-</u>	<u>22,560,595</u>
Increase (decrease) in net assets	249,925	(12,316)	237,609
Net assets, beginning of year	<u>51,252,500</u>	<u>109,322</u>	<u>51,361,822</u>
Net assets, end of year	<u>\$ 51,502,425</u>	<u>\$ 97,006</u>	<u>\$ 51,599,431</u>

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

DCCCA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Child Placing Services	Behavioral Health Services	Prevention and Education Services	Operations Services	Management and General	Total
Salaries, payroll taxes and benefits	\$ 2,823,734	\$ 4,423,900	\$ 1,431,098	\$ 446,337	\$ 1,371,968	\$ 10,497,037
Foster parent payments	6,370,548	-	-	-	-	6,370,548
Program supplies and materials	152,687	636,390	808,083	37,086	36,246	1,670,492
Consulting and contractual services	32,999	321,672	244,963	588,575	89,530	1,277,739
Facility	126,624	669,634	99,868	(257,870)	57,350	695,606
Depreciation	5,469	6,207	25,670	535,571	-	572,917
Travel	80,098	18,597	123,834	110,077	3,103	335,709
Insurance	77,579	47,681	69	119,170	12,635	257,134
Equipment	4,384	13,011	14,944	39,708	4,255	76,302
Telephone, internet and postage	47,123	38,962	25,291	47,133	10,327	168,836
Grant subrecipient	-	-	141,521	-	-	141,521
Miscellaneous	33,330	7,202	41,860	116,373	18,885	217,650
Office and computer supplies	23,262	47,592	25,669	4,311	15,640	116,474
Trainings and conferences	3,902	9,508	43,559	31,477	1,178	89,624
Accounting and legal	1,119	1,020	-	14,171	23,746	40,056
Public relations	-	-	-	6,950	26,000	32,950
Information technology allocation	107,823	166,964	-	(274,787)	-	-
Owned auto allocation	90,072	31,431	23,875	(148,368)	2,990	-
Total expenses	\$ 9,980,753	\$ 6,439,771	\$ 3,050,304	\$ 1,415,914	\$ 1,673,853	\$ 22,560,595
Internal allocation of management and general expenses:						
Total expenses	\$ 9,980,753	\$ 6,439,771	\$ 3,050,304	\$ 1,415,914	\$ 1,673,853	\$ 22,560,595
Allocation	835,239	570,180	304,200	(35,766)	(1,673,853)	-
	\$ 10,815,992	\$ 7,009,951	\$ 3,354,504	\$ 1,380,148	\$ -	\$ 22,560,595

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

DCCCA, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ 237,609
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	572,917
Gain on sale of property and equipment	(765,678)
Realized gain on investments	(347,221)
Change in fair value of investments	(139,851)
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	123,972
Prepaid expenses	152,256
Increase (decrease) in:	
Accounts payable	(4,630)
Accrued expenses	(88,226)
Deferred revenue	(120,229)
	<hr/>
Net cash from operating activities	(379,081)
	<hr/>
Cash flows from investing activities:	
Principal payments on notes receivable	27,350
Purchases of investments	(4,659,855)
Proceeds from sale of investments	3,945,144
Purchases of property and equipment	(1,975,796)
Proceeds from disposal of property and equipment	2,773,700
	<hr/>
Net cash from investing activities	110,543
	<hr/>
Net decrease in cash and cash equivalents	(268,538)
	<hr/>
Cash and cash equivalents, beginning of year	1,652,743
	<hr/>
Cash and cash equivalents, end of year	\$ 1,384,205
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The accompanying notes are an integral part of these financial statements.

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

1 - Organization and Summary of Significant Accounting Policies

Organization

DCCCA, Inc. (DCCCA) was organized in Kansas in 1974 as a nonprofit corporation. DCCCA provides social and community services to improve the health, safety, and well-being of those served. DCCCA coordinates programs across Kansas, Missouri, and Oklahoma to provide behavioral health prevention and treatment services, recruitment of foster homes, foster home training and support, traffic safety education, resources, research and analysis. DCCCA cooperates with local, state, and national programs and associations to provide education, research, services, and resources.

Child Placing Agency (CPA)

CPA Specialists recruit, train, and provide ongoing support for foster families across Kansas, Missouri, and Oklahoma. The specialists support foster families through all stages of their placement 24 hours a day, 7 days a week.

Behavioral Health Services

Residential and outpatient treatment for substance abuse, and outpatient mental health services are provided by DCCCA across Kansas.

