

**BEHAVIOR MANAGEMENT
SYSTEMS, INC. DBA
WEST RIVER MENTAL HEALTH
(A NON-PROFIT ORGANIZATION)**

Financial Statements

June 30, 2024 and 2023



Behavior Management Systems, Inc. dba West River Mental Health
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Independent Auditor's Report

Board of Directors
Behavior Management Systems, Inc. d/b/a West River Mental Health
Rapid City, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Behavior Management Systems, Inc. d/b/a West River Mental Health (a non-profit organization) (the Organization) which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our 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 for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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.

Other Matter - Prior Period Financial Statements

We have previously audited the Organization's financial statements as of June 30, 2023, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2023. The financial statements present, for informational purposes, the prior year balances as only a memorandum. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota
October 21, 2024

FINANCIAL STATEMENTS

BEHAVIOR MANAGEMENT SYSTEMS, INC.
DBA WEST RIVER MENTAL HEALTH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	----- WITHOUT DONOR RESTRICTIONS -----				
	UNDESIGNATED	BOARD DESIGNATED			
	General	Contingency	Capital and Program Development	Total	2023
Current Assets					
Cash and Cash Equivalents	\$ 611,649	\$ 1,360,069	\$ 68,724	\$ 2,040,442	\$ 635,093
Cash - Funds Held in Trust	118,165	-	-	118,165	314,527
Accounts Receivable	657,911	-	-	657,911	847,062
Prepaid Expenses	148,213	-	-	148,213	128,137
Total Current Assets	1,535,938	1,360,069	68,724	2,964,731	1,924,819
Property and Equipment					
Buildings	5,745,493	-	-	5,745,493	5,636,614
Furniture and Equipment	572,242	-	-	572,242	578,451
Vehicles	543,567	-	-	543,567	522,214
Leases - Right of Use Assets	48,495	-	-	48,495	60,620
Construction in Progress (Note 10)	683,000	-	-	683,000	-
	7,592,797	-	-	7,592,797	6,797,899
Less: Accumulated Depreciation	6,062,187	-	-	6,062,187	5,988,477
	1,530,610	-	-	1,530,610	809,422
Land	573,302	-	-	573,302	539,503
	2,103,912	-	-	2,103,912	1,348,925
Other Assets					
Capital Credits Receivable	43,015	-	-	43,015	41,924
Investments (Note 3)	-	604,680	2,632,389	3,237,069	5,971,245
Total Other Assets	43,015	604,680	2,632,389	3,280,084	6,013,169
TOTAL ASSETS	\$ 3,682,865	\$ 1,964,749	\$ 2,701,113	\$ 8,348,727	\$ 9,286,913
Current Liabilities					
Accounts Payable	\$ 274,663	\$ -	\$ -	\$ 274,663	\$ 275,703
Current Portion Lease Payable	11,130	-	-	11,130	10,194
Unearned Revenue	150,505	899,671	-	1,050,175	2,552,096
Funds Held in Trust	118,165	-	-	118,165	314,527
<i>Accrued Expenses:</i>					
Payroll	162,201	-	-	162,201	127,007
Health Insurance (Note 9)	7,092	-	-	7,092	93,756
Payroll Taxes	12,480	-	-	12,480	9,774
Other	21,637	-	-	21,637	17,397
Total Current Liabilities	757,873	899,671	-	1,657,544	3,400,454
Commitments (Note 7)					
Lease Payable	39,914	-	-	39,914	51,044
Net Assets - Without Donor Restrictions					
Undesignated	832,210	-	-	832,210	158,900
Designated by Board for Operating Reserve	-	1,065,078	-	1,065,078	44,329
Designated by Board for Capital Outlay	-	-	2,701,113	2,701,113	4,344,499
Invested in Property and Equipment, Net of Related Debt	2,052,868	-	-	2,052,868	1,287,687
Total Net Assets	2,885,078	1,065,078	2,701,113	6,651,269	5,835,415
TOTAL LIABILITIES AND NET ASSETS	\$ 3,682,865	\$ 1,964,749	\$ 2,701,113	\$ 8,348,727	\$ 9,286,913

The accompanying notes are an integral part of this statement.

BEHAVIOR MANAGEMENT SYSTEMS, INC.
DBA WEST RIVER MENTAL HEALTH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024 WITH MEMORANDUM TOTALS FOR THE YEAR ENDED JUNE 30, 2023

