



SAN LUIS VALLEY

Behavioral Health Group

Dedicated to Hope, Healing and Recovery

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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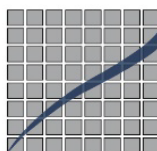
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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

San Luis Valley Behavioral Health Group, Inc.

Alamosa, Colorado

Opinion

We have audited the accompanying consolidated financial statements of San Luis Valley Behavioral Health Group, Inc. and its members (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 accounting principles generally accepted in the United States of America, 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 the 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 Responsibilities 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 audits.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, 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 been subjected to the auditing procedures applied in the audits 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.

DRAFT ONLY, NOT FOR DISTRIBUTION

Colorado Springs, Colorado

[REPORT DATE PENDING]

DRAFT

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash and equivalents	\$ 5,102,835	\$ 5,486,502
Investments	12,168,632	8,879,883
Government grants receivable	659,898	922,981
Other receivables	12,528	10,171
Due from Health Colorado, Inc.	210,498	38,655
Prepaid expenses and other assets	42,541	27,646
Notes receivable	1,241,543	1,350,000
Investment in Health Colorado, Inc.	1,085,366	1,085,366
Property and equipment, net	6,984,124	7,009,934
Finance right-of-use assets, net	432,298	-
Total assets	<u>\$ 27,940,263</u>	<u>\$ 24,811,138</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 772,722	\$ 739,369
Deferred revenue	1,440	3,596
Finance lease liabilities	427,286	-
Total liabilities	<u>1,201,448</u>	<u>742,965</u>
Net assets:		
Without donor restrictions:		
Operating	19,094,793	16,135,258
Net equity in property and equipment	6,984,124	7,009,934
Total net assets without donor restrictions	26,078,917	23,145,192
With donor restrictions	659,898	922,981
Total net assets	<u>26,738,815</u>	<u>24,068,173</u>
Total liabilities and net assets	<u>\$ 27,940,263</u>	<u>\$ 24,811,138</u>

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

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Client service revenue	\$ 12,285,948	\$ -	\$ 12,285,948
Government grants	4,439,892	659,898	5,099,790
Lease income	364,872	-	364,872
Other income	121,938	-	121,938
Investment income, net	949,454	-	949,454
Gain on sale of assets	110,886	-	110,886
Total support and revenue	<u>18,272,990</u>	<u>659,898</u>	<u>18,932,888</u>
<u>RECLASSIFICATIONS</u>			
Net assets released from restrictions	<u>922,981</u>	<u>(922,981)</u>	<u>-</u>
<u>EXPENSES</u>			
Program services	12,947,175	-	12,947,175
General and administrative	<u>3,315,071</u>	<u>-</u>	<u>3,315,071</u>
Total expenses	<u>16,262,246</u>	<u>-</u>	<u>16,262,246</u>
Change in net assets	2,933,725	(263,083)	2,670,642
Net assets, beginning of year	<u>23,145,192</u>	<u>922,981</u>	<u>24,068,173</u>
Net assets, end of year	<u><u>\$ 26,078,917</u></u>	<u><u>\$ 659,898</u></u>	<u><u>\$ 26,738,815</u></u>

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

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND REVENUE</u>			
Client service revenue	\$ 12,114,783	\$ -	\$ 12,114,783
Government grants	4,420,939	922,981	5,343,920
Lease income	401,799	-	401,799
Other income	366,469	-	366,469
Investment income, net	205,843	-	205,843
Loss on sale of assets	(89,640)	-	(89,640)
Total support and revenue	17,420,193	922,981	18,343,174
<u>RECLASSIFICATIONS</u>			
Net assets released from restrictions	-	-	-
<u>EXPENSES</u>			
Program services	12,906,386	-	12,906,386
General and administrative	3,087,544	-	3,087,544
Total expenses	15,993,930	-	15,993,930
Change in net assets	1,426,263	922,981	2,349,244
Net assets, beginning of year	21,718,929	-	21,718,929
Net assets, end of year	<u>\$ 23,145,192</u>	<u>\$ 922,981</u>	<u>\$ 24,068,173</u>

