

BEHAVIOR MANAGEMENT SYSTEMS, INC.

(A NON-PROFIT ORGANIZATION)

Financial Statements

June 30, 2022 and 2021

Behavior Management Systems, Inc.
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June 30, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Behavior Management Systems, Inc.
Rapid City, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Behavior Management Systems, Inc. (a non-profit organization) (the Organization) which comprise the statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, 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.

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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, 2021, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2021. 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, 2021, 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 26, 2022

FINANCIAL STATEMENTS

BEHAVIOR MANAGEMENT SYSTEMS, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	----- WITHOUT DONOR RESTRICTIONS -----				Memorandum Only 2021 Total
	UNDESIGNATED	BOARD DESIGNATED		Total	
	General	Contingency	Capital and Program Development		
Current Assets					
Cash and Cash Equivalents	\$ 1,820,794	\$ 305,909	\$ 273,945	\$ 2,400,648	\$ 1,661,625
Cash - Funds Held in Trust	303,441	-	-	303,441	289,502
Accounts Receivable	591,290	-	23,082	614,372	610,109
Prepaid Expenses	113,493	-	-	113,493	93,092
Total Current Assets	2,829,018	305,909	297,027	3,431,954	2,654,328
Property and Equipment					
Buildings	5,393,050	-	-	5,393,050	5,368,868
Furniture and Equipment	586,115	-	-	586,115	813,238
Vehicles	580,113	-	-	580,113	616,185
Construction in Progress	-	-	-	-	127,218
	6,559,278	-	-	6,559,278	6,925,509
Less: Accumulated Depreciation	5,922,674	-	-	5,922,674	6,208,461
	636,604	-	-	636,604	717,048
Land	379,335	-	-	379,335	344,568
Total Property and Equipment	1,015,939	-	-	1,015,939	1,061,616
Other Assets					
Capital Credits Receivable	41,043	-	-	41,043	38,488
Investments (Note 3)	-	228,513	4,345,264	4,573,777	6,229,130
Total Other Assets	41,043	228,513	4,345,264	4,614,820	6,267,618
TOTAL ASSETS	\$ 3,886,000	\$ 534,422	\$ 4,642,291	\$ 9,062,713	\$ 9,983,562
Current Liabilities					
Accounts Payable	\$ 90,693	\$ -	\$ -	\$ 90,693	\$ 200,999
Unearned Revenue	1,359,480	-	-	1,359,480	20,714
Funds Held in Trust	303,441	-	-	303,441	289,502
<i>Accrued Expenses:</i>					
Payroll	675,157	-	-	675,157	418,149
Health Insurance (Note 8)	102,195	-	-	102,195	77,599
Payroll Taxes	50,436	-	-	50,436	30,687
Other	24,417	-	-	24,417	22,228
Total Current Liabilities	2,605,819	-	-	2,605,819	1,059,878
Net Assets - Without Donor Restrictions					
Undesignated	264,242	-	-	264,242	234,147
Designated by Board for Operating Reserve	-	534,422	-	534,422	1,892,221
Designated by Board for Capital Outlay	-	-	4,642,291	4,642,291	5,735,700
Invested in Property and Equipment, Net of Related Debt	1,015,939	-	-	1,015,939	1,061,616
Total Net Assets	1,280,181	534,422	4,642,291	6,456,894	8,923,684
TOTAL LIABILITIES AND NET ASSETS	\$ 3,886,000	\$ 534,422	\$ 4,642,291	\$ 9,062,713	\$ 9,983,562

The accompanying notes are an integral part of this statement.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022 WITH MEMORANDUM TOTALS FOR THE YEAR ENDED JUNE 30, 2021**

	----- WITHOUT DONOR RESTRICTIONS -----				Memorandum Only 2021 Total
	UNDESIGNATED		BOARD DESIGNATED		
	General	Contingency	Capital and Program Development	Total	
Operating Revenues					
CMHS Block Grant & State Contract	\$ 3,814,709	\$ -	\$ -	\$ 3,814,709	\$ 3,727,522
Client Fees - Title XIX	3,600,214	-	-	3,600,214	3,155,033
Client Service Fees	987,268	-	-	987,268	1,080,145
Other Grants	715,974	-	-	715,974	532,543
Payroll Protection Program (Note 10)	-	-	-	-	1,528,176
State of SD COVID-19 Safety Net Provider Funds (Note 11)	-	-	-	-	1,500,000
Apartment Rentals (Note 7)	165,041	-	-	165,041	161,953
County Revenues	137,800	-	-	137,800	137,800
Total Operating Revenues	9,421,006	-	-	9,421,006	11,823,172
Operating Expenses					
<i>Program Services:</i>					
Care and Residential Services	2,942,671	-	-	2,942,671	2,744,503
Children's Services	2,597,798	-	-	2,597,798	2,028,455
Counseling Services	1,873,260	-	-	1,873,260	1,613,917
Addiction Services	1,122,863	-	-	1,122,863	1,059,905
Impact West	788,264	-	-	788,264	774,635
Other Grants	197,659	-	-	197,659	408,229
Apartments	100,119	-	-	100,119	110,947
<i>Supporting Services:</i>					
Administrative	1,683,070	-	516	1,683,586	1,424,205
Total Operating Expenses	11,305,704	-	516	11,306,220	10,164,796
Operating Income (Loss)	(1,884,698)	-	(516)	(1,885,214)	1,658,376
Other Revenue (Expense)					
Investment Return	2	(19,972)	(606,439)	(626,409)	1,279,155
Contributions	1,860	27	14,248	16,135	16,913
Miscellaneous Income	141	-	15,714	15,855	9,650
Insurance Proceeds	-	-	23,082	23,082	16,500
Loss on Disposal of Asset	-	-	(10,239)	(10,239)	(62)
Total Other Revenue (Expense)	2,003	(19,945)	(563,634)	(581,576)	1,322,156
Increase (Decrease) in Net Assets	(1,882,695)	(19,945)	(564,150)	(2,466,790)	2,980,532
Net Assets - Beginning of Year	1,295,763	1,892,221	5,735,700	8,923,684	5,943,152
Operating Transfers In (Out)	1,867,113	(1,337,854)	(529,259)	-	-
Net Assets - End of Year	\$ 1,280,181	\$ 534,422	\$ 4,642,291	\$ 6,456,894	\$ 8,923,684

