

THE GUIDANCE CENTER, INC.

FINANCIAL STATEMENTS
As of and for the Year Ended
December 31, 2015

THE GUIDANCE CENTER, INC.

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MIZE & HOUSER
COMPANY_{P.A.}

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Guidance Center, Inc.
Leavenworth, Kansas

We have audited the accompanying financial statements of The Guidance Center, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fair, in all material respects, the financial position of the Guidance Center, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

www.mizehouser.com ■ mhco@mizehouser.com

534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f

534 S Kansas Ave, Suite 400 ■ Topeka, KS 66603-3454 ■ 785.234.5573 p ■ 785.234.1037 f

7101 College Blvd, Suite 900 ■ Overland Park, KS 66210-1984 ■ 913.451.1882 p ■ 913.451.2211 f

211 E Eighth Suite A ■ Lawrence, KS 66044-2771 ■ 785.842.8844 p ■ 785.842.9049 f

Other Matters

Our audit was performed for the purpose of forming an opinion on the financial statements of the Guidance Center, Inc. taken as a whole. The supplemental information on page 11 is provided for additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The additional information on page 12 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with "Government Auditing Standards," we have also issued our report dated April 20, 2016, on our consideration of the Guidance Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Guidance Center's internal control over financial reporting and compliance.

Mike Houser: Company PA

Certified Public Accountants
Lawrence, Kansas

April 20, 2016

THE GUIDANCE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015

Assets	
Cash and cash equivalents	\$ 497,268
Investments	726,571
Accounts receivable (net of allowance for doubtful accounts)	1,057,783
Prepaid expenses	25,906
Land, buildings and equipment (net of accumulated depreciation)	<u>4,284,274</u>
Total assets	<u>\$ 6,591,802</u>
Liabilities and net assets	
Accounts payable	\$ 39,201
Accrued expenses	502,441
Bonds and loans payable	1,758,908
Deferred revenue	<u>521,025</u>
Total liabilities	<u>2,821,575</u>
Net assets	
Temporarily restricted	247,954
Unrestricted	<u>3,522,273</u>
Total net assets	<u>3,770,227</u>
Total liabilities and net assets	<u>\$ 6,591,802</u>

The notes to the financial statements are an integral part of this financial statement.

THE GUIDANCE CENTER, INC.

STATEMENT OF ACTIVITIES
Year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
State aid	\$ 464,119	\$ -	\$ 464,119
Grants	896,008	-	896,008
County allocations	205,478	-	205,478
Fees for services	8,148,940	-	8,148,940
Investment income	19,540	-	19,540
Contributions	24,172	-	24,172
Miscellaneous income	133,952	-	133,952
Net assets released from restriction	11,801	[11,801]	-
Total revenues	<u>9,904,010</u>	<u>[11,801]</u>	<u>9,892,209</u>
Expenses:			
Program services	8,194,834	-	8,194,834
Administrative services	2,195,499	-	2,195,499
Total expenses	<u>10,390,333</u>	<u>-</u>	<u>10,390,333</u>
Change in net assets	[486,323]	[11,801]	[498,124]
Net assets at January 1	<u>4,008,596</u>	<u>259,755</u>	<u>4,268,351</u>
Net assets at December 31	<u>\$ 3,522,273</u>	<u>\$ 247,954</u>	<u>\$ 3,770,227</u>

The notes to the financial statements are an integral part of this financial statement.