	----- WITHOUT DONOR RESTRICTIONS -----				
	UNDESIGNATED	BOARD DESIGNATED			Memorandum
			Capital and Program Development		Only
	General	Contingency		Total	2023 Total
Operating Revenues					
CMHS Block Grant & State Contract	\$ 5,322,255	\$ -	\$ -	\$ 5,322,255	\$ 3,914,511
Client Fees - Title XIX	3,646,696	-	-	3,646,696	4,115,998
Client Service Fees	1,000,891	-	-	1,000,891	850,482
Other Grants	2,193,524	-	-	2,193,524	813,078
Apartment Rentals (Note 8)	191,103	-	-	191,103	163,445
County Revenues	154,611	-	-	154,611	145,953
Total Operating Revenues	12,509,080	-	-	12,509,080	10,003,467
Operating Expenses					
<i>Program Services:</i>					
Care and Residential Services	2,136,028	-	-	2,136,028	2,573,541
Children's Services	2,298,871	-	-	2,298,871	2,601,157
Counseling Services	4,784,993	-	-	4,784,993	2,622,731
Addiction Services	957,064	-	-	957,064	1,004,413
Impact West	759,935	-	-	759,935	710,826
Apartments	128,423	-	-	128,423	123,989
<i>Supporting Services:</i>					
Administrative	1,530,767	-	5,326	1,536,093	1,589,162
Total Operating Expenses	12,596,081	-	5,326	12,601,407	11,225,819
Operating Income (Loss)	(87,001)	-	(5,326)	(92,327)	(1,222,352)
Other Revenue (Expense)					
Investment Return	12	520,787	226,811	747,610	533,117
Contributions	363	-	14,450	14,813	15,025
Nonfinancial Contributions (Note 11)	152,000	-	-	152,000	50,667
Miscellaneous Income	2,203	-	-	2,203	4,198
Insurance Proceeds	-	-	-	-	2,266
Loss on Disposal of Asset	-	-	(8,445)	(8,445)	(4,400)
Total Other Revenue	154,578	520,787	232,816	908,181	600,873
Increase (Decrease) in Net Assets	67,577	520,787	227,490	815,854	(621,479)
Net Assets - Beginning of Year	1,446,587	44,329	4,344,499	5,835,415	6,456,894
Operating Transfers In (Out)	1,370,914	499,962	(1,870,876)	-	-
Net Assets - End of Year	\$ 2,885,078	\$ 1,065,078	\$ 2,701,113	\$ 6,651,269	\$ 5,835,415

The accompanying notes are an integral part of this statement.

BEHAVIOR MANAGEMENT SYSTEMS, INC.
DBA WEST RIVER MENTAL HEALTH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024 WITH MEMORANDUM TOTALS FOR THE YEAR ENDED JUNE 30, 2023

	PROGRAM SERVICES						SUPPORTING SERVICES		Memorandum Only 2023 Total
	Care and Residential Services	Children's Services	Counseling Services	Addiction Services	Impact West	Apartments	Administrative	Total	
Salaries	\$ 1,396,756	\$ 1,446,533	\$ 3,093,936	\$ 590,263	\$ 520,477	\$ 7,902	\$ 992,506	\$ 8,048,373	\$ 7,691,940
Fringe Benefits	373,443	320,526	671,354	116,297	125,672	2,061	236,447	1,845,800	1,618,043
Psychiatric and Other									
Professional Fees	48,173	85,166	479,440	47,293	12,638	20,379	124,486	817,575	448,390
Equipment	67,224	206,580	135,363	30,748	24,300	5,412	33,006	502,633	333,263
Maintenance and Other	26,569	57,232	89,447	19,632	7,916	23,313	14,092	238,201	176,449
Travel and Transportation	79,710	63,263	8,276	15,396	25,801	15	32,580	225,041	219,385
Utilities	26,072	27,499	43,935	23,346	9,280	32,907	14,196	177,235	178,997
Depreciation and Amortization	54,886	25,346	10,060	8,655	10,982	13,974	49,497	173,400	160,077
Rent - Facilities	10	5,612	152,079	-	-	-	1,391	159,092	57,908
Supplies	9,051	8,740	37,640	62,053	3,402	121	10,221	131,228	109,080
Insurance and Taxes	25,976	20,853	9,860	13,140	8,296	19,006	8,604	105,735	83,485
Telephone	17,984	24,996	16,915	8,316	7,011	480	15,926	91,628	83,566
Buildings and Grounds	8,986	5,701	34,964	19,424	3,767	2,853	2,897	78,592	61,838
Miscellaneous	1,188	824	1,724	2,501	393	-	244	6,874	3,398
Total Expenses	\$ 2,136,028	\$ 2,298,871	\$ 4,784,993	\$ 957,064	\$ 759,935	\$ 128,423	\$ 1,536,093	\$ 12,601,407	\$ 11,225,819

The accompanying notes are an integral part of this statement.

