

GATEWAY BEHAVIORAL HEALTH SERVICES
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

GATEWAY BEHAVIORAL HEALTH SERVICES

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ROBERT BAKER and ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To The Community Service Board
Gateway Behavioral Health Services
Brunswick, Georgia

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gateway Behavioral Health Services, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Gateway Behavioral Health Services' basic financial statements as listed in the table of contents.

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 opinions 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gateway Behavioral Health Services, as of June 30, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 6), ERS Schedule of Proportionate Share of the Net Pension Liability (page 39), ERS

Schedule of Contributions (page 40), SEAD-OPEB Schedule of Proportionate Share of the Net OPEB Liability (Asset) (page 42), SEAD-OPEB Schedule of Contributions (page 43), SHBP-OPEB Schedule of Proportionate Share of the Net OPEB Liability (page 45), and SHPB-SEAD Schedule of Contributions (page 46) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

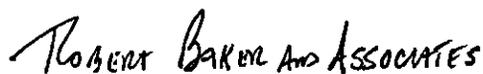
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gateway Behavioral Health Services' basic financial statements. The accompanying financial information listed as "Other Information" in the Table of Contents is presented for purposes of additional analysis and for the additional requirements under the Georgia Department of Behavioral Health and Developmental Disabilities' External Entities Audit Standards and Sanctions Policy, and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements.

The Budgetary Comparison Information, the Schedule of State Contractual Assistance, Schedule of Cash Flows and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, budgetary comparison information, the schedule of state contractual assistance, schedule of cash flows and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic 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 4, 2019, on our consideration of Gateway Behavioral Health Services' 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 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 Gateway Behavioral Health Services' internal control over financial reporting and compliance.

ROBERT BAKER and ASSOCIATES



Certified Public Accountants
Albany, Georgia
December 4, 2019

GATEWAY BEHAVIORAL HEALTH SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Fiscal Year Ended June 30, 2019

The management of Gateway Behavioral Health Services presents the following Management's discussion and analysis to provide an objective and easily readable analysis of Gateway Behavioral Health Services' financial activities. The analysis provides summary financial information for Gateway Behavioral Health Services and should be read in conjunction with Gateway Behavioral Health Services' financial statements.

Gateway Behavioral Health Services (Gateway) provides comprehensive mental health, developmental disabilities, and addictive diseases services (MH/DD/AD) to Bryan, Camden, Chatham, Effingham, Glynn, Liberty, Long, and McIntosh counties in the State of Georgia. Gateway is a public agency and instrumentality of the State of Georgia organized under section 37-2-6 of the Official Code of Georgia Annotated (OCGA), originally created by Georgia House Bill 100 in 1994 and recreated by Georgia House Bill 498 in 2002.

Community Service Boards, such as Gateway, are created by state statute as public agencies to govern publicly funded programs for mental health, developmental disabilities and addictive diseases services. (OCGA Section 37-2-6 (a)).

Gateway's administrative offices are co-located in Brunswick, Georgia (Glynn County) and Savannah, Georgia (Chatham County) with services provided at over 40 different service sites in the 4,000 square mile, eight county service area. Services include, but are not limited to, outpatient, peer support, clubhouse programs, community outreach, crisis stabilization, residential, and supported employment. Approximately 43% of Gateway's funding comes in the form of Contracted Services through DBHDD. Most of its remaining funding (46%) comes in the form of Fee-For-Service, primarily Medicaid (32%) and secondarily State Fee-For-Service (12%).

For fiscal year 2019, Gateway was under the management of DBHDD which assumed such responsibility in 2013. DBHDD will continue to manage and operate the programs and services of Gateway until such time as a determination has been made that the circumstances or conditions requiring the same have been sufficiently corrected. Upon such determination, the authority to manage and operate the programs and services of the agency shall be returned to the local board.

OVERVIEW OF THE FINANCIAL STATEMENTS

Gateway Behavioral Health Services' basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to the financial statements*. The *Government-wide financial statements* present an overall picture of Gateway Behavioral Health Services' financial position and results of operations. The *Fund financial statements* present financial information for Gateway Behavioral Health Services' major funds. The *Notes to the financial statements* provide additional information concerning Gateway Behavioral Health Services' finances that are not disclosed in the Government-wide or Fund financial statements.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Gateway Behavioral Health Services only operates Governmental Activities which are supported by federal and state grants, Medicaid and other revenues. The Board does not have any fiduciary or proprietary funds.

The **statement of net position** presents information on all assets and liabilities of Gateway Behavioral Health Services, with the difference between assets and liabilities reported as net position. Net position are reported in three categories; 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental Activities.

The **statement of activities** presents information on all revenues and expenses of Gateway Behavioral Health Services and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by Gateway Behavioral Health Services. Governmental Activities provided by Gateway Behavioral Health Services include Mental Health, Developmental Disabilities, Addictive Disease, and TANF Programs.

Fund financial statements present financial information for governmental funds, proprietary funds, and fiduciary funds. These financial statements provide financial information for the major funds of Gateway Behavioral Health Services. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures, and changes in fund balances** for all governmental funds. **Comparative statements of revenues and expenditures to budget** are provided in the required supplementary information for Gateway Behavioral Health Services' Grants and Contracts that ended during the Fiscal Year. *Fund financial statements* provide more detailed information about Gateway Behavioral Health Services' activities. Individual funds are established by Gateway Behavioral Health Services to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of State and federal grants.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of Gateway Behavioral Health Services. The government-wide financial statements provide an overall picture of Gateway Behavioral Health Services' financial standing. These statements are comparable to private-sector companies and give a good understanding of Gateway Behavioral Health Services' overall financial health and how Gateway Behavioral Health Services paid for the various activities, or functions, provided by Gateway Behavioral Health Services. All assets of Gateway Behavioral Health Services are reported in the **statement of net position**. All liabilities, including future employee benefits obligated but not paid by Gateway Behavioral Health Services, are included. The **statement of activities** includes depreciation on all long lived assets of Gateway Behavioral Health Services, but transactions between the different functions of Gateway Behavioral Health Services have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of Gateway Behavioral Health Services. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to the Financial Statements provide additional detail concerning the financial activities and financial balances of Gateway Behavioral Health Services. Additional information about the accounting practices of Gateway Behavioral Health Services is included in the *Notes to the Financial Statements*.

