

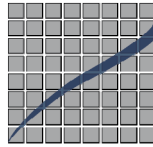
**SAN LUIS VALLEY
COMMUNITY MENTAL HEALTH
CENTER, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2023

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

San Luis Valley Community Mental Health Center, Inc.

Alamosa, Colorado

We have audited the accompanying financial statements of San Luis Valley Community Mental Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Luis Valley Community Mental Health Center, Inc. as of June 30, 2023, 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 ("US GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

DRAFT ONLY, NOT FOR DISTRIBUTION

Colorado Springs, Colorado

[REPORT DATE PENDING]

SAN LUIS VALLEY COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Cash and equivalents	\$ 3,909,038
Investments	3,000,090
Government grants receivable	922,981
Other receivables	3,983
Due from Health Colorado, Inc.	38,655
Prepaid expenses and other assets	4,456
Investment in Health Colorado, Inc.	1,085,366
Total assets	<u>\$ 8,964,569</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 720,347
Due to affiliates	36,754
Total liabilities	<u>757,101</u>
Net assets:	
Without donor restrictions	7,284,487
With donor restrictions	922,981
Total net assets	<u>8,207,468</u>
Total liabilities and net assets	<u>\$ 8,964,569</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

SAN LUIS VALLEY COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Client service revenue	\$ 12,114,783	\$ -	\$ 12,114,783
Government grants	4,141,532	922,981	5,064,513
Contributions and other grants	279,407	-	279,407
Other income	356,194	-	356,194
Investment income, net	6,844	-	6,844
Total support and revenue	<u>16,898,760</u>	<u>922,981</u>	<u>17,821,741</u>
<u>RECLASSIFICATIONS</u>			
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
<u>EXPENSES</u>			
Program services	12,717,929	-	12,717,929
General and administrative	<u>2,957,806</u>	<u>-</u>	<u>2,957,806</u>
Total expenses	<u>15,675,735</u>	<u>-</u>	<u>15,675,735</u>
Change in net assets	1,223,025	922,981	2,146,006
Net assets, beginning of year	<u>6,061,462</u>	<u>-</u>	<u>6,061,462</u>
Net assets, end of year	<u><u>\$ 7,284,487</u></u>	<u><u>\$ 922,981</u></u>	<u><u>\$ 8,207,468</u></u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

**SAN LUIS VALLEY COMMUNITY MENTAL HEALTH CENTER,
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	Program Services	General and Administrative	Total
Salaries and wages	\$ 8,373,711	\$ 1,786,062	\$10,159,773
Employee benefits	1,680,556	329,021	2,009,577
Payroll taxes	606,393	125,196	731,589
Client costs	273,982	-	273,982
Information technology	541,155	115,068	656,223
Licenses, fees, and dues	114,149	13,745	127,894
Occupancy	636,279	72,545	708,824
Purchased services	20,890	204,101	224,991
Travel	272,697	75,292	347,989
Other operating	198,117	236,776	434,893
Total expenses	<u>\$ 12,717,929</u>	<u>\$ 2,957,806</u>	<u>\$15,675,735</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

SAN LUIS VALLEY COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF CASH FLOWS
JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 2,146,006
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Net realized and unrealized (gains) losses	(90)
(Increase) decrease in assets:	
Government grants receivable	(75,898)
Other receivables	(3,983)
Due from Health Colorado, Inc.	85,015
Prepaid expenses and other assets	13,534
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(165,171)
Due to affiliates	(12,513)
Net cash flows from operating activities	<u>1,986,900</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	<u>(3,000,000)</u>
Net cash flows from investing activities	<u>(3,000,000)</u>
Net change in cash and equivalents	(1,013,100)
Cash and equivalents, beginning of year	<u>4,922,138</u>
Cash and equivalents, end of year	<u><u>\$ 3,909,038</u></u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

SAN LUIS VALLEY COMMUNITY MENTAL HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

San Luis Valley Community Mental Health Center, Inc. ("Organization") is organized as a nonprofit organization under statutes of the State of Colorado. The Organization has been granted exemption from taxation under Section 501(c)(3) of the Internal Revenue Code. The Organization serves six counties in the San Luis Valley area of Colorado providing behavioral health and substance use disorder counseling and treatment services.

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

New accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASC Topic 842"), which replaces numerous requirements in US GAAP and requires organizations to recognize lease assets and lease liabilities on the statement of financial position. On July 1, 2022, the Organization adopted the requirements of ASC Topic 842 and the amendments related thereto, and applied the new requirements to all contracts using the modified retrospective method. Upon adoption of ASC Topic 842, management determined no material adjustment to net assets was required.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Organization maintains its cash and equivalents in financial institutions that, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times during the year, cash may exceed the federally insured amount. This risk is managed by maintaining deposits with high-quality financial institutions. The Organization does not anticipate nonperformance by these institutions.

See independent auditor's report.

SAN LUIS VALLEY COMMUNITY MENTAL HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Government grants receivable

Government grants receivable, all of which are due within one year, consist of promises to give and are recognized as revenue and support in the period the promises are made. Government grants receivable are stated at the amount the Organization expects to collect. The Organization considers all grants receivable to be fully collectable as of June 30, 2023.