**BEHAVIOR MANAGEMENT SYSTEMS, INC.
DBA WEST RIVER MENTAL HEALTH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 815,854	\$ (621,479)
<i>Adjustments to Reconcile Increase in Net Assets to</i>		
<i>Net Cash Provided by Operating Activities:</i>		
Depreciation	161,276	157,047
Amortization	12,125	3,030
(Gain) Loss on Sale of Property and Equipment	8,445	(4,600)
Unrealized Gain on Investments	(98,132)	(378,596)
Realized (Gain) Loss on Investments	(465,291)	12,344
Increase in Capital Credits Receivable	(1,091)	(881)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>		
Accounts Receivable	189,151	(232,690)
Prepaid Expenses	(20,076)	(14,644)
Accounts Payable	(1,040)	185,010
Accrued Expenses	(44,524)	(604,271)
Funds Held in Trust	(196,362)	11,086
Unearned Revenue	(1,501,921)	1,192,616
Net Cash Flows Used by Operating Activities	(1,141,586)	(296,028)
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	3,617,984	1,197,261
Purchase of Investments	(336,289)	(2,229,479)
Reclassification of money market recorded as securities	15,906	-
Purchases of Property and Equipment	(940,644)	(429,411)
Proceeds from Sale of Property and Equipment	3,810	5,600
Net Cash Flows Provided (Used) in Investing Activities	2,360,767	(1,456,029)
Cash Flows Used in Financing Activities		
Principal payments on Financing Lease Payable	(10,194)	(2,412)
Net Cash Flows Used in Financing Activities	(10,194)	(2,412)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	1,208,987	(1,754,469)
Cash, Cash Equivalents, and Restricted Cash -- Beginning of Year	949,620	2,704,089
Cash, Cash Equivalents, and Restricted Cash -- End of Year	\$ 2,158,607	\$ 949,620
Cash, Cash Equivalents, and Restricted Cash Consists of:		
Cash and Cash Equivalents	\$ 2,040,442	\$ 635,093
Cash - Funds Held in Trust	118,165	314,527
Total Cash, Cash Equivalents, and Restricted Cash	\$ 2,158,607	\$ 949,620
Supplemental Schedule of Noncash Transactions		
Nonfinancial Contributions	\$ 152,000	\$ 50,667
Lease Obligations Entered Into	\$ -	\$ 61,238

The accompanying notes are an integral part of this statement.

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(1) Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

In November 2023, the Organization formerly known as Behavior Management Systems, Inc. rebranded under a Doing Business As (DBA) West River Mental Health. West River Mental Health (the Organization) provides mental health care and substance abuse services in western South Dakota with its main office in Rapid City. Services are provided using directive, client-centered counseling methods, such as motivational interviewing, to elicit behavior changes by helping the clients explore and resolve ambivalent feelings and insecurities to find the internal motivation they need to change their behavior.

The majority of the Organization's revenue is received from the State of South Dakota. Comprehensive data collection and outcome tools are used by the Organization to ensure that the services funded are held to a high standard of quality and effectiveness and improved outcomes for clients.

Services are provided to adults disabled by mental illness to regain the confidence and skills necessary to lead productive and satisfying lives. Comprehensive Assistance with Recovery and Empowerment (CARE) services are provided on an outreach basis, usually in the client's home or the community. Using a team approach of mental health professionals, consisting of counselors, clinical specialists, nurses, and certified nurse practitioners, services are provided to assist the client to experience the hope of recovery and to live successfully in the community.

Counseling services are outpatient services, generally provided in an office setting. Services are provided to adults, couples, children, and teenagers, either individually, in groups, or in family settings, focusing on consumer-driven services. Also included in counseling services are emergency services that are provided 24 hours per day, seven days a week, for persons experiencing a mental health emergency or crisis. In February 2023, the Organization began operating emergency services in a new building owned by Pennington County and rebranded under the name Pivot Point. Operations for Pivot Point are funded through a combination of state contracts, local contributions, and grants.

Children's services are provided to children and adolescents with serious emotional disturbance. Services are available to the child, their parents or guardian, and any siblings or other household members. Services are provided on an outreach basis, usually in the client's home, school, or other location in the community. These child-centered, family-focused, community-based services are to assist the child to be able to live with their families and their home community.

Addiction services consist of the continuum of care of services from outpatient services, generally provided in an office setting to an in-patient residential facility for pregnant women and women with dependent children with substance abuse issues, to move them forward on their recovery goals.

Impact West services are services provided to adults disabled by mental illness and who historically have been unsuccessful in community settings and have had frequent psychiatric hospitalizations. Individualized and Mobile Program of Assertive Community Treatment (IMPACT) services are provided on an outreach basis, usually in the client's home or community. Using a team approach of mental health professionals, consisting of counselors, clinical specialists, nurses, and certified nurse practitioners, intensive 24 hours per day, seven days a week services are provided to assist the client in experiencing the hope of recovery, to live successfully in the community, and to reduce the need for repeated or prolonged psychiatric hospitalizations.

Apartments are rental facilities leased to individuals who are currently receiving or have previously received services from the Organization.

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

Accounting

The Organization uses the accrual method of accounting. The Organization segregates its operations into the following funds based on designated purposes.

General Fund

This fund contains all assets, liabilities, and related revenue and expense transactions arising from the treatment of clients and other operating activities.

Contingency Fund

This fund contains assets designated by the Board of Directors to be used in conjunction with the General Fund to have up to 90 days of operating expenses available in the event of unanticipated cash flow problems.

Capital and Program Development Fund

This fund contains assets designated by the Board of Directors for property and equipment acquisitions and program developments.

Financial Statement Presentation and Net Asset Classification

Net assets, revenues, gains, and losses are classified on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a contingency reserve and capital program development.

