



OPEN OPTIONS, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016





INDEPENDENT AUDITORS' REPORT

To the Board of Directors

OPEN OPTIONS, INC.

We have audited the accompanying financial statements of Open Options, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Open Options, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C.".

Kansas City, Missouri
July 27, 2018



OPEN OPTIONS, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 362,728	\$ 378,929
Accounts receivable, net	382,315	516,505
Employee advances	417	1,333
Prepaid expenses	28,530	39,578
TOTAL CURRENT ASSETS	773,990	936,345
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	570,436	590,501
DEPOSITS	8,769	8,769
TOTAL ASSETS	\$ 1,353,195	\$ 1,535,615
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 75,816	\$ 52,278
Accrued liabilities	185,467	247,304
Deferred income	22,885	18,040
Current portion of long-term debt	18,044	16,967
TOTAL CURRENT LIABILITIES	302,212	334,589
LEASE PAYABLE	3,733	12,029
LONG-TERM DEBT, less current portion above	415,396	431,831
TOTAL LIABILITIES	721,341	778,449
<u>NET ASSETS</u>		
UNRESTRICTED	575,448	696,896
TEMPORARILY RESTRICTED	41,202	45,066
PERMANENTLY RESTRICTED	15,204	15,204
TOTAL NET ASSETS	631,854	757,166
TOTAL LIABILITIES AND NET ASSETS	\$ 1,353,195	\$ 1,535,615

See Notes to Financial Statements

OPEN OPTIONS, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT				
State of Missouri Medicaid	\$ 3,856,015	\$ -	\$ -	\$ 3,856,015
State of Missouri DMH	3,170	-	-	3,170
State of Kansas TCM	43,350	-	-	43,350
Kansas City Regional Center	345,742	-	-	345,742
Contributions	153,944	44,068	-	198,012
In-kind contributions	28,708	-	-	28,708
EITAS	32,537	-	-	32,537
United Way	45,000	-	-	45,000
TOTAL SUPPORT	<u>4,508,466</u>	<u>44,068</u>	<u>-</u>	<u>4,552,534</u>
OTHER REVENUE				
Resident and Senior Link Direct Pay	38,044	-	-	38,044
Clay County - Senior Link	364,362	-	-	364,362
Investment income	168	19	-	187
Miscellaneous income	5,693	-	-	5,693
Net assets released from restrictions	47,951	(47,951)	-	-
TOTAL OTHER REVENUE	<u>456,218</u>	<u>(47,932)</u>	<u>-</u>	<u>408,286</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>4,964,684</u>	<u>(3,864)</u>	<u>-</u>	<u>4,960,820</u>
EXPENSES				
Program	4,181,525	-	-	4,181,525
Fundraising	127,835	-	-	127,835
Management and general	776,772	-	-	776,772
TOTAL EXPENSES	<u>5,086,132</u>	<u>-</u>	<u>-</u>	<u>5,086,132</u>
CHANGE IN NET ASSETS	<u>(121,448)</u>	<u>(3,864)</u>	<u>-</u>	<u>(125,312)</u>
NET ASSETS, BEGINNING OF YEAR	<u>696,896</u>	<u>45,066</u>	<u>15,204</u>	<u>757,166</u>
NET ASSETS, END OF YEAR	<u>\$ 575,448</u>	<u>\$ 41,202</u>	<u>\$ 15,204</u>	<u>\$ 631,854</u>

See Notes to Financial Statements

OPEN OPTIONS, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT				
State of Missouri Medicaid	\$ 3,651,461	\$ -	\$ -	\$ 3,651,461
State of Missouri DMH	4,887	-	-	4,887
State of Kansas TCM	37,770	-	-	37,770
Kansas City Regional Center	328,293	-	-	328,293
Contributions	149,050	559	-	149,609
In-kind contributions	35,612	-	-	35,612
EITAS	48,848	-	-	48,848
United Way	50,000	-	-	50,000
TOTAL SUPPORT	<u>4,305,921</u>	<u>559</u>	<u>-</u>	<u>4,306,480</u>
OTHER REVENUE				
Resident and Senior Link Direct Pay	45,008	-	-	45,008
Clay County - Senior Link	409,621	-	-	409,621
Investment income	655	24	-	679
Miscellaneous income	12,859	-	-	12,859
Net assets released from restrictions	4,819	(4,819)	-	-
TOTAL OTHER REVENUE	<u>472,962</u>	<u>(4,795)</u>	<u>-</u>	<u>468,167</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>4,778,883</u>	<u>(4,236)</u>	<u>-</u>	<u>4,774,647</u>
EXPENSES				
Program	4,100,507	-	-	4,100,507
Fundraising	137,567	-	-	137,567
Management and general	755,295	-	-	755,295
TOTAL EXPENSES	<u>4,993,369</u>	<u>-</u>	<u>-</u>	<u>4,993,369</u>
CHANGE IN NET ASSETS	<u>(214,486)</u>	<u>(4,236)</u>	<u>-</u>	<u>(218,722)</u>
NET ASSETS, BEGINNING OF YEAR	<u>911,382</u>	<u>49,302</u>	<u>15,204</u>	<u>975,888</u>
NET ASSETS, END OF YEAR	<u>\$ 696,896</u>	<u>\$ 45,066</u>	<u>\$ 15,204</u>	<u>\$ 757,166</u>