THE GUIDANCE CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2015

	Medication				Emergency	Substance	Home	Total	Administrative	
	Outpatient	Management	CSS	CBS	Services	Abuse	Health	Program	Services	Total
Salaries and Contractors	\$ 759,052	\$ 577,600	\$ 601,148	\$ 2,708,325	\$ 133,902	\$ 261,854	\$ 415,605	\$ 5,457,486	\$ 1,047,624	\$ 6,505,110
FICA Taxes	54,017	41,104	42,780	192,734	9,529	18,634	29,576	388,374	73,229	461,603
KPERS Expense	72,024	54,806	57,041	256,983	12,706	24,846	39,435	517,841	97,640	615,481
Other Benefits	97,420	74,131	77,154	347,597	17,186	33,607	53,340	700,435	132,068	832,503
Education	7,980	2,245	510	2,924	300	554	-	14,513	14,751	29,264
Travel	5,947	4,312	22,145	104,745	2,899	1,229	11,321	152,598	13,875	166,473
Transportation/Vehicle Rentals	-	1,559	14,944	116,995	-	-	-	133,498	-	133,498
Communication	-	-	-	-	-	-	-	-	37,588	37,588
Postage	-	-	-	-	-	-	-	-	10,353	10,353
Supplies	74	-	410	1,114	-	141	534	2,273	22,977	25,250
Activities	3	-	1,428	22,570	-	-	21	24,022	-	24,022
Food	960	-	6,361	18,675	-	-	32	26,028	1,414	27,442
Client Assistance - Residential/Medication/Other	-	877	3,995	18,238	576	[95]	84	23,675	-	23,675
Equipment Rental	-	-	-	-	-	-	-	-	36,474	36,474
Cell Phones and Pagers	-	-	1,000	4,001	-	-	-	5,001	-	5,001
Advertising	-	-	-	-	-	-	-	-	12,420	12,420
Recruiting	-	12,500	-	-	-	-	-	12,500	27,746	40,246
Rent/Utilities	48,364	9,431	31,913	53,394	3,984	4,083	3,984	155,153	54,496	209,649
Housekeeping/Lawn Service	5,854	3,669	7,648	19,507	3,998	3,638	3,998	48,312	78,569	126,881
Building & Equipment Maintenance	-	-	-	-	-	-	-	-	36,469	36,469
Non-Capital Purchases	-	-	-	-	-	-	-	-	1,885	1,885
Professional Supplies	5,003	-	401	7,482	-	2,506	7,062	22,454	7,077	29,531
Computer Consultation Services	12,686	3,091	20,968	100,394	1,179	5,761	2,963	147,042	137,044	284,086
PAYCOR Services	-	-	-	-	-	-	-	-	24,773	24,773
Consultation and Legal Fees	-	-	-	-	-	-	-	-	4,325	4,325
Dues	815	1,475	-	-	-	-	-	2,290	21,047	23,337
Insurance	-	5,416	7,293	21,878	-	-	-	34,587	72,624	107,211
Audit/Accounting Fees	-	-	-	-	-	-	-	-	13,836	13,836
Federal and State Income Taxes	-	-	-	-	-	-	-	-	13,126	13,126
Depreciation	23,454	10,222	34,687	131,678	9,123	12,620	10,766	232,550	133,172	365,722
After Hours Phone Contract	-	-	-	-	2,842	-	-	2,842	-	2,842
Real Estate Taxes	-	-	-	-	-	-	-	-	2,764	2,764
Board/Staff Development	-	-	-	-	-	-	-	-	15,665	15,665
Public Information/Education	-	-	-	-	-	-	-	-	455	455
Annual Fund Drive	-	-	-	-	-	-	-	-	500	500
Interest Expense	5,413	3,392	7,071	18,035	3,696	3,363	3,696	44,666	22,041	66,707
Investment Management Fees	-	-	-	-	-	-	-	-	8,004	8,004
Unrealized loss	-	-	-	-	-	-	-	-	8,308	8,308
Realized loss	-	-	-	-	-	-	-	-	3,980	3,980
Miscellaneous	4,027	982	6,657	31,883	372	1,831	942	46,694	7,180	53,874
Totals	\$ 1,103,093	\$ 806,812	\$ 945,554	\$ 4,179,152	\$ 202,292	\$ 374,572	\$ 583,359	\$ 8,194,834	\$ 2,195,499	\$ 10,390,333

The notes to the financial statements are an integral part of this financial statement.

THE GUIDANCE CENTER, INC.