Net Assets with Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization did not have any donor-restricted net assets at June 30, 2024 and 2023.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)

Funds Held in Trust

Funds held in trust on behalf of clients are held in separate bank accounts and are offset by a liability due to the beneficiaries. Funds held in trust are designated to help individuals with rental assistance and other supportive services to help them move beyond chronic homelessness to employment and stable housing.

Accounts Receivable

Accounts receivable consist of uncollateralized amounts due from clients and third-party payors and are recorded at the amount management expects to collect, net of expected credit losses. Care is provided regardless of the client's ability to pay. Payments of client receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim. A significant portion of the accounts receivable balance is due from the State of South Dakota.

Management determines the allowance for credit losses based on historical aging analysis, days revenue in accounts receivable, recoveries of delinquent accounts, and a risk analysis based on payor type and source. As a not-for-profit fee for service provider funded primarily through government contracts and grants, the Organization has zero expected losses on approximately 75% of receivables. There were no allowances for expected credit losses for the year ended June 30, 2024.

Accounts receivable are recorded at the time services are rendered. Payment from third-party payors is generally received within 60 days of the billing date. Amounts due from clients are considered past due 90 days after services are provided. Interest is not charged on past-due balances. The following table provides information about changes in accounts receivable for the years ended June 30, 2024 and 2023:

	2024	2023
Accounts Receivable, Net, Beginning of Year	\$ 847,062	\$ 614,372
Accounts Receivable, Net, End of Year	\$ 657,911	\$ 847,062

Property and Equipment

Property and equipment purchases of \$5,000 or more are capitalized at cost. Land is not a depreciable asset. Assets depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 40 years
Furniture and Equipment	5 - 10 years
Vehicles	4 years

Investments

Investments are reported at fair value and are based primarily on quoted market prices or estimated fair values in the Statement of Financial Position. Interest, dividends, realized gains and losses, unrealized gains and losses, and fees are included in the investment return line in the accompanying Statement of Activities and Changes in Net Assets.

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)

Unearned Revenue

The Organization receives contract funding from area County Governments, local businesses, and private foundations for services. The Organization may collect fees for services in advance of services being provided. Unearned revenue is recognized as revenue when services are provided to clients under these contracts. The following table provides information about changes in the contract liabilities for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Unearned Revenue, Beginning of Year	\$ 2,552,096	\$ 1,359,480
Revenue Recognized Included in Unearned Revenue at Beginning of Year	(2,479,149)	(775,259)
Increase in Unearned Revenue, Due to Cash Received During the Year	<u>977,228</u>	<u>1,967,875</u>
Unearned Revenue, End of Year	<u>\$ 1,050,175</u>	<u>\$ 2,552,096</u>

Revenue Recognition

Service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing client care. These amounts, representing transaction price, are due from clients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the clients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied or generally as client visits are completed.

Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Organization does not believe it is required to provide additional goods or services. Because performance obligations relate to contracts with a duration of less than one year, the Organization elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) ASC 606-10-50-14(a) and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided and reduced by explicit and implicit price concessions, including contractual adjustments provided to third-party payers, discounts provided to uninsured and underinsured clients in accordance with policy, and/or implicit price concessions based on the historical collection experience of client accounts. The Organization determines the transaction prices associated with services provided to clients and residents who have third-party payor coverage based on reimbursement terms per contractual agreements, discount policies, and historical experience. For uninsured clients, the Organization determines the transaction price associated with services based on charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on historical collection experience for applicable client portfolios. Uninsured client charges are generally based on state contract reimbursement rates per visit.

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to service revenue in the period of the change. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable considerations and are included in the determination of the estimated transaction price for providing client care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor, and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new information becomes available or as years are settled or are no longer subject to such audits, reviews, and investigations.

The Organization uses a portfolio approach to account for categories of client contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for each type of outpatient revenue. Based on the historical collection trends and other analyses, the Organization believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. The ability to estimate the collectability of uninsured and other self-pay patients is contingent on the patient's ability or willingness to pay for the services provided. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as credit losses.

Receivables are reported net of expected credit losses. The allowance for credit losses is estimated based on a monthly review of account balances, including the age of the balance, historical collection experience, current economic conditions, reasonable and supportable forecasts regarding future events, and other factors deemed relevant by management. Management believes historical loss information is a reasonable starting point by which to calculate the expected allowance for credit losses.

Operating Income (Loss)

The Statement of Activities and Changes in Net Assets includes the operating income (loss). Changes in net assets that are excluded from the operating income (loss), consistent with industry practice, include investment return (loss), permanent transfers of assets to and from affiliates for other than goods or services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Contributions and Promises to Give

The Organization receives contributions to support operating activities and capital projects. These contributions can be from individuals, granting agencies, foundations, corporations, or trusts. The Organization records promises to give when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)

Grants and Contracts

The Organization receives grant and contract funding from various federal, state, and local governments to provide a variety of program services to the public based on specific requirements included in the agreement, including eligibility, procurement, reimbursement, staffing, and other requirements. These program services are described in Note 1. Such government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as conditions are satisfied, primarily as expenses are incurred. The Organization recognizes grant funds as revenue without donor restrictions as eligible costs under the programs are incurred. Special or one-time grants are recognized as support at the time of the grant. Funds that have been awarded and received, but for which the eligibility requirements have not been met at the end of an accounting period, are recorded as refundable advances in the Statement of Financial Position. In accordance with the grants, the Organization may use the unexpended funds in future periods as long as the expenses incurred are in compliance with the specific terms as defined in the grants. The grantors may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of noncompliance by the Organization with the terms of the grant.

Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other which are allocated based on estimates of time and effort.

Advertising

The Organization's policy is to expense advertising costs as they are incurred. Advertising costs for the year ended June 30, 2024 and 2023 were **\$48,306** and \$38,505, respectively.

Federal Income Tax

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the IRS not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Organization is not liable for income taxes if it operates within the confines of its exempt status. However, the Organization may be responsible for taxes on unrelated business activities. In the event of an examination of the income tax returns, the tax liability of the Organization could be changed if taxing authorities make adjustments to the tax-exempt purpose of the Organization or if taxing authorities determine activities are subject to unrelated business income.

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)

Federal Income Tax (Continued)

As of June 30, 2024, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization is no longer subject to federal and state income tax examinations by taxing authorities for tax years before 2020. Management continually evaluates expiring statutes of limitation, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes its estimates are appropriate based on current facts and circumstances. Interest and penalties assessed by income taxing authorities, if any, are included in interest expense.

Financial Instruments and Credit Risk

The Organization manages deposit concentration by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in the money market mutual funds. To date, no losses have been experienced in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization and the investment committee believe that the investment policies and guidelines are prudent for the welfare of the Organization.

Leases

The Organization determines if an arrangement is or contains a lease at inception. An election has been made for all asset classes to treat non-lease components, such as maintenance, as a part of the lease contract. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Lease expense is recognized on a straight-line basis over the lease term. No operating leases exist. The organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Accounting Pronouncements Adopted

Effective July 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13 Financial Instruments - Credit Losses (Topic 326) effective for fiscal years beginning after December 15, 2022. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost. CECL applies to the Organization's accounts receivable related to Private Pay and Private Insurance accounts, which comprise less than 25% of receivables. As a not-for-profit entity with more than 75% of receivables due from state government contracts and grants, we expect zero credit losses related to this pool of receivables under ASC 326-20-30-10 guidance. Further discussion and analysis are included in Note 5.

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)

Balances for the Year Ended June 30, 2023

The Statement of Activities and Changes in Net Assets, and Statement of Functional Expenses for the year ended June 30, 2023 are captioned "Memorandum Only." Such information is presented only to facilitate financial analysis. This data does not present these statements in the amount of detail required by accounting principles generally accepted in the United States of America. The complete June 30, 2023 Statement of Activities and Changes in Net Assets and Statement of Functional Expenses were included in the prior year's report but are not presented here because of space limitations and to avoid cumbersome and confusing formats.

(2) Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 2,040,442	\$ 635,093
Accounts Receivable	657,911	847,062
Investments	3,237,069	5,971,245
	<u>\$ 5,935,422</u>	<u>\$ 7,453,400</u>

The Organization has a goal to maintain financial assets, which may consist of cash and short-term investments, on hand to meet up to 90 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board of Directors designates funds for property and equipment acquisitions and program developments, which could be made available if necessary. Designated funds for such acquisitions and program developments were **\$2,701,113** and \$4,344,499 for the years ended June 30, 2024 and 2023, respectively. The Board also sets aside funds to be used in conjunction with the General Fund to have 90 days of operating expenses available in the event of unanticipated cash flow problems. Funds set aside for this purpose were **\$1,065,078** and \$44,329 for the years ended June 30, 2024, respectively. Additionally, as more fully described in Note 4, Long-term Debt, the Organization has two committed lines of credit in the amount of \$250,000 each, which could be drawn upon in the event of unanticipated liquidity need.

A tight labor market, turnover, and inflationary pressures have caused an erosion in revenues and increased expenses. Management and the board expect these reserves to be depleted as continued increases in operating costs including wages and occupancy will require the use of these funds. The contingency fund has been used as a temporary vehicle to hold unearned revenues, which must be spent. For the years ended June 30, 2024 and 2023, the contingency fund was depleted as Federal Medical Assistance Percentage (FMAP) Home and Community-Based Services Funds (HCBS) and Helmsley funds were used to fund staff incentives, special one-time purchases and Pivot Point operations. Significant funds were also drawn from the Capital and Program Development Fund for purchase and renovation of an office building in Hot Springs, SD. Additional investments were made in replacing aging fleet vehicles, information technology upgrades, and addressing deferred maintenance.

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(3) Investments

The Organization accounts for assets and liabilities recorded at fair value based on a three-level hierarchy. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The Organization accounts for investments at fair value. The Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into three broad levels of hierarchy.

Level I - Investments are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as the U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers and brokers in active over-the-counter markets.