The accompanying notes are an integral part of this statement.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022 WITH MEMORANDUM TOTALS FOR THE YEAR ENDED JUNE 30, 2021

PROGRAM SERVICES

	Care and Residential Services	Counseling Services	Children's Services	Addiction Services	Impact West	Other Grants	Apartments
Salaries	\$ 2,032,096	\$ 1,449,937	\$ 1,900,417	\$ 756,928	\$ 562,436	\$ 152,793	\$ 8,363
Fringe Benefits	554,267	298,784	447,432	166,186	152,508	26,680	2,278
Psychiatric and Other							
Professional Fees	16,960	31,326	31,895	17,556	4,138	328	14,417
Travel and Transportation	84,377	4,929	50,503	15,911	23,301	1,887	57
Depreciation	51,620	13,536	30,908	6,514	12,742	-	16,220
Utilities	45,880	17,444	22,791	30,320	7,710	-	34,009
Supplies	46,643	9,221	12,330	58,707	2,248	403	12
Maintenance and Other	21,076	15,767	42,882	22,509	2,736	9,887	8,181
Telephone	29,525	10,400	30,770	3,945	10,350	1,716	655
Insurance and Taxes	22,362	5,817	7,506	9,605	2,520	50	13,116
Buildings and Grounds	22,518	4,399	6,032	21,190	5,410	-	2,811
Equipment	15,286	11,700	9,532	10,055	2,165	-	-
Rent - Facilities	20	-	4,800	-	-	3,915	-
Miscellaneous	41	-	-	3,437	-	-	-
Total Expenses	\$ 2,942,671	\$ 1,873,260	\$ 2,597,798	\$ 1,122,863	\$ 788,264	\$ 197,659	\$ 100,119

The accompanying notes are an integral part of this statement.

SUPPORTING SERVICES			Memorandum Only 2021 Total
<u>Administrative</u>	<u>Total</u>		
\$ 1,024,484	\$ 7,887,454	\$ 7,187,350	
271,775	1,919,910	1,486,306	
237,541	354,161	317,226	
10,885	191,850	124,013	
54,287	185,827	149,624	
20,359	178,513	151,066	
8,928	138,492	130,079	
10,662	133,700	133,946	
15,513	102,874	102,841	
7,086	68,062	54,101	
5,362	67,722	48,036	
15,255	63,993	265,501	
1,449	10,184	8,864	
-	3,478	5,843	
\$ 1,683,586	\$ 11,306,220	\$ 10,164,796	

The accompanying notes are an integral part of this statement.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (2,466,790)	\$ 2,980,532
<i>Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:</i>		
Depreciation	185,827	149,624
(Gain) Loss on Sale of Property and Equipment	10,239	(16,438)
Unrealized (Gain) Loss on Investments	1,097,897	(1,112,093)
Realized (Gain) Loss on Investments	(167,768)	(6,952)
Increase in Capital Credits Receivable	(2,555)	(2,400)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>		
Accounts Receivable	(4,263)	95,393
Prepaid Expenses	(20,401)	(3,447)
Accounts Payable	(110,306)	134,965
Accrued Expenses	303,542	144,755
Funds Held in Trust	13,939	289,181
Refundable Advance	-	(1,528,176)
Unearned Revenue	1,338,766	496
Net Cash Flows Provided by Operating Activities	178,127	1,125,440
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	1,479,316	243,835
Purchase of Investments	(754,091)	(1,368,700)
Purchases of Property and Equipment	(152,915)	(117,439)
Proceeds from Sale of Property and Equipment	2,525	300
Insurance Proceeds	-	28,243
Net Cash Flows Used in Investing Activities	574,835	(1,213,761)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	752,962	(88,321)
Cash, Cash Equivalents, and Restricted Cash -- Beginning of Year	1,951,127	2,039,448
Cash, Cash Equivalents, and Restricted Cash -- End of Year	\$ 2,704,089	\$ 1,951,127
Cash, Cash Equivalents, and Restricted Cash Consists of:		
Cash and Cash Equivalents	\$ 2,400,648	\$ 1,661,625
Cash - Funds Held in Trust	303,441	289,502
Total Cash, Cash Equivalents, and Restricted Cash	\$ 2,704,089	\$ 1,951,127

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2022 and 2021

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

Nature of Operations

Behavior Management Systems, Inc. (the Organization), provides behavioral health care services in western South Dakota with its main office in Rapid City. Services are provided using a directive, patient-centered counseling method of motivational interviewing to elicit behavior changes by helping the clients to 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 patients.