Prevention Services

Prevention Services programs design and develop in-person and virtual learning modules and training resources addressing the technical needs of collaborative community prevention efforts and are used for substance abuse, mental health, suicide and problem gambling. Working with the Partnerships for Success programs in Kansas and Oklahoma, DCCCA addresses the issues of both prescription drug misuse and abuse with prevention and education.

Traffic Safety

DCCCA maintains a partnership with the Kansas Department of Transportation to provide education and safety resources through the Kansas Traffic Safety Resource Office contract. DCCCA developed and operates SAFE (Seatbelts Are For Everyone), a teen run, peer-to-peer program in Kansas, Missouri, and Oklahoma, designed to reduce the number of motor vehicle-related injuries and fatalities among teens.

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Research and Analysis

Using various metrics and benchmarks to measure success and effectiveness, DCCCA determines appropriate and measurable outcomes to improve the quality of the services provided. The Research and Analysis team also assists in data analysis for outside local, state, and government agencies. In addition, DCCCA performs and monitors direct observation passenger safety surveys to identify vulnerable populations and areas in the state so they can be provided more education and resources.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. At June 30, 2019, DCCCA had no net assets required to be held in perpetuity.

Grants and Contracts

Monies from grants or contracts, restricted to specific purposes, are deemed to be earned and are reported as revenues when DCCCA has incurred expenditures in compliance with the program requirements and objectives. Amounts received, but not yet earned, are reported as deferred revenue on the statement of financial position.

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Grants and Contracts (Continued)

DCCCA receives significant federal financial assistance passed through state and local agencies in the form of grants and contracts. The disbursement of funds received under these awards generally requires compliance with terms and conditions as specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of DCCCA. However, in the opinion of management, any such disallowed claims will not have a material effect on DCCCA's financial position.

Cash and Cash Equivalents

For purposes of the statement of cash flows, DCCCA considers all short-term investments with an original maturity of three months or less to be cash equivalents. DCCCA made no cash payments for income taxes or interest during the year ended June 30, 2019.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments

DCCCA's invests in money market mutual funds and mutual funds which are reported at fair value. 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. Unrealized changes in fair values are included in the change in net assets. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk.

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost. Assets with a cost greater than \$ 2,000 are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which vary from two to fifteen years for leasehold improvements and furniture, fixtures and equipment, and two to forty years for buildings and building improvements.

Maintenance, repairs and minor renewals are expensed as incurred, while expenditures for major additions and improvements are capitalized. When assets are disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

Accrued Vacation and Sick Pay

Employees are granted vacation and sick leave in varying amounts, based on length of service. In the event of termination or separation, an employee is paid for all accumulated vacation. If years of service and other qualifications are met, the employee is paid for accrued sick pay. It is the policy of DCCCA to record both vacation pay and qualified sick pay as an expense as it is earned. The amount of earned but unused accumulated vacation pay and qualified sick pay is included in accrued expenses on the statement of financial position.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Internally, management allocates a significant portion of management and general expenses and operations to program activities.

Tax-Exempt Status

DCCCA has received a determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Kansas recognizes IRS determinations. DCCCA has not been classified as a private foundation.

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Tax-Exempt Status (Continued)

DCCCA files a Form 990 (Return of Organization Exempt from Income Tax) annually. When this return is filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to not for profit organizations include such matters as the following: the tax-exempt status of the entity and the nature, characterization and taxability of various positions relative to potential sources of unrelated business taxable income. Unrelated business taxable income is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the “more likely than not” recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of June 30, 2019, there were no uncertain tax benefits identified and recorded as a liability.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Change in Accounting Principle

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses and liquidity and availability of resources. The standard is effective for not-for-profit organizations for periods beginning after December 15, 2017. DCCCA has adopted this ASU for these financial statements.

The new standard changes the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about availability and liquidity of resources (see Note 2).

The changes have the following effect on net assets at June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets, undesignated net assets	\$ 9,666,131	\$ -
Unrestricted, board designated net assets	41,586,369	-
Temporarily restricted net assets	109,322	-
Net assets without donor restrictions	-	51,252,500
Net assets with donor restrictions	-	109,322
	\$ 51,361,822	\$ 51,361,822

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Pending Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition guidance including industry-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2018. Management is currently evaluating the effect that this standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Management is currently evaluating the effect that this standard will have on the financial statements.