Level II - Investments are valued using inputs such as quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Investments that are included in this level include corporate bonds and loans, and less liquid and restricted equities. There were no investments valued using level II inputs.

Level III - Investments are valued using pricing inputs that are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. There were no investments using level III inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(3) Investments (Continued)

The following table sets forth carrying amounts and estimated fair values for financial instruments as of June 30, 2024:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Federal Home Loan Mortgage (Freddie Mac) (Maturing in 2034)	\$ 77	-	-	\$ 77
Government National Mortgage (Ginnie Mae) (Maturing in 2028)	328	-	-	328
Moody's AAA Federal Mortgage Assn (Maturing in 2032)	205	-	-	205
Bond Funds	1,182,881	-	-	1,182,881
Stocks	23,176	-	-	23,176
Mutual Funds - Foreign Large Growth	1,130	-	-	1,130
Mutual Funds - Large Cap Balanced	548,061	-	-	548,061
Mutual Funds - Large Cap Growth	940,743	-	-	940,743
Mutual Funds - Equity	-	-	-	-
Mutual Funds - Large Cap Growth and Income	540,468	-	-	540,468
Totals	<u>\$ 3,237,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,237,069</u>

Investment income and gains and losses on investments at June 30, 2024 are as follows:

Investment Return (Loss):	
Interest, Dividends and Capital Gains	\$ 190,624
Realized Gain on Investments	465,291
Unrealized Gain on Investments	98,132
Investment Fees	(6,437)
	<u>\$ 747,610</u>

**BEHAVIOR MANAGEMENT SYSTEMS
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**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(3) Investments (Continued)

The following table sets forth investments in an unrealized gain (loss) position based on the Organization's cost basis in each asset at June 30, 2024:

	Fair Value	Unrealized Losses	Fair Value	Unrealized Gains
Federal Home Loan Mortgage (Freddie Mac)	\$ -	\$ -	\$ 77	\$ 3
Government National Mortgage (Ginnie Mae)	-	-	328	-
Moody's AAA Federal Mortgage Assn	205	-	-	-
Bond Funds	-	-	1,182,881	483,144
Stocks	-	-	23,176	7,467
Mutual Funds - Foreign Large Growth	-	-	1,130	110
Mutual Funds - Large Cap Balanced	-	-	548,061	202,995
Mutual Funds - Large Cap Growth	-	-	940,743	320,561
Mutual Funds - Equity	-	-	-	-
Mutual Funds - Large Cap Growth and Income	-	-	540,468	23,026
Totals	\$ 205	\$ -	\$ 3,236,864	\$ 1,037,306

There were no unrealized loss positions at June 30, 2024.

The unrealized gains on investments of the financial instruments were primarily a result of market increases consistent with the cyclical nature of the financial markets. The Organization has a diversified portfolio of investments. The Organization's investments in an unrealized gain position consisted of investments in various market sectors.

The following table sets forth carrying amounts and estimated fair values for financial instruments as of June 30, 2023:

	Level I	Level II	Level III	Total
Money Market Funds	\$ 15,551	\$ -	\$ -	\$ 15,551
Federal Home Loan Mortgage (Freddie Mac) (Maturing in 2034)	93	-	-	93
Government National Mortgage (Ginnie Mae) (Maturing in 2028)	480	-	-	480
Moody's AAA Federal Mortgage Assn (Maturing in 2032)	232	-	-	232
Bond Funds	1,819,566	-	-	1,819,566
Stocks	20,742	-	-	20,742
Mutual Funds - Foreign Large Growth	1,023	-	-	1,023
Mutual Funds - Large Cap Balanced	656,724	-	-	656,724
Mutual Funds - Large Cap Growth	945,299	-	-	945,299
Mutual Funds - Equity	1,245,289	-	-	1,245,289
Mutual Funds - Large Cap Growth and Income	1,266,246	-	-	1,266,246
Totals	\$ 5,971,245	\$ -	\$ -	\$ 5,971,245

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(3) Investments (Continued)

Investment income and gains and losses on investments and cash equivalents at June 30, 2023 are as follows:

Interest, Dividends and Capital Gains	\$ 177,064
Realized Gain on Investments	(12,344)
Unrealized Loss on Investments	376,192
Investment Fees	(7,795)
	<u>\$ 533,117</u>

The following table sets forth investments in an unrealized gain (loss) position based on the Organization's cost basis in each asset at June 30, 2023:

	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Federal Home Loan Mortgage (Freddie Mac)	\$ 93	\$ (3)	\$ -	\$ -
Government National Mortgage (Ginnie Mae)	480	(13)	-	-
Bond Funds	1,011,703	(63,177)	807,863	31,150
Stocks	1,837	(987)	18,905	6,020
Mutual Funds - Foreign Large Growth	-	-	1,023	63
Mutual Funds - Large Cap Balanced	-	-	656,724	210,994
Mutual Funds - Large Cap Growth	-	-	945,299	363,083
Mutual Funds - Equity	759,052	(68,663)	486,237	46,411
Mutual Funds - Large Cap Growth and Income	-	-	1,266,246	409,832
Totals	<u>\$ 1,773,165</u>	<u>\$ (132,843)</u>	<u>\$ 4,182,297</u>	<u>\$ 1,067,553</u>