See Notes to Financial Statements

OPEN OPTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	Program Services				Supporting Services			Total Expenses
	Group Homes	Individualized Supported Living	Non-DMH	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 1,429,639	\$ 1,219,696	\$ 97,255	\$ 2,746,590	\$ 50,000	\$ 397,718	\$ 447,718	\$ 3,194,308
FICA and MICA	110,959	82,386	7,013	200,358	3,713	29,445	33,158	233,516
Retirement	4,050	1,690	1,927	7,667	-	2,625	2,625	10,292
Health and life insurance	214,247	-	15,066	229,313	5,361	21,044	26,405	255,718
Unemployment insurance	7,950	-	728	8,678	-	1,459	1,459	10,137
Workers' compensation	23,403	16,592	866	40,861	825	6,643	7,468	48,329
Incentives	-	-	-	-	-	8,330	8,330	8,330
Other benefits	10,008	2,856	326	13,190	-	2,340	2,340	15,530
Maintenance and repairs	27,340	23	-	27,363	-	9,708	9,708	37,071
Facilities	74,739	90,960	11,708	177,407	4,637	75,566	80,203	257,610
Utilities	49,147	37,456	975	87,578	-	20,532	20,532	108,110
Food services	45,493	66,839	-	112,332	-	-	-	112,332
Material and supplies	22,456	8,883	1,294	32,633	4,735	47,444	52,179	84,812
Professional fees	1,222	1,153	267,314	269,689	56,352	66,928	123,280	392,969
Insurance	33,245	11,423	5,602	50,270	722	15,247	15,969	66,239
Transportation	57,045	37,569	5,729	100,343	1,178	13,549	14,727	115,070
Interest	30,748	-	-	30,748	-	-	-	30,748
Miscellaneous	2,916	-	4,877	7,793	-	56,516	56,516	64,309
Subtotal	2,144,607	1,577,526	420,680	4,142,813	127,523	775,094	902,617	5,045,430
Depreciation	37,521	-	1,191	38,712	312	1,678	1,990	40,702
Total	\$ 2,182,128	\$ 1,577,526	\$ 421,871	\$ 4,181,525	\$ 127,835	\$ 776,772	\$ 904,607	\$ 5,086,132
Percentage of total expenses	43%	31%	8%	82%	3%	15%	18%	100%

See Notes to Financial Statements

OPEN OPTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	Program Services			Supporting Services				Total Expenses
	Group Homes	Individualized Supported Living	Non-DMH	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 1,369,085	\$ 1,183,175	\$ 104,326	\$ 2,656,586	\$ 52,003	\$ 360,673	\$ 412,676	\$ 3,069,262
FICA and MICA	97,670	85,853	7,232	190,755	3,878	26,229	30,107	220,862
Retirement	19,014	12,749	2,427	34,190	-	15,403	15,403	49,593
Health and life insurance	168,955	524	9,806	179,285	4,632	17,534	22,166	201,451
Unemployment insurance	19,713	-	-	19,713	-	-	-	19,713
Workers' compensation	25,339	22,530	1,668	49,537	1,030	8,097	9,127	58,664
Staff recruitment	1,199	-	20	1,219	75	1,373	1,448	2,667
Incentives	-	670	-	670	-	6,005	6,005	6,675
Medical	3,519	3,121	264	6,904	-	139	139	7,043
Communications	23,733	20,578	1,025	45,336	-	18,948	18,948	64,284
Maintenance and repairs	40,986	221	-	41,207	-	25,780	25,780	66,987
Facilities	52,696	99,095	10,848	162,639	4,466	33,668	38,134	200,773
Utilities	32,852	27,981	-	60,833	-	-	-	60,833
Food services	45,333	38,910	-	84,243	-	-	-	84,243
Material and supplies	14,767	10,974	1,128	26,869	1,751	12,914	14,665	41,534
Professional fees	-	1,240	10	1,250	60,768	104,169	164,937	166,187
Staff training	1,666	(55)	-	1,611	-	159	159	1,770
Insurance	30,812	12,514	3,683	47,009	402	12,830	13,232	60,241
Equipment and furnishings	4,860	119	2,600	7,579	271	14,311	14,582	22,161
Contracted labor	-	-	318,073	318,073	-	-	-	318,073
Transportation	52,056	34,442	4,273	90,771	759	17,808	18,567	109,338
Printing and artwork	-	-	-	-	6,499	-	6,499	6,499
Bad debts	-	-	-	-	-	74,496	74,496	74,496
Interest	29,020	-	-	29,020	-	-	-	29,020
Miscellaneous	4,991	1,530	322	6,843	721	2,972	3,693	10,536
Subtotal	2,038,266	1,556,171	467,705	4,062,142	137,255	753,508	890,763	4,952,905
Depreciation	33,758	3,469	1,138	38,365	312	1,787	2,099	40,464
Total	\$ 2,072,024	\$ 1,559,640	\$ 468,843	\$ 4,100,507	\$ 137,567	\$ 755,295	\$ 892,862	\$ 4,993,369
Percentage of total expenses	42%	31%	9%	82%	3%	15%	18%	100%