2 - Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

Financial assets:

Cash and cash equivalents	\$	1,384,205
Accounts receivable, net		189,816
Grant receivables		1,768,363
Other receivable		806
Short term investments		701,934
Less net assets with donor restrictions		(97,006)
Total financial assets available for general expenditures within one year	\$	<u>3,948,118</u>

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2 - Availability and Liquidity (Continued)

DCCCA regularly monitors liquidity required to meet its operating needs, commitments and obligations, while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, DCCCA considers all expenditures related to its ongoing mission. DCCCA anticipates collecting sufficient revenue from grants, contracts, fees for service and other sources including investment earnings to cover the general expenditures not covered by donor-restricted resources.

3 - Investments

Short-term and long-term investments at June 30, 2019 are stated at fair value and are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Short-term:		
Money market mutual funds	\$ 701,934	\$ 701,934
Long-term:		
Mutual funds - equity:		
Large/mid cap value	4,450,263	4,422,116
Large/mid cap growth	3,679,740	4,482,188
US stock	6,672,714	9,190,556
International, non US value	2,538,533	2,767,516
International, non US growth	2,206,501	2,937,643
International, non US stock	5,010,268	5,607,207
Mutual funds - bonds:		
Fixed income short-term	3,335,803	3,364,596
Fixed income intermediate	2,490,434	2,545,595
Fixed income multi-sector	4,960,931	5,064,340
Fixed income world	1,590,815	1,704,461
Total long-term investments	<u>36,936,002</u>	<u>42,086,218</u>
Total investments	<u>\$ 37,637,936</u>	<u>\$ 42,788,152</u>

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3 - Investments (Continued)

The following schedule summarizes the investment return for short-term and long-term investments and its classification in the statement of activities for the year ended June 30, 2019.

	<u>Without Donor Restrictions</u>
Interest and dividend income and realized gains and losses	\$ 1,964,535
Investment fees	(43,653)
Change in fair value of investments	<u>139,851</u>
	<u><u>\$ 2,060,733</u></u>

4 - Fair Value Measurements

The disclosure provisions of the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 820) establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4 - Fair Value Measurements (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2019.

Money market mutual funds and Mutual funds: Valued by quoted market prices and other relevant information generated by market transactions.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although DCCCA believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

Description	Fair Value	Fair Value Measurements at Reporting Date		
		Level 1	Level 2	Level 3
Money market mutual funds	\$ 701,934	\$ 701,934	\$ -	\$ -
Mutual funds - equity:				
Large/mid cap value	4,422,116	4,422,116	-	-
Large/mid cap growth	4,482,188	4,482,188	-	-
US stock	9,190,556	9,190,556	-	-
International, non US value	2,767,516	2,767,516	-	-
International, non US growth	2,937,643	2,937,643	-	-
International, non US stock	5,607,207	5,607,207	-	-
Mutual funds - bonds:				
Fixed income short-term	3,364,596	3,364,596	-	-
Fixed income intermediate	2,545,595	2,545,595	-	-
Fixed income multi-sector	5,064,340	5,064,340	-	-
Fixed income world	1,704,461	1,704,461	-	-
	<u>\$ 42,788,152</u>	<u>\$ 42,788,152</u>	<u>\$ -</u>	<u>\$ -</u>

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4 - Fair Value Measurements (Continued)

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

There were no significant transfers between levels during the year. DCCCA's policy is to only recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the fair value inputs are not recognized.

5 - Leases

DCCCA has entered into various operating leases for program facilities that include leases that are either renegotiated annually or are on a month-to-month basis, as well as agreements with lease terms in excess of one year. The agreements contain provisions that the facility leases may be terminated with prior written notice if certain funding sources are not renewed. During the year ended June 30, 2019, rent expense for these leases was \$ 230,841.

The following is a schedule of future minimum lease payments required under the operating leases with initial or remaining lease terms in excess of one year as of June 30, 2019:

<u>Year Ended</u> <u>June 30,</u>	
2020	\$ 167,562
2021	72,740
2022	<u>13,935</u>
	<u>\$ 254,237</u>

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6 - Financial Instruments and Concentrations

Information regarding financial instruments and concentrations follows:

Concentrations of Credit Risk

DCCCA manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in mutual funds. To date, DCCCA has not experienced losses in any of these accounts. Investments are made by an investment manager whose performance is monitored by DCCCA. Although the fair values of investments are subject to fluctuation on a year-to-year basis, DCCCA believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Accounts Receivable – Client and Medicaid and Other

DCCCA's outpatient treatment clients are primarily located in eastern Kansas. Concentration risk is limited, however, because of the large number of clients comprising DCCCA's client base and because most clients are insured under third-party agreements. The net amount receivable at June 30, 2019, from clients, third-party and other payers totaled \$ 190,622.