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

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services	General and Administrative	Total
Salaries and wages	\$ 8,154,345	\$ 1,821,829	\$ 9,976,174
Employee benefits	1,892,172	379,324	2,271,496
Payroll taxes	622,329	134,521	756,850
Advertising and marketing	-	59,163	59,163
Client costs	143,601	-	143,601
Conferences, trainings, and meetings	59,422	42,546	101,968
Depreciation and amortization	374,199	116,199	490,398
Information technology	553,886	139,890	693,776
Insurance	28,518	67,206	95,724
Interest	28,756	-	28,756
Licenses, fees, and dues	115,618	102,871	218,489
Occupancy	473,035	113,730	586,765
Office	203,715	7,674	211,389
Purchased services	42,798	234,422	277,220
Travel	245,530	54,159	299,689
Other operating expenses	9,251	41,537	50,788
Total expenses	<u>\$ 12,947,175</u>	<u>\$ 3,315,071</u>	<u>\$ 16,262,246</u>
Percentage of total expenses	<u>80%</u>	<u>20%</u>	<u>100%</u>

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should be read with these consolidated financial statements.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.
CONSOLIDATED 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
Advertising and marketing	-	47,146	47,146
Client costs	273,982	-	273,982
Conferences, trainings, and meetings	58,683	29,373	88,056
Depreciation and amortization	340,498	181,646	522,144
Information technology	417,046	92,567	509,613
Insurance	28,661	56,798	85,459
Licenses, fees, and dues	114,149	16,460	130,609
Occupancy	537,084	68,233	605,317
Office	214,409	48,426	262,835
Purchased services	20,890	204,101	224,991
Travel	233,640	52,721	286,361
Other operating expenses	6,684	49,794	56,478
Total expenses	<u>\$ 12,906,386</u>	<u>\$ 3,087,544</u>	<u>\$ 15,993,930</u>
Percentage of total expenses	<u>81%</u>	<u>19%</u>	<u>100%</u>

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

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,670,642	\$ 2,349,244
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	434,623	522,144
Amortization of finance right-of-use assets	55,775	-
(Gain) loss on sale of property and equipment	(110,886)	89,640
Net realized and unrealized (gains) losses	(439,021)	(150,645)
(Increase) decrease in operating assets:		
Government grants receivable	263,083	(75,898)
Other receivables	(2,357)	(10,171)
Prepaid expenses and other assets	(14,895)	26,767
Due from Health Colorado, Inc.	(171,843)	85,015
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	33,353	(166,991)
Deferred revenue	(2,156)	(7,207)
Net cash flows from operating activities	<u>2,716,318</u>	<u>2,661,898</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(2,860,484)	(3,500,000)
Collections on notes receivable	108,457	80,000
Proceeds from sales of property and equipment	115,495	106,750
Purchases of property and equipment	<u>(413,422)</u>	<u>(145,427)</u>
Net cash flows from investing activities	<u>(3,049,954)</u>	<u>(3,458,677)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on finance lease liabilities	<u>(50,031)</u>	<u>-</u>
Net cash flows from financing activities	<u>(50,031)</u>	<u>-</u>
Net change in cash and equivalents	(383,667)	(796,779)
Cash and equivalents, beginning of year	<u>5,486,502</u>	<u>6,283,281</u>
Cash and equivalents, end of year	<u><u>\$ 5,102,835</u></u>	<u><u>\$ 5,486,502</u></u>

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

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
<u>SUPPLEMENTARY DISCLOSURES OF NON-CASH</u> <u>INVESTING AND FINANCING ACTIVITIES</u>		
Proceeds from sale of property and equipment	\$ 115,495	\$ 456,750
Less: sales funded with a note receivable	-	(350,000)
Cash received for sale of property and equipment	<u>\$ 115,495</u>	<u>\$ 106,750</u>
Cash paid for interest	<u>\$ 28,756</u>	<u>\$ 4,458</u>

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

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

1. ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizations

San Luis Valley Behavioral Health Group, Inc. 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. San Luis Valley Behavioral Health Group, Inc. serves six counties in the San Luis Valley area of Colorado providing behavioral health and substance use disorder counseling and treatment services.

Principles of consolidation

The organization maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

The consolidated financial statements include the accounts of San Luis Valley Behavioral Health Group, Inc. and its members, San Luis Valley Mental Community Health Center, Inc. and San Luis Valley Asset Management Corporation, after all material intercompany accounts and transactions have been eliminated.

San Luis Valley Behavioral Health Group, Inc. and its members are collectively referred to hereafter as the "Organization".