FINANCIAL HIGHLIGHTS

Total assets of Gateway Behavioral Health Services exceeded total liabilities by \$4,343,116. Unrestricted net position for Governmental Activities was a deficit of \$339,902. The net investment in Capital Assets was of \$4,683,018. Total liabilities were \$21,438,335, which includes total Non-Current Liabilities of \$17,588,552, which are Compensated Absences of \$172,081, Leases Payable of \$5,296,589, Notes Payable of \$9,599,992, Due to DBHDD-Special Operating Advance of \$1,209,999, Net Pension Liability of \$371,432, and Net OPEB Liability of \$938,459.

FINANCIAL ANALYSIS OF THE GATEWAY BEHAVIORAL HEALTH SERVICES

The following schedule provides a summary of the assets, liabilities and net position of Gateway Behavioral Health Services:

	Net Position Governmental Activities		Percentage Increase (Decrease)
	2019	2018	
Current Assets	\$ 14,371,860	\$ 7,979,446	80.11%
Capital Assets	12,994,761	8,992,627	44.50%
Deferred Outflows	<u>650,199</u>	<u>922,092</u>	(29.49%)
Total Assets and Deferred Outflows	\$ <u>28,016,820</u>	\$ <u>17,894,165</u>	<u>56.57%</u>
Current Liabilities	\$ 3,849,783	\$ 3,128,838	23.04%
Non-Current Liabilities	17,588,552	10,817,634	62.59%
Deferred Inflows	<u>2,235,369</u>	<u>354,045</u>	<u>531.38%</u>
Total Liabilities and Deferred Inflows	\$ <u>23,673,704</u>	\$ <u>14,300,517</u>	<u>65.54%</u>
Net Position			
Investment in Capital Assets	\$ 4,683,018	\$ 3,298,293	41.98%
Unrestricted	(<u>339,902</u>)	<u>295,355</u>	(<u>215.08%</u>)
Total Net Position	\$ <u>4,343,116</u>	\$ <u>3,593,648</u>	<u>20.86%</u>

Total net position for Governmental Activities increased \$1,270,063 in FY2019.

The following is a schedule of the changes in net position of Gateway Behavioral Health Services:

	Changes in Net Position Governmental Activities		Percentage Increase (Decrease)
	2019	2018	
Revenues			
Operating Grants and Contributions	\$ 18,237,890	\$ 17,739,479	2.81%
Charges for Services	<u>22,177,557</u>	<u>22,083,752</u>	<u>.42%</u>
Total Revenues	\$ <u>40,415,447</u>	\$ <u>39,823,231</u>	<u>1.49%</u>
Expenses			
Personal Costs	\$ 29,427,753	\$ 26,749,212	10.01%
Other	<u>9,717,631</u>	<u>8,789,926</u>	<u>10.55%</u>
Total Expenses	\$ <u>39,145,384</u>	\$ <u>35,539,138</u>	<u>10.15%</u>
Increase/(Decrease) in Net Position	\$ <u>1,270,063</u>	\$ <u>4,284,093</u>	(<u>70.35%</u>)

Governmental Revenues exceeded Expenses for FY2019 by \$1,270,063.

FUND FINANCIAL INFORMATION

Governmental Funds

General Fund

Gateway Behavioral Health Services' General Fund is the main operating fund of Gateway Behavioral Health Services. It is used to account for all financial resources that are not restricted by externally imposed requirements. As of June 30, 2019, total assets were \$14.4 million and total liabilities were \$4.2 million. The ending unassigned fund balance was \$10,216,271. The total sources of funds of \$51,032,815 exceeded the total uses of funds of \$44,773,108 by \$6,259,707.

BUDGETS

Annual budgets for all programs are prepared on the modified accrual basis of accounting. The budgets are amended during the fiscal year to reflect changes in operations. Expenditures are monitored on a monthly basis to comply with funding limits and programmatic intent. Most DBHDD Contracts and one Grant –in-Aid budget (the HIV 602) fall under the “expense reimbursement” category and budget revisions are done as changes in operational categories of expenses exceed budgeted line items.

DEBT MANAGEMENT

Governmental Activities Debt

The Long-Term Debt listed on the Governmental Financial statement includes Compensated Absences Payable to employees upon termination of \$172,081, Lease Payables of \$5,296,589, Notes Payable of \$9,599,992, Special Operating Advance from DBHDD of \$1,209,999, Net Pension Liability of \$371,432, and Net OPEB Liability of \$938,459. The Compensated Absences contain an amount that includes an accrual for payroll taxes that would also be payable upon termination.

OTHER FINANCIAL INFORMATION

Although Gateway's financial position has improved remarkably, the Commissioner of the Department of Behavioral Health and Developmental Disabilities (DBHDD), with the concurrence of the Governor, has chosen to continue the appointment of the Manager that is acting as Gateway's CEO. Georgia's Behavioral Health system underwent significant change in fiscal years 2016 & 2017, with the transition to the State's administrative services organization and to a fee-for-service payment model. With these changes in mind, the Commissioner will ensure that Gateway remains on solid financial ground and has transitioned smoothly through these and other hurdles before moving forward on reinstatement of a Board of Directors.