See Notes to Financial Statements

OPEN OPTIONS, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (125,312)	\$ (218,722)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	40,702	40,464
Unrealized loss on investments	-	1,246
Changes in operating assets and liabilities:		
Accounts receivable	134,190	17,592
Employee advances	916	25
Prepaid expenses	11,048	(10,585)
Deposits	-	(350)
Accounts payable	23,538	27,046
Accrued liabilities	(61,837)	11,123
Deferred income	4,845	3,901
Lease payable	(8,296)	(4,977)
NET CASH FLOWS FROM OPERATING ACTIVITIES	19,794	(133,237)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from liquidation of investments	-	101,192
Purchase of property and equipment	(20,637)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(20,637)	101,192
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(15,358)	(18,053)
CHANGES IN CASH	(16,201)	(50,098)
CASH, BEGINNING OF YEAR	378,929	429,027
CASH, END OF YEAR	\$ 362,728	\$ 378,929

See Notes to Financial Statements

OPEN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Organization - Open Options, Inc. (the "Organization") is a nonprofit organization which serves individuals with an array of disabilities in Missouri and Kansas through several programs, including Targeted Case Management, Individualized Support Living, Group Living, and Community Integration. In addition, the Senior Link program coordinates services for seniors to live independently, the Kids on the Block program provides disability awareness and education, and the Kansas City Power and Speed program is a year round competitive training program designed for athletes with physical disabilities.

Basis of accounting - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes - The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, management believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization. The Organization had no material uncertain tax positions as of June 30, 2017 or 2016.

Cash - The Organization considers cash on hand and bank checking accounts to be cash.

Accounts receivable - Accounts receivable are stated at the amounts billed to state and local contracting agencies based on amounts defined in the contracts or grants. The Organization provides for an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are typically paid by the contracting or granting agency in their normal course of business (usually within 60 days). Delinquent receivables are written off based on individual credit evaluation and specific circumstances. At June 30, 2017 and 2016, there was an allowance for uncollectible accounts of \$30,542 and \$43,500, respectively.

Property and equipment - Property and equipment acquired by the Organization with a useful life of more than one year and a unit cost equal to or greater than \$1,000 are capitalized at cost and depreciated on the straight-line basis over the following estimated useful lives:

Buildings	27 Years
Automobiles	3 - 5 Years
Equipment	3 - 7 Years

Net asset classification - To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, net assets have been classified into the following:

Unrestricted net assets: Unrestricted net assets include expendable resources over which the Organization's Board of Directors has discretionary control and are used to carry out the Organization's operations in accordance with its bylaws.

Temporarily restricted net assets: Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of the Organization.

OPEN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Net asset classification (continued) - Permanently restricted net assets: Permanently restricted net assets include resources subject to donor imposed stipulations maintained permanently by the Organization.

Revenue recognition - The Organization is funded primarily through the State of Missouri and other governmental entities. Revenue is recognized as services are performed and reimbursement is requested.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. As of June 30, 2017 and 2016, temporarily restricted net assets are net assets subject to restrictions imposed by donors and grantors that will be met by actions of the Organization or the passage of time.

Donated rent and services - Donated rent is reflected as support in the statements of activities and changes in net assets at its estimated fair value at the date of receipt. The Organization received \$19,968 in the form of in-kind rent for each of the years ended June 30, 2017 and 2016. The Organization also received \$8,740 and \$15,644 from other miscellaneous in-kind donations during the years ended June 30, 2017 and 2016, respectively.