Use of estimates

The preparation of consolidated 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.

Newly adopted accounting policies

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses* ("ASC Topic 326"). This ASU revises how organizations account for credit losses for most financial assets. On July 1, 2023, the Organization adopted the requirements of ASC Topic 326. The adoption of ASC Topic 326 did not have a material impact on the Organization's financial statements.

Cash and equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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.

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.

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, 2024 and 2023. Accordingly, no allowance for doubtful accounts has been recorded.

Other receivables and allowance for credit losses

Other receivables are unsecured and stated at the amount the Organization expects to collect. As of June 30, 2024 and 2023, management considers other receivables to be fully collectable. Accordingly, no allowance for credit losses has been recorded.

Property and equipment

All acquisitions of property and equipment in excess of \$5,000 that materially prolong the useful lives of assets are capitalized and recorded at cost, or fair value, if donated. Property and equipment are recorded at cost and depreciated over estimated useful lives using the straight-line method as follows:

Vehicles	5 years
Buildings and improvements	5 - 40 years

Leases

Management determines if an arrangement is a lease at inception of the arrangement. Under ASC Topic 842, the Organization elected certain practical expedients permitted under the transition guidance that allowed the Organization not to reassess: (1) whether expired or previously existing contracts are or contain leases, (2) lease classification for expired or previously existing leases, and (3) initial direct costs for expired or previously existing leases.

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

For leases that do not state or imply an interest rate, the Organization elected a practical expedient to use a risk-free rate based on asset composition.

The Organization elected to account for all leases with original terms of 12 months or less as short-term leases, which are expensed over the term of the lease and do not require recognition of right-of-use assets or lease liabilities.

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.

Client service revenue

The Organization recognizes revenue in the period 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.

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, Medicare, and commercial insurance. 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 rates calculated using a weighted unit cost methodology.

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

For the years ended June 30, 2024 and 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 and government 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 with donor restrictions that are met in the same reporting period as the contribution is recognized are reported as contributions without donor restrictions. When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional expense allocation

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. The financial statements report certain categories of expenses that are attributable to one or more program or supporting function. Therefore, 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 personnel costs, which are allocated based on an estimate of time and effort spent, and occupancy, which is allocated based on an estimate of square footage.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2024 and 2023 totaled \$59,163 and \$47,146, respectively.

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Income tax

The Organization is exempt from income taxes 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 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.

Reclassifications

Certain prior year balances and amounts have been reclassified to conform to the current year presentation.

Subsequent events

Management has evaluated subsequent events through the date of the attached independent auditor's report, the date on which the consolidated 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 consolidated statement of financial position date, comprise the following on June 30,:

	2024	2023
Financial assets at year end:		
Cash and equivalents	\$ 5,102,835	\$ 5,486,502
Investments	12,168,632	8,879,883
Government grants receivable	659,898	922,981
Other receivables	12,528	10,171
Due from Health Colorado, Inc.	210,498	38,655
Current portion of notes receivable	40,732	34,614
Total financial assets	18,195,123	15,372,806
Less amounts unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	(659,898)	(922,981)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,535,225</u>	<u>\$ 14,449,825</u>

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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.

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.

US GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities that are based on inputs not quoted in active markets that can be corroborated by observable market data

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

The fair value of equities, exchange traded funds, and mutual funds is based on quoted market prices and other relevant information generated by market transactions.

The fair value of fixed income securities is based on their face values and the current interest rate environment.

Mutual funds are valued at the daily closing price as reported by the fund. The funds are open-end mutual funds that are registered with the Securities and Exchange Commission ("SEC"). These funds are required to publish their daily net asset value ("NAV") and to transact at that price.

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Fair value of assets measured on a recurring basis is as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Equities	\$ 5,486,608	\$ 4,519,277
Mutual funds	-	105,500
Fixed income securities	6,648,415	550,000
Other securities	<u>14,337</u>	<u>134,385</u>
Total investments, at fair value	12,149,360	5,309,162
Money market funds, at cost	<u>19,272</u>	<u>3,570,721</u>
Total investments	<u><u>\$ 12,168,632</u></u>	<u><u>\$ 8,879,883</u></u>

Management has determined that all investments at June 30, 2024 and 2023 are classified as Level 1 according to the valuation hierarchy.