Fiscal year 2019, strategic initiatives were recovery focused, fiscally sound, and centered on quality of care with measured outcomes:

- Care manager staffing was increased in all five outpatient centers to ensure each person served has the opportunity for case management services to support their success in recovery.
- Peer service capacity was increased with the purchase of the Reed House, a 9,000 square foot facility with a commercial training kitchen in Savannah.
- Construction began in April 2019 on a 22,000 square foot, 30-bed Behavioral Health Crisis Center in Savannah. The project is financed through a 15 year loan with the debt being serviced through an \$8 million annual operating budget. Opening is projected for March 2020.
- The initial class of the community based Psychiatry Residency program began in late June 2019 with eight physicians after two plus years of planning and recruiting. To house the program and to provide space for growth in outpatient services, a two-story contemporary styled building with approximately 13,000 square feet was purchased from the City of Savannah in July 2019.

The changes implemented have resulted in steady improvement to Gateway's operating margin and balance sheet. With the oversight and guidance of the DBHDD, the leadership team at Gateway is confident that the sound financial condition will be maintained and improved in FY 2020. Gateway's future outlook is for steady and consistent growth, providing high quality services as the State's safety net provider for coastal Georgia.

GATEWAY BEHAVIORAL HEALTH SERVICES

STATEMENTS OF NET POSITION

June 30, 2019

ASSETS	GATEWAY BEHAVIORAL HEALTH SERVICES	DISTINCTIVE HOUSING SOLUTIONS INC.	TOTAL
Current Assets			
Cash	\$ 4,385,274	\$ 556,403	\$ 4,941,677
Restricted Cash	6,964,247	2,500	6,966,747
Accounts Receivable	2,413,811	13,508	2,427,319
Due from DBHDD	507,367	-	507,367
Prepaid Expenses	101,161	11,400	112,561
Total Current Assets	<u>\$ 14,371,860</u>	<u>\$ 583,811</u>	<u>\$ 14,955,671</u>
Capital Assets - Net	<u>\$ 12,994,761</u>	<u>\$ 5,257,487</u>	<u>\$ 18,252,248</u>
Other Assets			
Reserve Deposits	\$ -	\$ 92,467	\$ 92,467
Total Assets	<u>\$ 27,366,621</u>	<u>\$ 5,933,765</u>	<u>\$ 33,300,386</u>
Deferred Outflow of Resources			
Pension Related Items	\$ 78,153	\$ -	\$ 78,153
OPEB Related Items	572,046	-	572,046
Total Deferred Outflow of Resources	<u>\$ 650,199</u>	<u>\$ -</u>	<u>\$ 650,199</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 1,313,831	\$ 1,735	\$ 1,315,566
Payroll Liabilities	621,405	-	621,405
Notes Payable	176,987	243,386	420,373
Leases Payable	202,422	-	202,422
Due to DBHDD:			
Operating Advance	727,805	-	727,805
Special Operating Advance	60,000	-	60,000
SHBP Repayment	222,549	-	222,549
Compensated Absences	524,784	-	524,784
Total Current Liabilities	<u>\$ 3,849,783</u>	<u>\$ 245,121</u>	<u>\$ 4,094,904</u>
Non-Current Liabilities			
Notes Payable	\$ 9,599,992	\$ 4,511,288	\$ 14,111,280
Leases Payable	5,296,589	-	5,296,589
Security Deposits	-	2,500	2,500
Due to DBHDD	1,209,999	-	1,209,999
Compensated Absences	172,081	-	172,081
Net Pension Liability	371,432	-	371,432
Net OPEB Liability	938,459	-	938,459
Total Non-Current Liabilities	<u>\$ 17,588,552</u>	<u>\$ 4,513,788</u>	<u>\$ 22,102,340</u>
Total Liabilities	<u>\$ 21,438,335</u>	<u>\$ 4,758,909</u>	<u>\$ 26,197,244</u>
Deferred Inflow of Resources			
Pension Related Items	\$ 93,729	\$ -	\$ 93,729
OPEB Related Items	2,141,640	-	2,141,640
Total Deferred Inflow of Resources	<u>\$ 2,235,369</u>	<u>\$ -</u>	<u>\$ 2,235,369</u>
NET POSITION			
Investment in Capital Assets	\$ 4,683,018	\$ 502,813	\$ 5,185,831
Unrestricted	(339,902)	672,043	332,141
Total Net Position	<u>\$ 4,343,116</u>	<u>\$ 1,174,856</u>	<u>\$ 5,517,972</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GATEWAY BEHAVIORAL HEALTH SERVICES

STATEMENTS OF ACTIVITIES

For The Fiscal Year Ended June 30, 2019

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenues and Changes in Net Position</u>
				<u>Total Governmental Activities</u>
Governmental Activities:				
Mental Health	\$ 24,535,126	\$ 12,299,162	\$ 13,169,291	\$ 933,327
Developmental Disabilities	8,048,791	8,533,102	1,385,980	1,870,291
Addictive Disease	3,827,078	833,680	2,432,115	(561,283)
TANF	1,271,881	101,255	1,250,504	79,878
Other Programs	<u>1,462,508</u>	<u>410,358</u>	<u>-</u>	(<u>1,052,150</u>)
Gateway Behavioral Health Services	\$ 39,145,384	\$ 22,177,557	\$ 18,237,890	\$ 1,270,063
Distinctive Housing Solutions, Inc.	<u>689,605</u>	<u>776,369</u>	<u>-</u>	<u>86,764</u>
	\$ <u>39,834,989</u>	\$ <u>22,953,926</u>	\$ <u>18,237,890</u>	
				Change in Net Position \$ 1,356,827
				Net Position - Beginning of Year 4,681,740
				Prior Period Adjustment (<u>520,595</u>)
				Net Position - End of Year \$ <u>5,517,972</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GATEWAY BEHAVIORAL HEALTH SERVICES
BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2019