No amounts are reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, fundraising events and other small projects are volunteer-operated, with the exception of a limited number of paid staff. A substantial number of volunteers have donated significant amounts of their time in the Hats Off to Mothers and Triathlon events, as well as other small projects.

Functional expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Certain costs have been allocated among the programs and supporting services benefited as depicted in the accompanying statements of functional expenses. Expenses that can be identified with a specific program and support are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the programs or support source.

Reclassification - Certain items from the 2016 financial statements have been reclassified to conform with the 2017 presentation. Such reclassifications had no effect on the total changes in net assets.

(2) Property and equipment

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Cost		
Land and buildings	\$ 771,577	\$ 766,799
Automobiles	92,076	94,131
Equipment	128,126	127,293
Total cost	<u>991,779</u>	<u>988,223</u>
Accumulated depreciation	<u>(421,343)</u>	<u>(397,722)</u>
Net property and equipment	<u>\$ 570,436</u>	<u>\$ 590,501</u>

Depreciation expense charged to operations was \$40,702 and \$40,464 for the years ended June 30, 2017 and 2016, respectively.

OPEN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

(3) Long-term debt

	June 30,	
	2017	2016
Four notes payable to a bank, collateralized by real estate, with interest from 5.50% to 7.25%. Payable in monthly installments of \$3,920, with final payments due from October 2024 through July 2037.	\$ 433,440	\$ 448,798
Less current portion	(18,044)	(16,967)
Noncurrent portion	\$ 415,396	\$ 431,831

Maturities of long-term debt are as follows:

Years Ending June 30,

2018	\$ 18,044
2019	19,191
2020	20,381
2021	21,437
2022	23,100
Thereafter	331,287
Total long-term debt	\$ 433,440

(4) Endowments

The Organization's endowment consists of one fund and only includes donor-restricted funds. In accordance with ASC 958, *Endowments for Not-for-Profit Organizations*, net assets associated with endowment funds and funds designated by the Board of Directors are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment balance is included in cash and cash equivalents in the statements of financial position. Permanently restricted endowment balances include the original value at the date of gift. There are no temporarily restricted funds in the endowment as immaterial amounts of earnings are appropriated and spent during the year.

There were no contributions to the endowment fund for the years ended June 30, 2017 and 2016.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds. In order to obtain maximum benefits from the assets of the Organization, the investment goals include achieving long-term growth of capital within specified risk constraints, production of a reasonable rate of return on the investment assets, consistent with the assumption of a prudent level of risk, and protection of the Organization's assets from inflation, so that they will be available for the long-term use.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's risk tolerance is low. The Organization targets an asset allocation that places a greater emphasis on fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

OPEN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

(4) **Endowments (continued)**

Spending policy

The purpose of the Organization's investment assets is to provide funds to supplement operating revenue for the Organization's program costs and organizational expenses that are not covered by fees for services or by donations and grants. During the years ended June 30, 2017 and 2016, all earnings on the endowment fund were appropriated for expenditure.

(5) **Related parties**

Prior to January 2016, the Organization was obligated to pay certain fees to the National United Cerebral Palsy organization ("NUCP"). Amounts paid to NUCP were \$18,332 for the year ended June 30, 2016. In January 2016, the Organization ended its affiliation with NUCP.

The Organization also pays mowing and yard service fees as well as other various property maintenance fees to a company which is owned by an individual who has a familial relationship with a former member of senior management. Totals fees paid were \$12,057 and \$9,385 for the years ended June 30, 2017 and 2016, respectively. During the year ended June 30, 2017, this member of senior management retired from the Organization.

(6) **Operating leases**

The Organization leases office space and equipment from unrelated parties under operating leases expiring from October 2017 through August 2023. In the normal course of business, operating leases are generally renewed or replaced by other leases. Rental payments associated with operating leases are charged to expense as incurred. Rental payments made under these operating leases were \$119,742 and \$98,580 for the years ended June 30, 2017 and 2016, respectively.

The office space lease also includes scheduled rent increases which accounting principles generally accepted in the United States of America require to be recognized ratably over the life of the lease. The unamortized balance in lease payable was \$3,733 and \$12,029 as of June 30, 2017 and 2016, respectively. Subsequent to year end, the Organization extended its office space lease through August 2023, with rent increases scheduled throughout the remaining term of the lease.