Total investment income consists of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 521,189	\$ 313,757
Net realized and unrealized gains (losses)	<u>428,265</u>	<u>(107,914)</u>
	<u><u>\$ 949,454</u></u>	<u><u>\$ 205,843</u></u>

4. NOTES RECEIVABLE

During the year ended June 30, 2023, the Organization entered into a note receivable agreement with an unrelated company in the amount of \$1,000,000; payable in monthly installments of \$6,000 for both principal and interest; maturing on June 2033; and bearing interest at a rate of 5.50% per annum. As of June 30, 2024 and 2023, the balance outstanding on the note receivable totaled \$933,336 and \$1,000,000, respectively.

During the year ended June 30, 2023, the Organization entered into an additional note receivable with the same unrelated company in the amount of \$350,000; payable in monthly installments of \$3,000 for both principal and interest; maturing on June 2033; and bearing interest at a rate of 5.50% per annum. As of June 30, 2024 and 2023, the balance outstanding on the note receivable totaled \$308,207 and \$350,000, respectively.

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Future maturities of the notes receivable are as follows for the years ending June 30:

2025	\$	40,732
2026		43,029
2027		45,456
2028		48,020
2029		50,730
Thereafter		<u>1,013,576</u>
	\$	<u><u>1,241,543</u></u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Buildings	\$ 9,989,507	\$ 10,231,195
Vehicles	<u>590,967</u>	<u>757,100</u>
Gross depreciable property and equipment	10,580,474	10,988,295
Accumulated depreciation	<u>(4,672,510)</u>	<u>(5,054,521)</u>
	5,907,964	5,933,774
Land	<u>1,076,160</u>	<u>1,076,160</u>
Property and equipment, net	<u><u>\$ 6,984,124</u></u>	<u><u>\$ 7,009,934</u></u>

Depreciation expense for the years ended June 30, 2024 and 2023 totaled \$434,623 and \$522,144, respectively.

6. LEASES

The Organization leases vehicles under long-term, non-cancelable finance leases. The leases expire on various dates through May 2029. The lease agreements require monthly payments ranging from \$406 to \$1,031.

A summary of lease expense is as follows for the year ended June 30, 2024:

Finance lease expense:	
Amortization of right-of-use assets	\$ 55,775
Interest on lease liabilities	<u>28,756</u>
Total	<u><u>\$ 84,531</u></u>

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Future maturities of lease liabilities are as follows for the years ending:

<u>June 30,</u>	
2025	\$ 132,603
2026	132,603
2027	132,603
2028	102,201
2029	<u>55,007</u>
Total minimum lease payments	555,017
Less amount representing interest	<u>(127,731)</u>
Present value of operating lease liabilities	<u><u>\$ 427,286</u></u>

Other information with respect to leases is as follows as of and for the year ended June 30, 2024:

Right-of-use assets obtained in exchange for new lease liabilities	\$ 497,316
Weighted-average remaining lease term (years)	4.26
Weighted-average discount rate	0.13%

7. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Government grants receivable - time restricted	<u>\$ 659,898</u>	<u>\$ 922,981</u>

8. INVESTMENTS IN THIRD PARTIES

The Organization utilizes the cost basis method of accounting for investments in Health Colorado, Inc. Under this method, the Organization's investments are held at historical costs. Investments consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Health Colorado, Inc.	<u>\$ 1,085,366</u>	<u>\$ 1,085,366</u>

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

9. LINE OF CREDIT

The Organization has a secured revolving line of credit with San Luis Valley Federal Bank in the amount of \$1,000,000, with a variable interest rate, maturing on January 6, 2031. There is no outstanding balance as of June 30, 2024 and 2023.

10. 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 provides a safe harbor match. For the years ended June 30, 2024 and 2023, employer contributions to the Plan totaled \$360,334 and \$344,447, respectively.

11. RELATED PARTY TRANSACTIONS

San Luis Valley Community Mental Health Center, Inc. leases buildings, vehicles, and equipment from San Luis Valley Asset Management Corporation. For the years ended June 30, 2024 and 2023, lease expense totaled \$408,704 and \$359,209, respectively. The intercompany lease income and expense has been eliminated in the consolidation.

12. CONCENTRATIONS

For the years ended June 30, 2024 and 2023, approximately 66% and 64%, respectively, 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.