	<u>GATEWAY BEHAVIORAL HEALTH SERVICES</u>	<u>DISTINCTIVE HOUSING SOLUTIONS INC.</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 4,385,274	\$ 556,403	\$ 4,941,677
Restricted Cash	6,964,247	2,500	6,966,747
Accounts Receivable	2,413,811	13,508	2,427,319
Due from DBHDD	507,367	-	507,367
Prepaid Expenses	101,161	11,400	112,561
Other Assets	<u>-</u>	<u>92,467</u>	<u>92,467</u>
Total Assets	\$ <u>14,371,860</u>	\$ <u>676,278</u>	\$ <u>15,048,138</u>
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts Payable	\$ 1,313,831	\$ 1,735	\$ 1,315,566
Payroll Liabilities	621,405	-	621,405
Due to DBHDD	2,220,353	-	2,220,353
Security Deposits	<u>-</u>	<u>2,500</u>	<u>2,500</u>
Total Current Liabilities	\$ <u>4,155,589</u>	\$ <u>4,235</u>	\$ <u>4,159,824</u>
FUND BALANCE			
Unassigned	\$ <u>10,216,271</u>	\$ <u>672,043</u>	\$ <u>10,888,314</u>
Total Fund Balance	\$ <u>10,216,271</u>	\$ <u>672,043</u>	\$ <u>10,888,314</u>
Total Liabilities and Fund Balance	\$ <u>14,371,860</u>	\$ <u>676,278</u>	\$ <u>15,048,138</u>

GATEWAY BEHAVIORAL HEALTH SERVICES

RECONCILIATION OF THE BALANCE SHEETS - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2019

	<u>GATEWAY BEHAVIORAL HEALTH SERVICES</u>	<u>DISTINCTIVE HOUSING SOLUTIONS INC.</u>	<u>TOTAL</u>
Total Fund Balance of Governmental Funds	\$ 10,216,271	\$ 672,043	\$ 10,888,314
Capital assets used in government activities are not financial resources and therefore, are not reported in the Governmental Fund.	12,994,761	5,257,487	18,252,248
Deferred outflows of resources are not due and payable in the current period and therefore, are not reported in the Governmental Funds.	650,199	-	650,199
Net pension liability is not due and payable in the current period and, therefore, is not reported in the Governmental Funds.	(371,432)	-	(371,432)
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in the Governmental Funds.	(938,459)	-	(938,459)
Deferred inflows of resources are not financial resources and therefore, are not reported in the Governmental Funds.	(2,235,369)	-	(2,235,369)
Capitalized Lease payables are not due in the current period and, therefore, are not reported in the Governmental Funds	(5,499,011)	-	(5,499,011)
Notes payable are not financial resources and, therefore are not reported in the Governmental Funds.	(9,776,979)	(4,754,674)	(14,531,653)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the Government Funds.	(<u>696,865</u>)	-	(<u>696,865</u>)
Total Net Position of Governmental Activities	\$ <u>4,343,116</u>	\$ <u>1,174,856</u>	\$ <u>5,517,972</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GATEWAY BEHAVIORAL HEALTH SERVICES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2019

	PRIMARY GOVERNMENT	COMPONENT UNIT	
	GATEWAY BEHAVIORAL HEALTH SERVICES	DISTINCTIVE HOUSING SOLUTIONS, INC.	TOTAL
REVENUES			
Department of Behavioral Health and Developmental Disabilities			
Contracted Services	\$ 14,604,333	\$ -	\$ 14,604,333
State Contracted Fee for Services	4,483,512	-	4,483,512
Contracts	2,624,967	-	2,624,967
County Non-Participating	1,008,600	-	1,008,600
Outpatient Medicare Fees	277,086	-	277,086
Outpatient Medicaid Fees	5,297,891	-	5,297,891
Client Fees	768,304	-	768,304
DDDS Work Activity	42,497	-	42,497
Other Grants/Contracts	1,802,441	-	1,802,441
Other Local Funds	17,767	-	17,767
Private Insurance	19,111	-	19,111
DD Waiver	283,537	-	283,537
Contracts	8,069,691	-	8,069,691
Other Federal Funds	1,047,224	-	1,047,224
Other Income	68,485	-	68,485
Rental Revenue	-	776,369	776,369
TOTAL REVENUES	\$ 40,415,446	\$ 776,369	\$ 41,191,815
EXPENDITURES			
Personal Service Costs:			
Salaries and Hourly Wages	\$ 8,148,675	\$ -	\$ 8,148,675
Fringe Benefits	3,464,863	-	3,464,863
Contract Labor and Services	18,289,102	-	18,289,102
Total Personal Service Costs	\$ 29,902,640	\$ -	\$ 29,902,640
Other Expenses:			
Building and Equipment	\$ 4,683,756	\$ 177,719	\$ 4,861,475
Motor Vehicle Expense	790,133	-	790,133
Supplies and Materials	463,034	-	463,034
Food Supplies	606,771	-	606,771
Medical Supplies	104,930	-	104,930
Insurance and Bonding	29,538	63,664	93,202
Pharmaceuticals	979,210	-	979,210
Repairs and Maintenance	436,126	168,216	604,342
Utilities	503,691	65,618	569,309
Printing	33,445	-	33,445
Travel	206,836	-	206,836
Rent	1,164,287	-	1,164,287
Contracts	150,478	124,971	275,449
Telecommunications	642,744	126	642,870
Training	264,781	-	264,781
Transportation	12,166	-	12,166
Computer Software	656,832	-	656,832
Postage	12,809	-	12,809
Direct Client Benefits	1,231,637	-	1,231,637
Work Activity Salaries	55,808	-	55,808
Interest Expense	320,714	60,877	381,591
Other Operating Expenditures	370,039	6,419	376,458
TOTAL EXPENDITURES	\$ 43,622,405	\$ 667,610	\$ 44,290,015