Investments

Investments having a readily determinable fair value are carried at fair value. Interest and dividends are recorded on the accrual basis. Gains and losses are recognized when incurred and included in the statement of activities. Donated investments are recognized at the estimated fair value on the date of the donation.

Net assets

The financial statements present information regarding the financial position and statements of activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions consist of resources available for use in operations and those resources invested in property and equipment. Net assets with donor restrictions consist of resources restricted by donors as to purpose or by the passage of time. As of June 30, 2023, the Organization had \$922,981 of net assets with donor restrictions.

Client service revenue

The Organization recognizes revenue in the period in which it satisfies performance obligations under the contract by providing the promised services to clients in amounts that the Organization expects to be entitled to in exchange for providing client care. Revenues are recognized as performance obligations are satisfied, which varies based on the nature of services provided. The Organization's performance obligation is the delivery of client care services in accordance with the nature and frequency of services outlined in a client treatment plan as determined by a clinician based on a client's specific needs.

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. This method is a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to clients receiving care. The Organization measures the performance obligation through visits with the client up to the point when it is no longer required to provide services to that client.

See independent auditor's report.

SAN LUIS VALLEY COMMUNITY MENTAL HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

The Organization grants credit without collateral to its clients. The healthcare services the Organization provides are often covered by third-party payors, such as Medicaid and various insurance providers. At times, clients pay all or a portion of these service costs themselves. The Organization records client service revenue at the estimated net realizable amounts the Organization expects to collect from clients and third-party payors.

The Organization has agreements with a variety of third-party payors that provide for payments at amounts different from the Organization's established rates. The services rendered to Medicaid program beneficiaries are paid at prospectively determined rates.

The Organization has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment under these agreements includes prospectively determined rates per treatment, discounts from established charges, and prospectively determined rates.

For the year ended June 30, 2023, approximately 95% of client service revenue is from participation in the state-sponsored Medicaid program.

Charity Care

The Organization provides care without charge or at amounts less than established rates to clients who meet certain criteria based on the Organization's sliding fee discount program. Client service revenue is recorded net of any charity care component determined under these guidelines.

Contributions, government grants, and other grants

In accordance with US GAAP, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions, if applicable. Contribution revenue is recognized when cash is received, when unconditional promises are made, or when ownership of contributed assets is transferred to the Organization. Contributions whose restrictions are satisfied in the same reporting period are reported as contributions without donor restrictions.

Functional expense allocation

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. These expenses require allocation on a reasonable basis that is consistently applied. Any costs that could be directly assigned to a specific function are allocated to that function. The expenses that are allocated include salaries and wages, which are allocated based on an estimate of time and effort spent, and occupancy, which are allocated based on an estimate of square footage.

See independent auditor's report.

SAN LUIS VALLEY COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the year ended June 30, 2023 totaled \$47,146.

Income taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("Code") and is not a private foundation under Section 509(a)(2) of the Code. The Organization evaluates the effect of uncertain tax positions, if any, and provides for those positions in accordance with the provisions of FASB ASC Topic 450, *Contingencies*. No tax accrual for uncertain tax positions has been recorded as management believes there are no uncertain tax positions for the Organization.

Subsequent events

Management has evaluated subsequent events through the date of the attached independent auditor's report, the date on which the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet cash needs for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following as of June 30, 2023:

Financial assets at year end:	
Cash and equivalents	\$ 3,909,038
Government grants receivable	922,981
Other receivables	3,983
Due from Health Colorado, Inc.	<u>38,655</u>
 Total financial assets	 4,874,657
 Less amounts unavailable for general expenditures within one year due to:	
Net assets with donor restrictions	<u>(922,981)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 3,951,676</u></u>

As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

See independent auditor's report.

SAN LUIS VALLEY COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

3. INVESTMENTS AND FAIR VALUE MEASUREMENT

US GAAP defines fair value and establishes a framework for measuring fair value and disclosure regarding fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the term "price" refers to the exit price as opposed to the entry price, which is the price paid to acquire the asset or received to assume the liability. US GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value.

Fair value of assets measured on a recurring basis consisted of money market funds, at cost, totaling \$3,000,090 as of June 30, 2023.

4. RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan ("Plan") covering all eligible employees. Employees may make contributions to the Plan up to the maximum allowed by the Internal Revenue Code and the Organization matches 100% of the first 5% of employee deferrals. The Organization's contributions to the Plan for the year ended June 30, 2023 totaled \$344,447.

5. NET ASSETS

Net assets with donor restrictions consist of the following as of June 30, 2023:

Government grants receivable - restricted	<u>\$ 922,981</u>
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6. RELATED PARTY TRANSACTIONS

The Organization leases buildings, vehicles, and equipment from San Luis Valley Asset Management Corporation, an affiliated member of San Luis Valley Behavioral Health Group, Inc. The amount of lease expense was \$359,208 for the year ended June 30, 2023.

7. CONCENTRATIONS

For the year ended June 30, 2023, approximately 64% of the Organization's revenues were the result of the contract with Health Colorado, Inc. to provide behavioral health and substance abuse services for Medicaid eligible clients who qualify for these services.

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See independent auditor's report.