STATEMENT OF CASH FLOWS
Year ended December 31, 2015

Cash flows from operating activities:	
Cash received from grants and aid	\$ 1,557,132
Cash received from fees for services	8,157,105
Cash received from other operating sources	177,664
Cash paid to employees and suppliers	[9,823,341]
Cash paid for interest expense	<u>[66,707]</u>
Net cash provided [used] by operating activities	<u>1,853</u>
Cash flows from investing activities:	
Purchase of investments	[46,076]
Purchase of fixed assets	<u>[65,838]</u>
Net cash provided [used] by investing activities	<u>[111,914]</u>
Cash flows from financing activities:	
Debt payments	<u>[140,513]</u>
Net cash provided [used] by financing activities	<u>[140,513]</u>
Net increase [decrease] in cash and cash equivalents	[250,574]
Cash and cash equivalents at January 1	<u>747,842</u>
Cash and cash equivalents at December 31	<u>\$ 497,268</u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ [498,124]
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	365,722
Decrease [increase] in accounts receivable	8,165
Decrease [increase] in prepaid expenses	151,009
Increase [decrease] in accounts payable	[68,492]
Increase [decrease] in accrued expenses	52,046
Increase [decrease] in deferred revenue	<u>[8,473]</u>
Net cash provided [used] by operating activities	<u>\$ 1,853</u>

The notes to the financial statements are an integral part of this financial statement.

THE GUIDANCE CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Activities - The Guidance Center, Inc. (the Organization) is a licensed Community Mental Health Center serving the residents of Leavenworth, Atchison, and Jefferson counties.

Basis of Presentation - The financial statements of the Organization have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America. Financial statements prepared in conformity with accounting principles generally accepted in the United States of America require the use of management estimates for the depreciable lives of buildings and equipment, the allocation of expenses by function and the collection of receivables. Actual results could differ from these estimates.

Under accounting principles generally accepted in the United States of America, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are required to be classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. The temporarily restricted net assets reported in these financial statements are related to a facility construction fund raising campaign.

Permanently restricted net assets - net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

For the year ended December 31, 2015, the Organization had no permanently restricted net assets.

Investments - The Organization's investments are carried at fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Accounts Receivable - Accounts receivable consist of amounts due from service recipients, third party payers and various governmental units.

Property and Equipment - Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciation is provided on the straight-line and accelerated methods over the estimated useful lives of the respective assets. Interest expense related to the cost of property and equipment constructed for the Organization's own use is capitalized. Management annually reviews fixed assets to determine whether carrying values have been impaired.

Revenue Recognition - Substantially all of the Organization's revenue is from service recipients, third party payers or governmental support. Income from government sources is recognized during the period the support is intended to cover. Prepayments are recorded as deferred revenue, while payments not yet received, but for which a commitment and fund availability has been established, are accrued as receivable.

Income Taxes - The Organization is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code and Kansas income taxes under applicable statutes. The Organization has not been classified as a private foundation.

THE GUIDANCE CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

2. INVESTMENTS

The Organization's investments as of December 31 are summarized as follows:

Country Club Trust Account	
Fixed Income Securities	\$ 471,998
Equity Securities	<u>254,573</u>
 Total Country Club Trust Account	 <u>\$ 726,571</u>

Investment return is summarized as follows:

Country Club Trust Account	
Interest and dividend income	\$ 19,473
Unrealized capital loss	[8,308]
Realized capital loss	[3,980]
 MidAmerican Bank	
Interest income	<u>67</u>
 Total Investment Income	 <u>\$ 7,252</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable consist largely of unpaid fees billed for services rendered. This total is presented net of an allowance for doubtful accounts:

Accounts receivable	\$ 1,246,925
Allowance for doubtful accounts	<u>[189,142]</u>
 Net accounts receivable	 <u>\$ 1,057,783</u>

This allowance is an estimate of the portion of accounts receivable that will not be collected due to nonpayment by private payers and contractual adjustments by insurance companies and other third-party payers. Bad debt expense has been charged directly against the fees for service revenue account.