GATEWAY BEHAVIORAL HEALTH SERVICES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - CONTINUED

For The Fiscal Year Ended June 30, 2019

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>	
	<u>GATEWAY BEHAVIORAL HEALTH SERVICES</u>	<u>DISTINCTIVE HOUSING SOLUTIONS INC.</u>	<u>TOTAL</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (<u>3,206,959</u>)	\$ <u>108,759</u>	\$ (<u>3,098,200</u>)
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	\$ 9,841,000	\$ -	\$ 9,841,000
Principal Payments	(<u>259,343</u>)	(<u>223,750</u>)	(<u>483,093</u>)
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>9,581,657</u>	\$ (<u>223,750</u>)	\$ <u>9,357,907</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	\$ 6,374,698	\$ (114,991)	\$ 6,259,707
FUND BALANCE - BEGINNING OF THE YEAR	4,362,168	787,034	5,149,202
PRIOR PERIOD ADJUSTMENT	(<u>520,595</u>)	-	(<u>520,595</u>)
FUND BALANCE - END OF THE YEAR	\$ <u>10,216,271</u>	\$ <u>672,043</u>	\$ <u>10,888,314</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GATEWAY BEHAVIORAL HEALTH SERVICES
STATEMENT OF CHANGES IN COMBINED FUND BALANCES

For The Fiscal Year Ended June 30, 2019

	UNASSIGNED FUND	ASSIGNED FUND	
	GATEWAY BEHAVIORAL HEALTH SERVICES	DISTINCTIVE HOUSING SOLUTIONS, INC.	TOTAL
FUND BALANCES - JULY 1, 2018	\$ 4,362,168	\$ 787,034	\$ 5,149,202
ADDITIONS:			
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	<u>6,374,698</u>	<u>-</u>	<u>6,374,698</u>
TOTAL FUND BALANCES AND ADDITIONS	\$ <u>10,736,866</u>	\$ <u>787,034</u>	\$ <u>11,523,900</u>
DEDUCTIONS:			
Excess of Expenditures and Other Financing (Uses) Over Revenues and Other Financing Sources	\$ -	\$ 114,991	\$ 114,991
Prior Period Adjustment	<u>520,595</u>	<u>-</u>	<u>520,595</u>
TOTAL DEDUCTIONS	\$ <u>520,595</u>	\$ <u>114,991</u>	\$ <u>635,586</u>
FUND BALANCES - JUNE 30, 2019	\$ <u>10,216,271</u>	\$ <u>672,043</u>	\$ <u>10,888,314</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GATEWAY BEHAVIORAL HEALTH SERVICES

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2019

	<u>GATEWAY BEHAVIORAL HEALTH SERVICES</u>	<u>DISTINCTIVE HOUSING SOLUTIONS INC.</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 6,374,698	\$ (114,991)
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. These amounts are detailed as follows:</p>		
Capital Outlay	4,505,635	177,719
Depreciation	(503,501)	(199,714)
<p>Capital Lease principal payments are not due and payable in the current period and, therefore, are not reported as expenses in Governmental Funds. Capital Lease proceeds are not financial resources and are not reported as revenue in the Statement of Activities. These amounts are detailed as follows:</p>		
Loan Proceeds	(9,841,000)	-
Note Principal Payments	259,345	223,750
<p>Pension expenses reported in the Statement of Activities do not require the uses of current financial resources and, therefore are not reported as expenditures in Governmental Funds.</p>		
	101,503	-
<p>OPEB expenses reported in the Statement of Activities do not require the uses of current financial resources and therefore, are not reported as expenditures in Governmental Funds.</p>		
	450,877	-
<p>Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in Governmental Funds.</p>		
	(77,494)	-
Change in Net Position of Governmental Activities	\$ <u>1,270,063</u>	\$ <u>86,764</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Summary of Significant Account Policies is presented to assist the reader in interpreting the financial statements. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the Community Service Board conform to generally accepted accounting principles (GAAP) as applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB) or, where applicable, the Financial Accounting Standards Board (FASB).

The accounting policies of Gateway Behavioral Health Services are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Effective July 1, 2018, Gateway Behavioral Health Services adopted the following GASB Statements:

GASB Statement 83, *Certain Asset Requirement Obligations*. Issued November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). GASB 83 will be effective the fiscal year ending June 30, 2019. The Community Service Board has no plans to retire tangible capital assets that fall under the framework of this statement, and therefore is not subject to the reporting requirements of GASB Statement 83.

GASB Statement 85, *Omnibus 2017*. This Statement was issued March 2017 to address various accounting matters that have been identified during implementation and application of certain GASB Statements. The Statement addresses a variety of topics including issues related to blending component units, goodwill fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits [OPEB]).

GASB Statement 86, *Certain Debt Extinguishment Issues*. This Statement was issued May 2017 to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for the debt that is defeased in substance. GASB Statement 86 was implemented for the fiscal year ended June 30, 2019, and there was no impact to the Community Service Board's financial statements.

GASB Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement was issued April 2018 to improve the information that is disclosed in the notes to the governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement 88 was implemented for the fiscal year ending June 30, 2019.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUTURE ADOPTION OF GASB PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not effective as of June 30, 2019:

GASB Statement 84, *Fiduciary Activities*. This statement was issued January 2017 to establish criteria for identifying fiduciary activities of all state and local governments. GASB Statement 84 will be effective for the fiscal year ending June 30, 2020.

GASB Statement 87, *Leases*. This statement was issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement 87 will be effective for the fiscal year ending June 30, 2021.

GASB Statement 90, *Majority Equity Interest - an amendment of GASB Statements No. 14 ad No. 61*. Issued August 2018, the primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization; and to improve the relevance of financial statement information for certain component units. GASB Statement 90 will be effective for the fiscal year ending June 30, 2020.