SUPPLEMENTARY INFORMATION

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2024

	Mental Health Center	Asset Management Corp	Behavioral Health Group	Total Pre- Consolidated	Eliminations	Total Consolidated
<u>ASSETS</u>						
Cash and equivalents	\$ 3,784,919	\$ 1,317,916	\$ -	\$ 5,102,835	\$ -	\$ 5,102,835
Investments	5,108,451	7,060,181	-	12,168,632	-	12,168,632
Government grants receivable	659,898	-	-	659,898	-	659,898
Other receivables	6,838	5,690	-	12,528	-	12,528
Due from Health Colorado, Inc.	210,498	-	-	210,498	-	210,498
Due from affiliates	-	46,081	-	46,081	(46,081)	-
Prepaid expenses and other assets	10,988	31,553	-	42,541	-	42,541
Notes receivable	-	1,241,543	-	1,241,543	-	1,241,543
Investment in Health Colorado, Inc.	1,085,366	-	-	1,085,366	-	1,085,366
Property and equipment, net	-	6,984,124	-	6,984,124	-	6,984,124
Finance right-of-use assets, net	-	432,298	-	432,298	-	432,298
Total assets	\$ 10,866,958	\$ 17,119,386	\$ -	\$ 27,986,344	\$ (46,081)	\$ 27,940,263
<u>LIABILITIES AND NET ASSETS</u>						
Liabilities:						
Accounts payable and accrued expenses	\$ 764,352	\$ 8,370	\$ -	\$ 772,722	\$ -	\$ 772,722
Due to affiliates	46,081	-	-	46,081	(46,081)	-
Deferred revenue	540	900	-	1,440	-	1,440
Finance lease liabilities	-	427,286	-	427,286	-	427,286
Total liabilities	810,973	436,556	-	1,247,529	(46,081)	1,201,448
Net assets:						
Without donor restrictions:						
Operating	9,396,087	9,698,706	-	19,094,793	-	19,094,793
Net equity in property and equipment	-	6,984,124	-	6,984,124	-	6,984,124
Total net asset without donor restrictions	9,396,087	16,682,830	-	26,078,917	-	26,078,917
With donor restrictions	659,898	-	-	659,898	-	659,898
Total net assets	10,055,985	16,682,830	-	26,738,815	-	26,738,815
Total liabilities and net assets	\$ 10,866,958	\$ 17,119,386	\$ -	\$ 27,986,344	\$ (46,081)	\$ 27,940,263

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2023

	Mental Health Center	Asset Management Corp	Behavioral Health Group	Total Pre- Consolidated	Eliminations	Total Consolidated
<u>ASSETS</u>						
Cash and equivalents	\$ 3,909,038	\$ 1,577,464	\$ -	\$ 5,486,502	\$ -	\$ 5,486,502
Investments	3,000,090	5,879,793	-	8,879,883	-	8,879,883
Government grants receivable	922,981	-	-	922,981	-	922,981
Other receivables	3,983	6,188	-	10,171	-	10,171
Due from Health Colorado, Inc.	38,655	-	-	38,655	-	38,655
Due from affiliates	-	36,754	-	36,754	(36,754)	-
Prepaid expenses and other assets	4,456	23,190	-	27,646	-	27,646
Notes receivable	-	1,350,000	-	1,350,000	-	1,350,000
Investment in Health Colorado, Inc.	1,085,366	-	-	1,085,366	-	1,085,366
Property and equipment, net	-	7,009,934	-	7,009,934	-	7,009,934
Total assets	<u>\$ 8,964,569</u>	<u>\$ 15,883,323</u>	<u>\$ -</u>	<u>\$ 24,847,892</u>	<u>\$ (36,754)</u>	<u>\$ 24,811,138</u>
<u>LIABILITIES AND NET ASSETS</u>						
Liabilities:						
Accounts payable and accrued expenses	\$ 720,347	\$ 19,022	\$ -	\$ 739,369	\$ -	\$ 739,369
Due to affiliates	36,754	-	-	36,754	(36,754)	-
Deferred revenue	-	3,596	-	3,596	-	3,596
Total liabilities	<u>757,101</u>	<u>22,618</u>	<u>-</u>	<u>779,719</u>	<u>(36,754)</u>	<u>742,965</u>
Net assets:						
Without donor restrictions:						
Operating	7,284,487	8,850,771	-	16,135,258	-	16,135,258
Net equity in property and equipment	-	7,009,934	-	7,009,934	-	7,009,934
Total net asset without donor restrictions	<u>7,284,487</u>	<u>15,860,705</u>	<u>-</u>	<u>23,145,192</u>	<u>-</u>	<u>23,145,192</u>
With donor restrictions	<u>922,981</u>	<u>-</u>	<u>-</u>	<u>922,981</u>	<u>-</u>	<u>922,981</u>
Total net assets	<u>8,207,468</u>	<u>15,860,705</u>	<u>-</u>	<u>24,068,173</u>	<u>-</u>	<u>24,068,173</u>
Total liabilities and net assets	<u>\$ 8,964,569</u>	<u>\$ 15,883,323</u>	<u>\$ -</u>	<u>\$ 24,847,892</u>	<u>\$ (36,754)</u>	<u>\$ 24,811,138</u>