4. LAND, BUILDINGS AND EQUIPMENT

Major classifications of assets subject to depreciation are as follows:

Land	\$ 408,915
Construction in Process	14,718
Buildings	5,780,871
Equipment	<u>2,897,470</u>
	9,101,974
Less accumulated depreciation	<u>4,817,700</u>
	<u>\$ 4,284,274</u>

THE GUIDANCE CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

5. BOND AND LOANS

The Organization refinanced industrial revenue bonds on September 28, 2011. The industrial revenue bonds were issued to partially fund the construction of a new facility in Leavenworth. These bonds are secured by the facilities, have a 3.4% interest rate until October 1, 2016 and mature November 1, 2026. Future payments on the bonds are as follows (2017-2026 are estimated based on the 3.4% interest)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 145,103	\$ 61,640	\$ 206,743
2017	149,344	55,963	205,307
2018	154,502	50,805	205,307
2019	159,838	45,469	205,307
2020	165,358	39,949	205,307
2021	171,068	34,239	205,307
2022	176,976	28,331	205,307
2023	183,088	22,219	205,307
2024	189,411	15,896	205,307
2025	195,952	9,355	205,307
2026	68,268	2,821	71,089
	<u>\$ 1,758,908</u>	<u>\$ 366,687</u>	<u>\$ 2,125,595</u>

6. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to a concentration of credit risk principally consist of cash and accounts receivable. The Organization places its cash with local financial institutions. At times, such investments may be in excess of the FDIC insurance limit and securities are pledged to cover that excess. At December 31, 2015, the carrying amount of deposits was \$497,268 and the bank balance was \$511,474. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$274,886 was covered by federal depository insurance and the balance of \$236,588 was collateralized with securities held by the pledging financial institutions' agents in the City's name. Accounts receivable are for services provided to persons in the three-county service area and grants receivable from the Kansas Department of Aging and Disability Services (KDADS). As such, the Organization has a concentration of credit risk in accounts receivable at December 31, 2015 of \$1,057,783.

7. CASH FLOW INFORMATION

The Organization had no noncash financing transactions. All short-term investments with an original maturity of three months or less are cash equivalents.

The Organization has investment assets held at Country Club Trust Company that are valued at a fair value of \$726,571.

THE GUIDANCE CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

8. DEFINED BENEFIT PENSION PLAN

The Organization participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERs issues a publically available financial report that includes financial statements and required supplementary information. KPERs' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERs website at www.kpers.org or by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERs member-employee contribution rates. KPERs has multiple benefit structures and contribution rates depending on whether the employee is a KPERs 1, KPERs 2 or KPERs 3 member. KPERs 1 members are active and contributing members hired before July 1, 2009. KPERs 2 members were first employed in a covered position on or after July 1, 2009, and KPERs 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERs member-employee contribution rate at 6% of covered salary for KPERs 1, KPERs 2 and KPERs 3 members. Member contributions are withheld by their employer and paid to KPERs according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERs 1 and KPERs 2 and KPERs 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.48% for the fiscal year ended December 31, 2015. Contributions to the pension plan from Organization were \$615,481 for the year ended December 31, 2015. The Organization's contributions to the pension plan do not represent more than 5% of total contributions to the plan.

KPERs uses a measurement date of June 30, 2015, that is calculated by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. Significant actuarial assumptions utilized for the plan include a discount rate of 8%, an expected rate of investment return of 8%, and an expected rate of salary increase of 4% - 16%. As of June 30, 2015, KPERs has total assets of \$16,635,520,735 and accumulated benefit obligations of \$25,614,471,052 and the plan is 64.95% funded.

9. ECONOMIC DEPENDENCE

A significant portion of the Organization's revenue is from government program payments. Any material delay or reduction in these payments would have a negative impact on the Organization's operating results.

10. DISCLOSURE OF SUBSEQUENT EVENTS

During the year ended December 31, 2015, the entity evaluated subsequent events through April 20, 2016, and no subsequent events requiring disclosure in the financial statements were noted. The financial statements were available to be issued on April 20, 2016.