REPORTING ENTITY

As a result of legislation passed by the Georgia General Assembly known as House Bill 100, responsibility for most Mental Health, Developmental Disabilities and Addictive Disease were transferred from County Boards of Health to Community Service Boards as of July 1, 1994. A closeout process was followed and upon Georgia Department Human Resources' approval, assets and the related fund balances were transferred from the Board of Health to the successor agency. These financial statements report only the financial activities of Gateway Behavioral Health Services. The Board does not exercise any authority over any other entity which would require inclusion in these financial statements as required by GASB 14, the financial reporting entity.

GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Agency. Governmental activities are normally supported by client fees and contracted services from the Georgia Department of Behavioral Health and Developmental Disabilities (DBHDD).

The Statement of Activities reports the expenses of a given function or activity and are offset by program revenues. Direct expenses are those that are clearly identifiable to activities within a specific function or identifiable program. Program revenues include 1.) Charges to clients for services provided by the Agency, and 2.) Grants and contributions that are restricted to meeting the operational requirement of a particular function or identifiable program as specified by DBHDD and other granting agencies. Intra/Inter agency revenues and expenses are not reflected in the Statement of Activities.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded as expenditures only when payment is due.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

BASIS OF PRESENTATION

The financial transactions of the Community Service Board are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

GASB Statement 34 *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Community Service Board electively added funds, as major funds, which either had debt outstanding or specific community focus. The non-major governmental funds are combined in a single column in the fund financial statements. The Community Service Board has no non-major governmental funds.

Governmental Funds

The measurement focus of the Governmental Funds (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major Governmental Funds of the Community Service Board:

- The General Fund accounts for all of the Community Service Board's services and is the primary operating unit of the Community Service Board.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government-wide statements are presented on an accrual basis of accounting. The Governmental Funds in the fund financial statements are presented on a modified accrual basis.

Accrual

Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

Under the modified basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the following 3 months. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt and compensated absences, if any, are recognized when due.

FUND BALANCES

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form; or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Community Service Board's highest level of decision-making authority, the Community Service Board. A formal resolution of the Community Service Board is required to establish, modify, or rescind a fund balance commitment. The Community Service Board reports assigned fund balance for amounts that are constrained by the Board's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual amount remaining that does not meet any other criterion.

When the Community Service Board incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Community Service Board's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

NET POSITION - Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Community Service Board has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The Community Service Board applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position is available.

Gateway Behavioral Health Services has no proprietary or fiduciary funds.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DEFERRED OUTFLOW/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Community Service Board has two types of items that qualify for reporting in this category; (1) it is the change in proportion and differences between employer contributions and proportionate share of contributions for pensions and, (2) the Community Service Board's contributions subsequent to the measurement date. These amounts are deferred and will be recognized as an outflow in the applicable period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The Community Service Board has one type of item that qualifies for reporting in this category; the net difference between projected and actual earnings on pension plan investments. This amount is deferred and will be recognized as an inflow of resources in the period in which the amount becomes available.

CAPITAL ASSETS AND DEPRECIATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

Capital assets are recorded as follows for the Statement of Net Position and Statement of Activities:

The Community Service Board's capital assets with useful lives of more than one year are stated at historical cost. Donated assets are stated at fair value on the date of the donation. The Community Service Board capitalizes all assets with a cost of \$5,000 or more as purchased. The cost of normal repairs and maintenance that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	30
Furniture and Other Equipment	5
Vehicles	5

COMPENSATED ABSENCES - Effective June 4, 2013, Gateway's policy was changed to:

Paid Time Off (PTO)

1. Paid Time Off is earned on a semi-monthly basis by salaried employees in permanent, working test or provisional status.
2. A full time employee will earn one-half of their monthly PTO at the end of each pay period if the employee works forty (40) hours or more in each pay period.
3. PTO is accrued and carried over at the following rates:
 - a. 0-35 months inclusive.....10 hours at end of each month; 40 hours carried over at year end.
 - b. 36-59 months inclusive.....12 hours at the end of each month; 80 hours carried over at year end.
 - c. 60 months and over.....14 hours at end of each month; 120 hours carried over at year end.The sick leave balances of staff hired prior to September 1, 2010 will be available for use under the terms of Family and Medical Leave.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Eligible employees begin accruing PTO at the appropriate increased rate on the first day of the month following the completion of the required months of service.
5. Part-time hourly employees are not eligible to earn leave.
6. A full-time employee in pay status for less than forty (40) hours during a pay period earns no PTO for that pay period.
7. PTO is not earned by employees on emergency, hourly, temporary, or intermittent appointments.
8. PTO may accumulate to a total of 480 hours (60 work days).
9. Any PTO earned in excess of 480 hours will be forfeited.

Family Medical Leave

1. Eligible employees may take medical leave time as provided by the Family and Medical Leave Act of 1993 and in conjunction with Gateway policies.
2. Family and Medical Leave is available to employees who:
 - a. Have been employed for at least (1) year; and
 - b. Have worked at least 1,250 hours of service during the twelve (12) month period that precedes the leave.
3. Eligible employees are entitled to twelve (12) weeks of Family and Medical Leave during any twelve (12) month period for the following reasons:
 - a. The birth of a child of the employee;
 - b. The placement of a child with the employee for adoption or foster care;
 - c. Care of the employee's child, spouse or parent who has a serious health condition; or
 - d. A serious health condition which makes the employee unable to perform the essential functions of the employee's position.
 - e. Eligible employee with a spouse, son, daughter, parent on covered active duty or call to active duty status of an Armed Service member or Armed Service reservist.
4. The twelve (12) month period leave year is a "rolling" twelve (12) month period measured backwards from the date leave is to begin.

Compensated absences are accrued and recorded as a liability on the government-wide financial statements. The annual change in the liability is reflected in the Statement of Activities.