Minimum future lease payments under non-cancelable operating leases with terms in excess of one year, including those related to the extended office space lease, are as follows:

Years Ending June 30,

2018	\$	93,942
2019		91,694
2020		93,532
2021		95,371
2022		95,604
Thereafter		<u>108,168</u>
Totals	\$	<u>578,311</u>

OPEN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

(7) **Retirement plan**

The Organization maintains a retirement plan in which all employees who are 21 years of age or greater are eligible to participate in after one year in which they have been compensated for at least 1,000 hours of service. After the initial year of service requirement is met, employees who are employed on the last day of the plan year and who have been compensated for at least 1,000 hours of service are eligible for contribution to the plan. The Organization matches contributions equal to 50% of employee contributions up to 8% of annual compensation. Management can also contribute additional discretionary amounts to the plan on an annual basis up to statutory limitations. Participants are fully vested after three years of service.

Accrued matching employer contributions to the plan were \$10,000 and \$12,120 respectively, as of June 30, 2017 and 2016. Accrued employer discretionary profit sharing contributions to the plan were \$39,142 as of June 30, 2016. There were no accrued employer discretionary profit sharing contributions to the plan as of June 30, 2017.

Retirement plan expenses were \$10,292 and \$49,593, respectively, for the years ended June 30, 2017 and 2016.

(8) **Concentrations**

Approximately 90% and 91% of the Organization's receivables at June 30, 2017 and 2016, respectively, came from the State of Missouri and the Kansas City Regional Office.

As of June 30, 2017, approximately 44% of the Organization's payables were due to two vendors. As of June 30, 2016, approximately 48% of the Organization's payables were due to one vendor.

Approximately 83% of the Organization's revenue came from the State of Missouri and the Kansas City Regional Office during each of the years ended June 30, 2017 and 2016.

The Organization maintains cash balances in financial institutions in excess of FDIC insurance limits. Management monitors the soundness of these financial institutions and believes the Organization's risk of loss is negligible.

(9) **Temporarily restricted net assets**

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	<u>2017</u>	<u>2016</u>
Group home furniture and renovation	\$ 6,138	\$ 5,137
Prader-Willi Syndrome	3,460	3,458
Direct individual financial assistance - Cerebral Palsy	10,577	28,006
Open Options Cares	5,429	1,002
Therap	8,133	-
Miscellaneous	7,465	7,463
	<u>\$ 41,202</u>	<u>\$ 45,066</u>

OPEN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

(9) Temporarily restricted net assets (continued)

Temporarily restricted net assets were released from restriction for the following purposes:

	June 30,	
	2017	2016
Direct individual financial assistance - Cerebral Palsy	\$ 21,169	\$ 4,819
Therap	26,032	-
Miscellaneous	750	-
	\$ 47,951	\$ 4,819

(10) Recent accounting pronouncements

Recent accounting pronouncements - Not-for-Profit Entities - In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This update, which amends the requirements for financial statements and notes in *Topic 958, Not-for-Profit Entities*, require a Not-for-Profit (NFP) to:

- Present on the face of the statement of financial position amounts for two classes of net assets as “net assets with donor restrictions” and “net assets without donor restrictions,” rather than for the currently required three classes.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted above) rather than that of the currently required three classes.
- Continue to present on the face of the statement of cash flows the net amount of operating cash flows using either the direct or indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- Provide enhanced disclosures about (1) amounts and purposes of governing board designations that result in self-imposed limits on the use of resources without donor-imposed restrictions (2) composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources (3) qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date (4) quantitative information, either on the face of the balance sheet or in the notes, and additional qualitative information in the notes that communicates the availability of a NFP’s financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date (5) amounts of expenses by both their natural classification and their functional classification (6) report investment return net of external and direct internal investment expenses, and no longer require disclosure of those netted expenses (7) use, in absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

This update is effective for the Organization’s June 30, 2019 financial statements, and early adoption is permitted. The Organization is evaluating the impact that this updated standard will have on the financial statements and related notes to the financial statements.