THE GUIDANCE CENTER, INC.

SCHEDULE OF REVENUES AND EXPENDITURES BY
GRANT AWARD - BUDGET AND ACTUAL
For the Year Ended December 31, 2015

Consolidated Service Grant Program (MHRC) 07-019
Grant Period from July 1, 2014 to June 30, 2015

	Budget	Actual		Total
		July 1, 2014 to December 31, 2014	January 1, 2015 to June 30, 2015	
Revenues:				
Federal Block Grant	\$ 69,861	\$ 34,930	\$ 34,931	\$ 69,861
Mental Health Reform	276,711	138,356	138,355	276,711
Governor's Mental Health Initiative	126,469	63,234	63,235	126,469
Regional Recovery Center	184,192	92,096	92,096	184,192
Total Revenues	<u>\$ 657,233</u>	<u>\$ 328,616</u>	<u>\$ 328,617</u>	<u>\$ 657,233</u>
Expenditures:				
Federal Block Grant	\$ 69,861	\$ 34,930	\$ 34,931	\$ 69,861
Mental Health Reform	276,711	138,356	138,355	276,711
Governor's Mental Health Initiative	126,469	63,234	63,235	126,469
Regional Recovery Center	184,192	92,096	92,096	184,192
Total Expenditures	<u>\$ 657,233</u>	<u>\$ 328,616</u>	<u>\$ 328,617</u>	<u>\$ 657,233</u>

Consolidated Service Grant Program (MHRC) 07-019
Grant Period from July 1, 2015 to June 30, 2016

	Budget	Actual		Total
		July 1, 2015 to December 31, 2015	January 1, 2016 to June 30, 2016	
Revenues:				
Federal Block Grant	\$ 69,861	\$ 34,930	\$ 34,931	\$ 69,861
Mental Health Reform	276,711	138,356	138,355	276,711
Governor's Mental Health Initiative	126,469	63,234	63,235	126,469
Regional Recovery Center	183,348	91,674	91,674	183,348
Total Revenues	<u>\$ 656,389</u>	<u>\$ 328,194</u>	<u>\$ 328,195</u>	<u>\$ 656,389</u>
Expenditures:				
Federal Block Grant	\$ 69,861	\$ 34,930	\$ 34,931	\$ 69,861
Mental Health Reform	276,711	138,356	138,355	276,711
Governor's Mental Health Initiative	126,469	63,234	63,235	126,469
Regional Recovery Center	183,348	91,674	91,674	183,348
Total Expenditures	<u>\$ 656,389</u>	<u>\$ 328,194</u>	<u>\$ 328,195</u>	<u>\$ 656,389</u>

See independent auditor's report on the financial statements.

THE GUIDANCE CENTER, INC.

BOARD OF DIRECTORS

December 31, 2015

Dr. Paul Moccia
1103 S. 4th St.
Atchison, KS 66002

Jerry Gies, Secretary
722 S. Broadway
Leavenworth, KS 66048

Pat Happer
525 Delaware Dr.
Ozawkie, KS 66070

Jim Krone
524 T St.
Atchison, KS 66002

Loren Lutes, Treasurer
105 Grandview Ct.
Ozawkie, KS 66070

Jay Byrne, President
1030 Wellington Dr.
Leavenworth, KS 66048

Laura Batson
969 Clearview Dr.
Lansing, KS 66043

Tim Marshall
9828 Greenview Dr.
Meriden, KS 66512

Joshua Snyder
1106 Parallel
Atchison, KS 66002

Ron Langston
19821 K4 Hwy
Nortonville, KS 66060

Aggie Asher, Vice President
14862 286th Road
Atchison, KS 66002

Dr. Stephen Meirose
800 Ravenhill Dr.
Atchison, KS 66002



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

Board of Directors
The Guidance Center, Inc.
Leavenworth, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guidance Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Guidance Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards."

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mike Houser: Company PA

Certified Public Accountants
Lawrence, KS

April 20, 2016