PENSIONS - For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employee's Retirement System of Georgia (ERS) and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LEGAL COMPLIANCE - BUDGETARY RESTRICTIONS - Budgets are developed annually as part of the grant agreements. Provisions are made for revision of the budgets during the fiscal year. The budgeted amounts shown in the accompanying statements reflect the original and final revised budgets for each grant. All budgets are prepared on the modified accrual basis of accounting.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from these estimates.

Certain significant estimates in this financial statement include:

- The collectability of consumer receivables.
- Medicaid revenue and receivables.
- Depreciation expense on Agency owned assets.
- Current portion of compensated absences payable.

OPERATING LEASES - The Agency leases its facilities under operating leases. The leases are generally for the fiscal year and must be approved at the beginning of each individual year. Rent expense was \$1,164,287 for the year ended June 30, 2019.

CONTINGENCIES - The Agency's nature of business is such that it ordinarily results in a certain amount of litigation. In the opinion of management for the Agency, there is no litigation in which the outcome will have a material effect on the financial statements.

RISK MANAGEMENT - All equipment, furniture and fixtures and vehicles held by Gateway Behavioral Health Services are insured through the Georgia Department of Administrative Services (GA DOAS). The Agency is exposed to various risk of loss related to torts; theft or damage to and destruction of assets; errors and omissions; natural disasters; and worker injuries for which the Agency carries insurance through the Georgia Department of Administrative Services. The insurance provides for the transfer of risk from the Agency for all major programs. The Agency's risk is constituted by a maximum \$500 deductible for each occurrence. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts did not exceed insurance coverage for the current year.

NOTE 2 - DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2019, are summarized as follows:

As reported in the Statement of Net Position:

Cash	\$	4,941,677
Cash - Restricted		<u>6,966,747</u>
	\$	<u>11,908,424</u>
Cash deposited with financial institutions	\$	<u>11,482,387</u>

Interest rate risk. The Community Service Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

Custodial credit risk - deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2019, the Community Service Board did not have any balances exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable of \$2,413,811 consists of client fees, private-pay insurance, Medicaid, Medicare, and other contracts.

NOTE 4 - DUE TO/FROM DBHDD

The Agency has accounts receivable from and accounts payable to the Georgia Department of Behavioral Health and Developmental Disabilities as follows:

<u>Program Number</u>	<u>Program Summary</u>	<u>Due From</u>	<u>Due To</u>
DBHDD Master Agreement #44100-265-0262019104			
100	Mental Health Services - Adult	\$ 56,350	\$ -
700	Substance Abuse Services - Adult	43,657	-
DBHDD Master Agreement #44100-265-9072019104			
400	Developmental Disabilities Services	\$ 74,912	\$ -
DBHDD Master Agreement #44100-265-0262019114			
619	Ready for Work - Outpatient - SSBG	\$ 15,390	\$ -
624	Ready for Work - Residential - SAPT	11,122	-
625	Ready for Work - Residential - TANF	39,600	-
626	Ready for Work - Residential - State	8,800	-
630	Ready for Work - Transitional Housing	4,000	-
632	Ready for Work - Residential - SSBG	<u>30,800</u>	<u>-</u>
	Subtotal	\$ <u>284,631</u>	\$ <u>-</u>
	Special Advances Payable	\$ -	\$ 1,997,804
	SHBP Repayment	<u>-</u>	<u>222,549</u>
	Subtotal	\$ <u>-</u>	\$ <u>2,220,353</u>

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - DUE TO/ FROM DBHDD - CONTINUED

<u>Program Number</u>	<u>Program Summary</u>	<u>Due From</u>	<u>Due To</u>
OTHER CONTRACTS:			
Adolescent Addictive Diseases Clubhouse Services #44100-906-0000117215		\$ 29,669	\$ -
ACT Services #44100-906-0000113247		41,709	-
Intensive Case Management (ICM) #44100-261-0000112053		32,954	-
System of Care #44100-026-0000074591		20,141	-
CM Services #44100-265-0000112062		2,400	-
Georgia APEX Project (GAP) #44100-026-0000114084		16,502	-
Georgia APEX Expansion (CHAT) #44100-026-0000128230		16,790	-
Crisis Respite Apartments #44100-026-0000113871		14,766	-
Housing Outreach Director #44100-026-0000121583		5,151	-
Forensic Apartments #44100-026-0000093543		38,217	-
Supported Employment/Supported Education #44100-026-0000126657		<u>4,437</u>	<u>-</u>
Subtotal		\$ <u>222,736</u>	\$ <u>-</u>
TOTAL		\$ <u>507,367</u>	\$ <u>2,220,353</u>

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions &</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
Land and Buildings	\$ 9,016,307	\$ 4,288,749	\$ -	\$ 13,305,056
Leasehold Improvements	2,264,435	-	-	2,264,435
Equipment, Furniture and Fixtures	690,506	187,020	-	877,526
Vehicles	<u>696,292</u>	<u>29,866</u>	-	<u>726,158</u>
	\$ 12,667,540	\$ 4,505,635	\$ -	\$ 17,173,175
Accumulated Depreciation	(<u>3,674,913</u>)	(<u>503,501</u>)	-	(<u>4,178,414</u>)
Governmental Activities Capital Assets, Net	\$ <u>8,992,627</u>	\$ <u>4,002,134</u>	\$ -	\$ <u>12,994,761</u>

NOTE 6 - NOTES PAYABLE - GATEWAY BEHAVIORAL HEALTH SERVICES

The following Notes Payable represents mortgages on various buildings owned by Gateway Behavioral Health Services:

Mortgages:

	<u>CURRENT</u>	<u>LONG-TERM</u>	<u>RATE</u>	<u>MONTHLY</u> <u>PAYMENT</u>	<u>COLLATERAL</u>
Ameris Bank	\$ 39,108	\$ 7,185,892	4.00%	\$ 44,004.44	Real Estate
SunTrust Bank	72,804	1,433,723	5.32%	12,663.36	Real Estate
South State Bank	21,926	95,509	4.95%	2,285.63	Real Estate
South State Bank	<u>43,149</u>	<u>884,868</u>	4.95%	7,405.48	Real Estate
	\$ <u>176,987</u>	\$ <u>9,599,992</u>			

The long-term debt matures as follows:

June 30, 2020	\$ 180,878
2021	390,572
2022	408,505
2023	1,600,655
2024	327,005
Thereafter	<u>6,869,364</u>
	\$ <u>9,776,979</u>

Interest paid for FY2019 was \$320,714.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - NOTES PAYABLE - DISTINCTIVE HOUSING SOLUTIONS, INC.