OPEN OPTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

(10) Recent accounting pronouncements (continued)

Recent accounting pronouncements - Revenue Recognition - In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This standard supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition. This standard applies to most contracts with customers and prescribes a five-step framework in accounting for revenues from contracts, including (a) identification of the contract, (b) identification of the performance obligation under the contract, (c) determination of the transaction price, (d) allocation of the transaction price to the identified performance obligation and (e) recognition of revenue as the identified performance obligation is satisfied. This standard also prescribes additional disclosures and financial statement presentations. This standard is effective for the Organization's June 30, 2020 financial statements, and early adoption is permitted. The Organization may adopt the standard retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. The Organization is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

Recent accounting pronouncements - Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, office equipment, and vehicles. Under the current accounting model, an organization applies a classification test to determine the accounting for the lease arrangement as an operating or capital lease. The new guidance will require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by those leases. A lessee will be required to recognize assets and liabilities for leases with terms of more than twelve months. Consistent with U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a capital or operating lease. However, unlike current U.S. GAAP, the new ASU will require both types of leases to be recognized on the statements of financial position. The ASU will also require disclosure to help donors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include both qualitative and quantitative analysis. This ASU is effective for the Organization's June 30, 2021 financial statements and early adoption is permitted. The Organization is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

(11) Subsequent events

The Organization has evaluated subsequent events through July 27, 2018, the date through which the financial statements were available to be issued. As noted within Note 6, subsequent to year end the Organization extended its office space lease through August 2023 with scheduled rent increases over the extended term of the lease. There have been no other subsequent events that occurred during such period that would require disclosure in the financial statements or accompanying notes.

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors

OPEN OPTIONS, INC.

We have audited the financial statements of Open Options, Inc. as of and for the years ended June 30, 2017 and 2016, and our report thereon dated July 27, 2018, which expressed an unmodified opinion on those financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
July 27, 2018



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OPEN OPTIONS, INC.

SUPPLEMENTARY INFORMATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GROUP HOMES

Year Ended June 30, 2017

	<u>Southwood</u>	<u>Glen Arbor</u>	<u>Willow</u>	<u>Winslow</u>	<u>Central</u>	<u>Newton</u>	<u>KC Division</u>	<u>Total</u>
SUPPORT AND REVENUE								
Support								
State of Missouri Medicaid	\$ 261,489	\$ 340,640	\$ 345,884	\$ 243,563	\$ 354,870	\$ 414,726	\$ -	\$ 1,961,172
State of Missouri DMH	-	154	-	-	-	-	-	154
KC Regional Center	32,999	25,426	33,196	22,108	33,046	34,059	-	180,834
EITAS	3,340	1,252	1,939	1,886	2,815	4,920	-	16,152
Total Support	<u>297,828</u>	<u>367,472</u>	<u>381,019</u>	<u>267,557</u>	<u>390,731</u>	<u>453,705</u>	<u>-</u>	<u>2,158,312</u>
Revenue								
Resident Direct Pay	2,306	9,007	-	-	-	6,750	-	18,063
Miscellaneous Income	20,249	-	-	-	-	-	-	20,249
Total Revenue	<u>22,555</u>	<u>9,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,750</u>	<u>-</u>	<u>38,312</u>
Total Support and Revenue	<u>\$ 320,383</u>	<u>\$ 376,479</u>	<u>\$ 381,019</u>	<u>\$ 267,557</u>	<u>\$ 390,731</u>	<u>\$ 460,455</u>	<u>\$ -</u>	<u>\$ 2,196,624</u>

OPEN OPTIONS, INC.

SUPPLEMENTARY INFORMATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GROUP HOMES (continued)

Year Ended June 30, 2017

	Southwood	Glen Arbor	Willow	Winslow	Central	Newton	KC Division	Total
EXPENSES								
Program Services								
Salaries	145,611	167,953	180,056	117,780	165,800	174,152	478,287	1,429,639
FICA and MICA	9,522	6,472	12,085	8,718	12,572	13,153	48,437	110,959
Retirement	253	697	697	970	957	476	-	4,050
Health and Life Insurance	-	-	-	-	-	-	214,247	214,247
Total Compensation	155,386	175,122	192,838	127,468	179,329	187,781	740,971	1,758,895
Unemployment Insurance	-	-	-	-	-	-	7,950	7,950
Workers' Compensation	2,139	2,538	2,592	1,902	2,808	2,769	8,655	23,403
Other Benefits	517	382	340	176	503	159	7,931	10,008
Total Other Personnel Costs	2,656	2,920	2,932	2,078	3,311	2,928	24,536	41,361
Maintenance and Repairs	4,765	6,500	6,012	2,666	4,190	3,207	-	27,340
Facilities	22,921	4,089	2,538	1,967	1,841	21,268	20,115	74,739
Utilities	8,952	6,699	7,556	6,290	5,869	8,903	4,878	49,147
Food Services	7,750	6,788	7,645	9,253	5,222	8,588	247	45,493
Material and Supplies	1,526	2,192	1,201	2,292	2,526	3,135	9,584	22,456
Professional Services	-	293	53	-	53	53	770	1,222
Insurance	3,933	5,944	6,660	5,235	4,816	4,331	2,326	33,245
Transportation	11,765	7,181	4,320	3,544	3,052	2,950	24,233	57,045
Interest	-	9,348	10,968	6,326	4,106	-	-	30,748
Miscellaneous	53	-	-	128	-	-	2,735	2,916
	61,665	49,034	46,953	37,701	31,675	52,435	64,888	344,351
Total Expenses before Depreciation	219,707	227,076	242,723	167,247	214,315	243,144	830,395	2,144,607
Depreciation	757	10,422	10,405	10,665	4,868	-	404	37,521
Total Expenses	220,464	237,498	253,128	177,912	219,183	243,144	830,799	2,182,128
Excess (Deficiency) of Support and Revenue over Expenses	\$ 99,919	\$ 138,981	\$ 127,891	\$ 89,645	\$ 171,548	\$ 217,311	\$ (830,799)	\$ 14,496