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	Mental Health Center	Asset Management Corp	Behavioral Health Group	Total Pre- Consolidated	Eliminations	Total Consolidated
<u>SUPPORT AND REVENUE</u>						
Client service revenue	\$ 12,285,948	\$ -	\$ -	\$ 12,285,948	\$ -	\$ 12,285,948
Government grants	5,099,790	-	-	5,099,790	-	5,099,790
Lease income	207,350	566,226	-	773,576	(408,704)	364,872
Other income	120,988	950	-	121,938	-	121,938
Investment income, net	198,021	751,433	-	949,454	-	949,454
Gain on sale of assets	-	110,886	-	110,886	-	110,886
Total support and revenue	17,912,097	1,429,495	-	19,341,592	(408,704)	18,932,888
<u>EXPENSES</u>						
Program services	12,867,372	406,766	-	13,274,138	(326,963)	12,947,175
General and administrative	3,196,208	200,604	-	3,396,812	(81,741)	3,315,071
Total expenses	16,063,580	607,370	-	16,670,950	(408,704)	16,262,246
Change in net assets	1,848,517	822,125	-	2,670,642	-	2,670,642
Net assets, beginning of year	8,207,468	15,860,705	-	24,068,173	-	24,068,173
Net assets, end of year	<u>\$ 10,055,985</u>	<u>\$ 16,682,830</u>	<u>\$ -</u>	<u>\$ 26,738,815</u>	<u>\$ -</u>	<u>\$ 26,738,815</u>

See independent auditor's report.

SAN LUIS VALLEY BEHAVIORAL HEALTH GROUP, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Mental Health Center	Asset Management Corp	Behavioral Health Group	Total Pre- Consolidated	Eliminations	Total Consolidated
<u>SUPPORT AND REVENUE</u>						
Client service revenue	\$ 12,114,783	\$ -	\$ -	\$ 12,114,783	\$ -	\$ 12,114,783
Government grants	5,343,920	-	-	5,343,920	-	5,343,920
Lease income	-	761,008	-	761,008	(359,209)	401,799
Other income	356,194	10,275	298,608	665,077	(298,608)	366,469
Investment income, net	6,844	198,999	-	205,843	-	205,843
Loss on sale of assets	-	(89,640)	-	(89,640)	-	(89,640)
Total support and revenue	<u>17,821,741</u>	<u>880,642</u>	<u>298,608</u>	<u>19,000,991</u>	<u>(657,817)</u>	<u>18,343,174</u>
<u>EXPENSES</u>						
Program services	12,717,931	433,297	-	13,151,228	(244,842)	12,906,386
General and administrative	2,957,804	542,715	-	3,500,519	(412,975)	3,087,544
Total expenses	<u>15,675,735</u>	<u>976,012</u>	<u>-</u>	<u>16,651,747</u>	<u>(657,817)</u>	<u>15,993,930</u>
Change in net assets	2,146,006	(95,370)	298,608	2,349,244	-	2,349,244
Net assets, beginning of year	<u>6,061,462</u>	<u>15,956,075</u>	<u>(298,608)</u>	<u>21,718,929</u>	<u>-</u>	<u>21,718,929</u>
Net assets, end of year	<u>\$ 8,207,468</u>	<u>\$ 15,860,705</u>	<u>\$ -</u>	<u>\$ 24,068,173</u>	<u>\$ -</u>	<u>\$ 24,068,173</u>

See independent auditor's report.