The following Notes Payable represents mortgages on various buildings owned by Distinctive Housing Solutions, Inc.:

Mortgages:

	<u>CURRENT</u>	<u>LONG-TERM</u>	<u>RATE</u>	<u>MONTHLY PAYMENT</u>	<u>COLLATERAL</u>
BB&T	\$ 201,030	\$ 659,956	3.76%	\$ 19,203.89	Real Property
BB&T	20,696	541,049	4.64%	3,896.07	Real Property
Georgia Housing and Finance Authority	14,160	3,230,908	-	Varies	Real Property
State Housing Trust Fund	<u>7,500</u>	<u>79,375</u>	-	\$ 625.00	Real Property
	<u>\$ 243,386</u>	<u>\$ 4,511,288</u>			

The long-term debt matures as follows:

June 30, 2020	\$ 243,386
2021	257,818
2022	266,872
2023	51,752
2024	50,555
Thereafter	<u>3,884,291</u>
	<u>\$ 4,754,674</u>

Interest paid for FY2019 was \$60,877.

NOTE 8 - CAPITAL LEASES

On December 10, 2010 the Brunswick and Glynn County Development Authority (Authority), Glynn County, Georgia, and Gateway Behavioral Health Services (Gateway) entered into an Intergovernmental Lease Agreement. The purpose of the agreement was the issuance of revenue bonds in the amount of \$5,300,000 to be used to finance the acquisition, construction, and equipping of a building project for Gateway Behavioral Health Services.

On the same date, Gateway entered into a rental agreement with Glynn County, Georgia (County) for the above project. The terms of the lease are as follows:

The lease shall commence on the date of execution and terminate at midnight on December 31, 2031, or if all payments required by the rental agreement have not been made on such date, when all payments have been made.

The agreement shall not last longer than 40 (forty) years.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - CAPITAL LEASES - CONTINUED

On April 1, 2016, The Authority redeemed the Series 2010 Bonds and refunded \$6,090,000 with Series 2019 Bonds.

Upon Gateway's payment of all base rentals and additional rent for the lease term and all amounts due, the trustee under the indenture, the County, shall direct the Transfer of the property to Gateway. Lease payments of principal and interest are as follows:

June 30, 2020	\$	407,326
2021		401,825
2022		400,300
2023		399,500
2024		397,750
Thereafter		<u>5,675,512</u>
	\$	<u>7,682,213</u>
Less:		
Amount Representing		
Interest	(<u>2,183,202</u>)
Present Value of		
Minimum Lease		
Payments	\$	<u>5,499,011</u>

Maturities of principal payments are as follows:

June 30, 2020	\$	202,422
2021		210,009
2022		217,391
2023		224,000
2024		228,760
Thereafter		<u>4,416,429</u>
	\$	<u>5,499,011</u>

Amounts capitalized based on the terms of the lease are as follows:

The interest rate is 3.7%.

Land	\$	711,301
Building		3,833,235
Furniture and		
Equipment		<u>327,164</u>
	\$	<u>4,871,700</u>

NOTE 9 - COMPENSATED ABSENCES

At termination, employees are paid for any accumulated annual leave. The liability for accumulated annual leave at June 30, 2019 is estimated by management to be \$696,865. This amount includes \$49,522 for tax liabilities related to the accrued leave.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - COMPENSATED ABSENCES - CONTINUED

The following is a schedule of changes in annual leave for the fiscal year ending June 30, 2019:

<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
\$ <u>619,372</u>	\$ <u>77,493</u>	\$ <u> -</u>	\$ <u>696,865</u>

Forfeited leave is accumulated and according to certain provisions can be utilized for extended major illnesses and retirement. No sick leave is paid upon employee termination.

NOTE 10- 401(A) PLAN

Effective December 31, 2010, Gateway withdrew from the Peach State Reserves 401(k) and 457 Plans. Effective January 1, 2011 a 401(a) and a 457 Plan was established with The Hartford Insurance Trust, and was then moved to Mass Mutual Life Insurance Company effective July 1, 2014. Employee balances were rolled into the new 401(a) Plan. Agency contributions are a dollar for dollar match up to 7.5% of annual salary. Employees received personalized consultation from Jacobs, Coolidge & Company, LLC. The Vesting schedule is as follows:

2 years - 20%	5 years - 80%
3 years - 40%	6 years - 100%
4 years - 60%	

The employees of the Agency, who were employed before July 1, 1994, participate in the Georgia State Employee Retirement System. The Plan is administered by the State of Georgia, and accumulated benefits and Plan assets are not determined or allocated to the individual participating governmental entities.

The Agency maintains through Mass Mutual Life Insurance Company a qualified trust deferred compensation plan under sections 401(a) and 401(b) of the Internal Revenue Code for all employees, and who are not eligible for the Georgia State Employee Retirement System plan. Under the plan, employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. The Agency matches employee contributions up to 7.5%.

The retirement contributions, for the year ended June 30, 2019 were \$231,424 based on salaries of \$3,756,559. Contributions in the 401(k), 401(a), and 401(b) plans are fully vested to employees after six (6) years of continuous service.

NOTE 11- EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

Plan Description

The Employees' Retirement System (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/financials.