OPEN OPTIONS, INC.

SUPPLEMENTARY INFORMATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - INDIVIDUALIZED SUPPORTED LIVING

Year Ended June 30, 2017

	<u>Kansas City</u>	<u>Community Integration</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
State of Missouri Medicaid	\$ 1,723,403	\$ 145,658	\$ 1,869,061
State of Missouri DMH	3,016	-	3,016
KC Regional Center	164,907	-	164,907
EITAS	<u>14,469</u>	<u>-</u>	<u>14,469</u>
Total Support	<u>1,905,795</u>	<u>145,658</u>	<u>2,051,453</u>
Resident Direct Pay Revenue	19,986	-	19,986
Miscellaneous Income	<u>26,970</u>	<u>-</u>	<u>26,970</u>
Total Revenue	<u>46,956</u>	<u>-</u>	<u>46,956</u>
Total Support and Revenue	<u>1,952,751</u>	<u>145,658</u>	<u>2,098,409</u>
EXPENSES			
Program Services			
Salaries	1,130,531	89,165	1,219,696
FICA and MICA	75,670	6,716	82,386
Retirement	<u>-</u>	<u>1,690</u>	<u>1,690</u>
Total Compensation	<u>1,206,201</u>	<u>97,571</u>	<u>1,303,772</u>
Workers' Compensation	15,289	1,303	16,592
Other Benefits	<u>2,549</u>	<u>307</u>	<u>2,856</u>
Total Other Personnel Costs	<u>17,838</u>	<u>1,610</u>	<u>19,448</u>
Maintenance and Repairs	23	-	23
Facilities	90,960	-	90,960
Utilities	37,231	225	37,456
Food Services	66,839	-	66,839
Material and Supplies	8,864	19	8,883
Professional Services	1,153	-	1,153
Insurance	11,063	360	11,423
Transportation	<u>30,345</u>	<u>7,224</u>	<u>37,569</u>
	<u>246,478</u>	<u>7,828</u>	<u>254,306</u>
Total Expenses	<u>1,470,517</u>	<u>107,009</u>	<u>1,577,526</u>
Excess of Support and Revenue over Expenses	<u>\$ 482,234</u>	<u>\$ 38,649</u>	<u>\$ 520,883</u>

OPEN OPTIONS, INC.

SUPPLEMENTARY INFORMATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - NON DMH

Year Ended June 30, 2017

	<u>Family Support</u>	<u>Senior Link</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
State of Kansas TCM	\$ 43,350	\$ -	\$ 43,350
Contributions and Fundraising	-	-	-
United Way	45,000	-	45,000
EITAS	1,638	-	1,638
Total Support	<u>89,988</u>	<u>-</u>	<u>89,988</u>
Revenue			
Clay County	-	364,356	364,356
Miscellaneous Income	5,051	-	5,051
Total Revenue	<u>5,051</u>	<u>364,356</u>	<u>369,407</u>
Total Support and Revenue	<u>95,039</u>	<u>364,356</u>	<u>459,395</u>
EXPENSES			
Program Services			
Salaries	52,693	44,562	97,255
FICA and MICA	3,727	3,286	7,013
Retirement	793	1,134	1,927
Health and Life Insurance	8,714	6,352	15,066
Total Compensation	<u>65,927</u>	<u>55,334</u>	<u>121,261</u>
Workers' Compensation	866	-	866
Other Benefits	148	178	326
Unemployment Insurance	-	728	728
Total Other Personnel Costs	<u>1,014</u>	<u>906</u>	<u>1,920</u>
Facilities	4,456	7,252	11,708
Utilities	375	600	975
Material and Supplies	976	318	1,294
Professional Services	1,062	266,252	267,314
Insurance	5,332	270	5,602
Transportation	2,820	2,909	5,729
Miscellaneous	4,877	-	4,877
	<u>19,898</u>	<u>277,601</u>	<u>297,499</u>
Total Expenses before Depreciation	86,839	333,841	420,680
Depreciation	1,191	-	1,191
Total Expenses	<u>88,030</u>	<u>333,841</u>	<u>421,871</u>
Excess of Support and Revenue over Expenses	<u>\$ 7,009</u>	<u>\$ 30,515</u>	<u>\$ 37,524</u>

OPEN OPTIONS, INC.