The following sets forth the duration of the investments in an unrealized loss position at June 30, 2023:

	<u>Greater Than 12 Months</u>		<u>Less Than 12 Months</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Federal Home Loan Mortgage (Freddie Mac)	\$ 93	\$ (3)	\$ -	\$ -
Government National Mortgage (Ginnie Mae)	480	(13)	-	-
Bond Funds	829,082	(37,066)	182,621	(26,111)
Stocks	1,837	(987)	-	-
Mutual Funds - Equity	759,052	(68,663)	-	-
Totals	<u>\$ 1,590,544</u>	<u>\$ (106,732)</u>	<u>\$ 182,621</u>	<u>\$ (26,111)</u>

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(4) Long-term Debt

The Organization has available two \$250,000 lines of credit. Borrowings under the lines-of-credit accrue interest at the prime rate (8.5 percent at June 30, 2024) plus 3.75 percent, and 8.0 percent and are due in full on June 1 and March 1, 2025, respectively. There were no borrowings on either line of credit at June 30, 2024 and 2023.

(5) Client Care Revenue and Accounts Receivable

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicaid

Payments for services provided to beneficiaries of Medicaid are based on a flat fee per visit derived from historical cost reports. The fee is adjusted annually based on the medical economic index. Annual adjustments are also made based on a review of the submitted cost report.

Laws and regulations governing the Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. In the opinion of management, adequate provisions have been made for adjustments that may result from the final determination of amounts earned under the programs.

The Organization grants credit without collateral to its clients, most of who are insured under third-party payor agreements. In addition, some clients are eligible to receive services under the CMHS Block Grant and State Contract Funds, a contract agreement with the South Dakota Department of Social Services, Division of Community Behavioral Health.

The Organization has entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Organization under these agreements primarily includes discounts from established charges. The Organization also assesses private pay with the commercial insurance carriers as the significant portion of the private pay revenues are the remaining balance after the claim is paid by the carrier.

A summary of client service revenue recognized for the years ended June 30 is as follows:

	2024	2023
Family Outreach Services	\$ 2,508,135	\$ 2,695,093
Mainstream Services Division	2,246,082	2,456,877
Counseling Services Division	5,339,799	2,656,093
Other Program Services	2,415,064	2,195,404
Total Patient Service Revenue	<u>\$ 12,509,080</u>	<u>\$ 10,003,467</u>

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(5) Client Care Revenue and Accounts Receivable (Continued)

Other

A summary of client service revenue recognized by major payor sources for the years ended June 30 is as follows:

	2024		2023	
South Dakota Division of Behavioral Health Contract	\$ 5,322,255	43%	\$ 3,914,511	39%
South Dakota Medicaid (Title XIX)	3,646,696	29%	4,115,998	41%
Private Pay and Private Insurance	1,000,891	8%	850,482	9%
Other	2,539,238	20%	1,122,476	11%
Total Patient Service Revenue	<u>\$ 12,509,080</u>	100%	<u>\$ 10,003,467</u>	100%

A summary of receivables from third-party payors and clients as of June 30 is as follows:

	2024		2023	
South Dakota Division of Behavioral Health	\$ 237,219	36%	\$ 322,743	32%
South Dakota Medicaid (Title XIX)	174,757	27%	237,841	24%
Private Pay and Private Insurance	152,159	23%	155,137	15%
Other	93,776	14%	294,684	29%
	<u>\$ 657,911</u>	100%	<u>\$ 1,010,405</u>	100%

Management determines the allowance for credit losses based on historical aging analysis, days revenue in accounts receivable, recoveries of delinquent accounts, and a risk analysis based on payor type and source. As a not-for-profit fee for service provider funded primarily through government contracts and grants, the Organization has zero expected losses on approximately 75% of receivables. There was no allowance for expected credit losses for the year ended June 30, 2024.

**BEHAVIOR MANAGEMENT SYSTEMS
DBA WEST RIVER MENTAL HEALTH**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(6) Retirement Plan

The Organization belongs to the South Dakota Association of Community Based Human Services (SDACBHS) Retirement Plan 401(k) retirement plan covering substantially all employees desiring to participate. The SDACBHS Retirement Plan is a multi-employer 401(k) retirement plan. Employees must meet certain eligibility requirements. For twelve months in this fiscal year, the Organization matched a certain percentage of employee contributions. Currently, the Organization is at a discretionary match. The Organization's contributions to the plan (net of employee forfeitures) were \$93,269 and \$97,639 during the years ended June 30, 2024 and 2023, respectively.

(7) Leases

The Organization has entered into finance leases for equipment. The obligations associated with these leases have been recognized as a liability in the statement of financial position based on future lease payments, discounted by the incremental borrowing rate for the operating leases and the rate implicit in the lease for finance leases. Lease terms may include options to extend or terminate certain leases and are reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less).

Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the term of the lease.

The right of use asset and corresponding liability associated with future lease payments at June 30, 2024 are shown below:

	Finance Leases
Right-of-use Assets	\$ 48,495
Lease Liability	50,944
Weighted Average Discount Rate	8.82%
Remaining Lease Term (Months)	48

Lease Costs

Lease costs reported in the statement of functional expenses under miscellaneous and amortization amounted to and comprised of the following:

Finance:	
Amortization of Right-of-use Assets	\$ 12,125
Interest on Lease Liability	4,998
Short-term (Less than 12 Months)	164,954
	<u>\$ 182,077</u>

**BEHAVIOR MANAGEMENT SYSTEMS
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**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(7) Leases (Continued)

Future Lease Payments

Future maturities of lease liabilities are presented in the following table for the year ending June 30:

2025	\$	15,192
2026		15,192
2027		15,192
2028		15,092
Less: Discount		(9,724)
	\$	<u>50,944</u>

Some equipment finance leases require additional payments based on usage of equipment. These variable payments are recognized as operating expenses as they are incurred.

(8) Commitments - Short-term Leases

The Organization leases space on a monthly basis which requires monthly payments of \$400. Minimum future lease and rent payments for the year ended June 30, 2024 are \$4,800.

The Organization is the lessor of apartments under lease agreements not exceeding one year. Total rental income received under these apartment leases during the years ended June 30, 2024 and 2023 was \$191,103 and \$163,445, respectively. The cost basis of property and accumulated depreciation being leased at June 30 was as follows:

	<u>2024</u>	<u>2023</u>
Cost Basis	\$ 645,427	\$ 649,762
Less: Accumulated Depreciation	(597,757)	(588,620)
	<u>\$ 47,670</u>	<u>\$ 61,142</u>

(9) Contingencies

Self-insured Health Insurance

During the years ended June 30, 2024 and 2023, the Organization's employees were covered by a self-insured health insurance plan. The Organization pays premiums based on the tier of coverage (family, single, etc.) selected. A plan with deductibles of \$1,500 per individual or \$3,000 per family was offered as well as a plan with deductibles of \$2,500 per individual or \$5,000 per family. Once the deductibles are met, the plan has an 80% reimbursement rate. A third-party administrator, acting on behalf of the Organization, pays claims. Stop-loss coverage was in effect for individual claims exceeding \$35,000.

Effective December 31, 2023, the Organization terminated the self-insured health insurance plan and elected to provide coverage through a fully insured plan. The new plan offers coverage with deductibles of \$1,600 per individual or \$3,000 per family for Plan A or \$2,500 per individual and \$5,000 per family for Plan B. Once the deductibles are met, the plan has an 80% reimbursement rate.

**BEHAVIOR MANAGEMENT SYSTEMS
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**NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

(9) Contingencies (Continued)

The Organization had a liability for incurred but not reported claims for the self-insured plan of \$7,092 and \$93,756 as of June 30, 2024 and 2023, respectively.

(10) Construction in Progress

As of June 30, 2024, the Organization was renovating an office building. Costs incurred as of June 30, 2024 were \$683,000. The building was placed in service in September 2024. Estimated payments of approximately \$15,000 remained after year-end for work yet to be completed. All costs of construction were funded through the Capital and Program Development Fund.

(11) In-kind Contributions

During the year ended June 30, 2024, the Organization recognized an in-kind contribution totaling \$152,000 for the fair market value of building space provided by Pennington County for the operation of the facility, Pivot Point. A corresponding amount is recognized in expense for rent of facilities in counseling services. The value of this contribution was determined based on the fair market value of similar office space per square foot multiplied by the number of square feet occupied. The Organization has executed an annual lease agreement with Pennington County, renewable every 12 months, and is excluded from the right of use assets and commitments Notes 7 and 8. The in-kind lease agreement was effective March 2023.

(12) Commitments

As of June 30, 2024, there were no significant commitments.

(13) Federal Medical Assistance Percentage (FMAP) Home and Community-Based Services (HCBS) Funds

During the year ended June 30, 2022, the Organization received one-time Medicaid funds through Section 9817 of the American Rescue Plan Act of 2021 (ARPA) Federal Medical Assistance Percentage (FMAP) Home and Community-Based Services (HCBS) in the amount of \$1,494,366. These funds are to be used to address direct care workforce challenges and for equipment and supplies. The funds were to be obligated by June 30, 2024 and the Organization was required to report how the funds were expended.

Revenue for eligible expenditures of **\$511,274** and \$696,574 were recognized during the years ended June 30, 2024 and 2023, respectively. The remaining funds of \$72,947 are classified as unearned revenue and will be recognized as eligible expenses are incurred. Failure to comply with any term or condition can subject the provider to recoupment of some or all of the payment. The Organization met the requirements to spend the funds, which were obligated at June 30, 2024 and spent shortly thereafter.

(14) Subsequent Events

Subsequent events have been evaluated through the date of the independent auditor's report, which is the date the financial statements were available to be issued.