Revenues and Support

Substantially all of DCCCA's revenue and support is received from various federal and state governmental agencies in the form of grants or contracts. DCCCA's three largest governmental funding sources accounted for approximately 55% of DCCCA's total revenue and support for the year ended June 30, 2019 and 62% of the net accounts receivable from grants and contracts of \$ 1,768,363 at June 30, 2019. Concentration risk is considered limited, however, because of the number of grants and contracts received.

7 - Board Designated Net Assets

DCCCA's Board of Directors (the Board) has designated net assets of \$ 42,086,218 to be disbursed only at the Board's request. Principal disbursements of these net assets shall be used only for special projects outside of normal operating expenses, or for operating expenses when other sources are insufficient to meet said expenses. Distributions of accumulated income must be approved by the Board.

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8 - Retirement Plan

DCCCA has a 403(b) retirement plan available to all employees. The plan allows participants to make pretax contributions, and DCCCA, at the option of the Board of Directors, may match certain percentages of employee contributions. All amounts contributed to the plan are deposited in a trust fund with a financial institution and administered by independent trustees. The net expense recorded by DCCCA for the year ended June 30, 2019 was \$ 161,900.

9 - Accrued Employee Benefits

DCCCA's employee health insurance plan is a partially self-funded plan, with current individual and aggregate stop loss insurance coverage in the amount of \$ 100,000 and \$ 1,293,113, respectively. The liability for claims incurred but not yet paid has been estimated to be approximately \$ 122,000 as of June 30, 2019 and has been recorded in the statement of financial position as an accrued expense.

10 - Net Assets with Donor Restrictions

Net assets with donor restrictions were available in the following amounts at June 30, 2019:

Purpose restriction:

Kansas Traffic Safety	\$	32,853
Oklahoma SAFE		7,108
Lawrence Growing Food Growing Hope		5,627
Missouri Teen Seatbelt Use		19,385
Pratt Substance Use Disorder Housed Intensive Outpatient Program		20,000
Lawrence Tipsi Taxi		967
Opioid Education and Conference Initiative		10,356
Recovery Today Barrier Reducation Initiative		710
		<hr/>
Total net assets with donor restrictions	\$	<u><u>97,006</u></u>

DCCCA, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10 - Net Assets with Donor Restrictions (Continued)

The following net assets with donor restrictions were released from restriction for their restricted purposes restrictions during the year ended June 30, 2019:

Kansas Traffic Safety	\$	9,335
Oklahoma SAFE		25,517
Lawrence Growing Food Growing Hope		242
Missouri Teen Seatbelt Use		3,755
Lawrence Tipsi Taxi		584
Recovery Today Barrier Reducation Initiative		1,035
Foster care program		<u>8,413</u>
Total net assets with donor restrictions released from restrictions	\$	<u><u>48,881</u></u>

11 - Subsequent Events

DCCCA has evaluated subsequent events through the date of the independent auditors' report which is the date the financial statements are available to be issued.

Effective July 1, 2019, DCCCA's contract with the State of Oklahoma for foster care services was not renewed. Revenue associated with this contract was approximately \$ 1,395,000 for the year ended June 30, 2019.

SUPPLEMENTARY INFORMATION

DCCCA, INC.

SCHEDULE OF OKLAHOMA DEPARTMENT OF HUMAN SERVICES AWARDS

Year Ended June 30, 2019

<u>Program Title</u>	<u>Purchase Order Number</u>	<u>Revenues</u>	<u>Expenses</u>
Bridge Resource Families	16014873	\$ 1,422,423	\$ 1,607,774

See independent auditors' report.