SUPPLEMENTARY INFORMATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - MANAGEMENT AND GENERAL

Year Ended June 30, 2017

	<u>Restricted</u>	<u>Kansas City</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
Contributions	\$ -	\$ 165,930	\$ 165,930
Grants	<u>34,164</u>	<u>-</u>	<u>34,164</u>
Total Support	<u>34,164</u>	<u>165,930</u>	<u>200,094</u>
Revenue			
Interest	19	168	187
Miscellaneous Income	<u>3,969</u>	<u>2,142</u>	<u>6,111</u>
Total Revenue	<u>3,988</u>	<u>2,310</u>	<u>6,298</u>
Total Support and Revenue	<u>38,152</u>	<u>168,240</u>	<u>206,392</u>
EXPENSES			
Program Services			
Salaries	-	397,718	397,718
FICA and MICA	-	29,445	29,445
Retirement	-	2,625	2,625
Health and Life Insurance	<u>-</u>	<u>21,044</u>	<u>21,044</u>
Total Compensation	<u>-</u>	<u>450,832</u>	<u>450,832</u>
Unemployment Insurance	-	1,459	1,459
Staff Incentives	-	8,330	8,330
Workers' Compensation	-	6,643	6,643
Other Benefits	<u>-</u>	<u>2,340</u>	<u>2,340</u>
Total Other Personnel Costs	<u>-</u>	<u>18,772</u>	<u>18,772</u>
Maintenance and Repairs	-	9,708	9,708
Facilities	-	75,566	75,566
Utilities	-	20,532	20,532
Material and Supplies	26,032	21,412	47,444
Professional Services	-	66,928	66,928
Transportation	-	13,549	13,549
Insurance	-	15,247	15,247
Miscellaneous	<u>21,880</u>	<u>34,636</u>	<u>56,516</u>
Total Expenses before Depreciation	<u>47,912</u>	<u>257,578</u>	<u>305,490</u>
Depreciation	47,912	727,182	775,094
Depreciation	<u>-</u>	<u>1,678</u>	<u>1,678</u>
Total Expenses	<u>47,912</u>	<u>728,860</u>	<u>776,772</u>
Deficiency of Support and Revenue over Expenses	<u>\$ (9,760)</u>	<u>\$ (560,620)</u>	<u>\$ (570,380)</u>

OPEN OPTIONS, INC.

SUPPLEMENTARY INFORMATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - RESTRICTED FUNDS

Year Ended June 30, 2017

	Temporary						Permanent	Total
	Group Home & Furniture Fund	Prader- Willi	Financial Assistance - CP	Open Options Cares	Therap	Miscellaneous	Endowment	
SUPPORT AND REVENUE								
Support								
Contributions	\$ 1,000	\$ -	\$ 3,728	\$ 5,176	\$ 34,164	\$ -	\$ -	\$ 44,068
Revenue								
Interest	<u>1</u>	<u>2</u>	<u>12</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>19</u>
Total Support and Revenue	1,001	2	3,740	5,177	34,165	2	-	44,087
EXPENSES								
Program Expenses	<u>-</u>	<u>-</u>	<u>21,169</u>	<u>750</u>	<u>26,032</u>	<u>-</u>	<u>-</u>	<u>47,951</u>
Change in Net Assets	1,001	2	(17,429)	4,427	8,133	2	-	(3,864)
Net Assets, Beginning of Year	<u>5,137</u>	<u>3,458</u>	<u>28,006</u>	<u>1,002</u>	<u>-</u>	<u>7,463</u>	<u>15,204</u>	<u>60,270</u>
Net Assets, End of Year	<u>\$ 6,138</u>	<u>\$ 3,460</u>	<u>\$ 10,577</u>	<u>\$ 5,429</u>	<u>\$ 8,133</u>	<u>\$ 7,465</u>	<u>\$ 15,204</u>	<u>\$ 56,406</u>

Note to Supplementary Information - No detailed statement of activities and changes in net assets - fundraising has been included within the supplementary information. In addition, there may be immaterial rounding discrepancies between the supplementary information and the basic financial statements on pages 2 - 7.