

DCCCA, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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, family preservation services, community based services for prevention and traffic safety education and resources, and research and analysis. DCCCA cooperates with local, state, and national programs and associations to provide education, research, services, and resources.

Child Welfare Services

Child Placing Agency specialists recruit, train, and provide ongoing support for foster families in Kansas. The specialists support foster families through all stages of their placements 24 hours a day, 7 days a week.

Family Preservation therapists, case managers and family support staff provide in-home interventions to assist families in crisis by improving parenting and family functioning while keeping children safe.

Behavioral Health Services

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

Community-Based Services

Community Based Services programs are designed to offer a variety of preventative and safety-based initiatives which address the needs of community partners. Our division focuses on offering in-person and virtual learning and training resources related to substance abuse prevention, mental health promotion, suicide prevention, and traffic safety. We have a special emphasis on opioid and stimulant prevention in Kansas and Oklahoma.

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.

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, 2021.

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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 an implicit 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 implicit allowance and a credit to accounts receivable.

Investments

DCCCA 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.

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 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.

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

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that resources be maintained in perpetuity. DCCCA reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. 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, 2021, DCCCA had no net assets required to be held in perpetuity.

Revenue Recognition

Client/Patient Service Revenue

DCCCA reports client/patient service revenue at the amount that reflects the consideration to which DCCCA expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and include variable consideration for retroactive adjustments due to settlement of audits and reviews. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by DCCCA. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. DCCCA believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and DCCCA does not believe it is required to provide additional goods or services to the patient.

DCCCA determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with DCCCA's policy, and/or implicit price concessions. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts expected to be collected based on DCCCA's collection history with a similar class of patients. DCCCA analyzes its past history and identifies trends for each of its major payor sources of revenue. Management regularly reviews data about these major payor sources of revenue. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the year ended June 30, 2021 was not significant.

DCCCA recognizes client/patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, DCCCA recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of DCCCA's uninsured patients will be unable or unwilling to pay for the services provided. Thus, DCCCA records a significant price concession related to uninsured patients in the period the services are provided. As it relates to private customers, credit risk is mitigated because payment is received before, shortly after or at the time the goods or services are provided. For those program services

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provided before payment is received, continuing services will be terminated for non-payment, limiting future credit risk.

Accounts receivable associated with client/patient service revenue was \$ 180,342 and \$ 104,793 for the years ended June 30, 2021 and 2020, respectively.

Non-Client/Patient Service Revenue

DCCCA recognizes revenue from program services when the products are transferred, and the services are provided. All services are transferred at a point in time. Payment terms for services are not deemed to include any significant financing component as payment is received at the time, or shortly after, the goods or services are provided. Consideration paid for services is not variable. Accounts receivable associated with contract services was \$ 1,673,055 and \$ 1,304,852 for the years ended June 30, 2021 and 2020, respectively.

DCCCA recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. DCCCA's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense. Consequently, at June 30, 2021, conditional contributions approximating \$ 1,781,424, for which \$ 36,508 had been received in advance, have not been recognized in the accompanying consolidated financial statements.

DCCCA's customers consist of federal, state and local government agencies and private customers, primarily located within the state of Kansas. For government grants and contracts, future cash flows depend on DCCCA's ability to continue to obtain federal, state and local government contracts, and indirectly on the amount of funding available to these agencies for new and current government projects. Therefore, a portion of DCCCA's operations is dependent upon the level and timing of government funding. Credit risk is mitigated because payment is received before, shortly after or at the time the goods or services are provided. For those program services provided before payment is received, continuing services will be terminated for non-payment, limiting future credit risk.

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.

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. Salaries and payroll taxes are allocated based on time and effort, benefits are allocated based on enrolled employees, program expenses are allocated directly to the program benefited, supplies and materials are allocated based on reported usage, and facilities are allocated based on square footage. Internally, management allocates a significant portion of management and general expenses and operations to program activities.