DCCCA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Federal Expenditures	Amounts Passed on to Subrecipients
U.S. Department of Agriculture:					
Passed through National Institute of Food and Agriculture					
Passed through Kansas State Department of Education					
Cooperative Extension Service	10.500	2019	\$ 12,048	\$ 12,048	\$ -
Child and Adult Care Food Program	10.558	X0057	11,987	11,987	-
Total U.S. Department of Agriculture				24,035	-
U.S. Department of Transportation:					
Passed through National Highway Traffic Safety Administration					
Passed through Oklahoma Department of Public Safety					
Passed through Oklahoma Highway Safety Office					
Highway Safety Cluster:					
State and Community Highway Safety	20.600	OP-18-02-01-04	78,400	8,054	-
		OP-19-02-01-05	83,388	53,976	-
		OP-19-02-02-05	10,000	9,779	-
Passed through National Highway Traffic Safety Administration					
Passed through Kansas Department of Transportation					
Passed through Bureau of Transportation Safety & Technology					
Highway Safety Cluster:					
State and Community Highway Safety	20.600	SP-1906-18	848,000	200,546	-
		SP-1906-19	848,000	566,839	-
		SP-1400-19	245	245	-
National Priority Safety Program	20.616	SP-4701-18	30,000	35,648	-
		SP-4701-19	30,000	21,509	-
		SP-4506-18	243,688	55,068	-
		SP-4506-19	243,111	163,893	-
		SP-4504-18	63,000	7,495	-
		SP-4504-19	40,000	35,332	-
		SP-4801-18	14,000	6,710	-
		SP-4801-19	37,000	12,595	-
Highway Safety Cluster subtotal				1,177,689	-
Total U.S. Department of Transportation				1,177,689	-

(Continued)

DCCCA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Federal Expenditures	Amounts Passed on to Subrecipients
U.S. Department of Health and Human Services:					
Passed through Centers for Disease Control and Prevention					
Passed through Kansas Department of Health and Environment					
Injury Prevention and Control Research and State and Community Based Programs	93.136	CDC-RFA-CE16-1606	\$ 35,000	\$ 19,167	\$ -
Passed through Substance Abuse and Mental Health Services Administration					
Passed through Kansas Department for Aging and Disability Services					
Opioid STR	93.788	TI-17-014	185,091	184,928	-
Passed through Substance Abuse and Mental Health Services Administration					
Passed through Center for Substance Abuse Prevention Drug-Free Communities Support Program Grants					
Passed through Kansas Department for Aging and Disability Services					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1U79SP02079901	300,000	284,578	141,521
Passed through Substance Abuse and Mental Health Services Administration					
Passed through Center for Substance Abuse Prevention					
Passed through Oklahoma Department of Mental Health and Substance Abuse Services					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	SPF-PFS	150,808	100,760	-
		SPF-RX	30,811	30,811	-
		STR	58,044	58,044	-
Passed through Health Resources and Services Administration					
Passed through Kansas Department for Health and Environment					
Kansas Maternal, Infant and Early Childhood Home Visiting Program	93.870	44982	38,465	38,465	-
Passed through Substance Abuse and Mental Health Services Administration					
Passed through Kansas Department for Aging and Disability Services					
Passed through Behavioral Health Services					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3B08TI010020	749,606	749,606	-
Passed through Substance Abuse and Mental Health Services Administration					
Passed through Kansas Department for Aging and Disability Services					
Passed through Community Services and Programs					
Passed through Behavioral Health Services					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	327216	2,560,644	1,757,584	-
Total U.S. Department of Health and Human Services				<u>3,223,943</u>	<u>141,521</u>
Total federal awards expenditures				<u>\$ 4,425,667</u>	<u>\$ 141,521</u>

See accompanying notes to schedule of
expenditures of federal awards.

DCCCA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2019

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of DCCCA under programs of the federal government for the year ended June 30, 2019. 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). Because the Schedule presents only a selected portion of the operations of DCCCA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of DCCCA.

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. DCCCA has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

DCCCA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Noncompliance material to financial statements noted:	None

Federal Awards

Internal control over major programs:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Audit findings that are required to be reported in accordance with 2 CFR 200.516(a):	None

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
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DCCCA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

Section I - Summary of Auditors' Results (Continued)

Auditee qualified as low-risk auditee: Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

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

Board of Directors
DCCCA, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of DCCCA, Inc. (DCCCA), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DCCCA'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 DCCCA's internal control. Accordingly, we do not express an opinion on the effectiveness of DCCCA'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 DCCCA'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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DCCCA'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 DCCCA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DCCCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berwick Trahan + Co., P.A.

December 10, 2019
Topeka, Kansas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE**

Board of Directors
DCCCA, Inc.

Report on Compliance for Each Major Federal Program

We have audited DCCCA, Inc.'s (DCCCA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on DCCCA's major federal program for the year ended June 30, 2019. DCCCA's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

An Independently Owned Member, RSM US Alliance

Opinion on Each Major Federal Program

In our opinion, DCCCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of DCCCA 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 DCCCA's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DCCCA'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 be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Berwick Trahan + Co., P.A.

December 10, 2019
Topeka, Kansas