Care and residential 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 patient's home or in the community. Using a team approach of mental health professionals, consisting of therapists, recovery coaches, nurses, and certified nurse practitioners, services are provided to assist the patient to experience the hope of recovery and to live successfully in the community.

Residential housing services provide room and board and a safe living environment for adults recovering from mental illness to acquire the skills needed to live successfully independently. The goal of these services is to help patients transition into their own living arrangements.

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.

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 patient's home, school, or other locations 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.

Addictions 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 patient's home or community. Using a team approach of mental health professionals, consisting of therapists, recovery coaches, nurses, and certified nurse practitioners, intensive 24 hours per day, seven-days-a-week services are provided to assist the patient to experience the hope of recovery, to live successfully in the community, and to reduce the need for repeated or prolonged psychiatric hospitalizations.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2022 and 2021

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

Other grants are federally funded services, with a local match. The Projects for Assistance in Transitioning from Homelessness (PATH) provides one-time rental or security deposit assistance for eligible adults and provides outreach services for adults who are homeless or at risk of becoming homeless.

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

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 patients 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 that 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, 2022 and 2021.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

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

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.

Funds Held in Trust

Funds held in trust on behalf of patients 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 patients and third-party payors and are recorded at the amount management expects to collect. Care is provided regardless of the patient's ability to pay. Payments of patient 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.

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 patients are considered past due 90 days after services are provided. Interest is not charged on past-due balances.

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.

Unearned Revenue

The Organization receives contract funding from area County Governments and local businesses for services. The Organization may collect fees for services in advance of services being provided. Unearned revenue is recognized as revenue as services are provided to patients under these contracts.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2022 and 2021

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

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 patient care. These amounts, representing transaction price, are due from patients, 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 patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied or generally as patient 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 patients in accordance with policy, and/or implicit price concessions based on the historical collection experience of patient accounts. The Organization determines the transaction prices associated with services provided to patients and residents who have third-party payor coverage based on reimbursement terms per contractual agreements, discount policies, and historical experience. For uninsured patients, the Organization determines the transaction price associated with services on the basis of 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 patient portfolios. Uninsured patient charges are generally based on state contract reimbursement rates per visit.

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 patient 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 patient 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.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2022 and 2021

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

Operating Income (Loss)

The Statement of Activities and Changes in Net Assets includes the operating income (loss). Changes in net assets which 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. The Organization discounts multi-year pledges that are expected to be collected after one year using a risk-adjusted discount rate. Multi-year pledges are recorded at fair value at the date of the pledge. The Organization had no promises to give as of June 30, 2022 and 2021.

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 unearned revenue 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.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

Advertising

The Organization's policy is to expense advertising costs as they are incurred. Advertising costs for the year ended June 30, 2022 and 2021 were **\$ 37,804** and \$26,128, 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.

As of June 30, 2022, 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 2017. 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.

Balances for the Year Ended June 30, 2021

The Statement of Activities and Changes in Net Assets, and Statement of Functional Expenses for the year ended June 30, 2021 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, 2021 Statement of Activities and Changes in Net Assets, and Statement of Functional Expenses were included in the prior year report but are not presented here because of space limitations and to avoid cumbersome and confusing formats.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2022 and 2021

(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>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,400,648	\$ 1,661,625
Accounts Receivable	614,372	610,109
Investments	<u>4,573,777</u>	<u>6,229,130</u>
	<u>\$ 7,588,797</u>	<u>\$ 8,500,864</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 **\$4,642,291** and \$5,735,700 for the years ended June 30, 2022 and 2021, 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 **\$534,422** and \$1,892,221 for the years ended June 30, 2022 and 2021, respectively. Additionally, as more fully described in Note 4, Long-term Debt, the Organization has a committed line of credit in the amount of \$250,000, 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 use of these funds.

(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.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(3) Investments (Continued)

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 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 included 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2022.

Common Stocks, Corporate Bonds, and U.S. Government Securities - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds - Valued at the net asset value (NAV) of shares held at year-end.

The following table sets forth carrying amounts and estimated fair values for financial instruments as of June 30, 2022:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Money Market Funds	\$ 14,417	\$ -	\$ -	\$ 14,417
Federal Home Loan Mortgage (Freddie Mac) (Maturing in 2034)	126	-	-	126
Government National Mortgage (Ginnie Mae) (Maturing in 2028)	660	-	-	660
Moody's AAA Federal Mortgage Assn (Maturing in 2032)	291	-	-	291
Bond Funds	336,098	-	-	336,098
Stocks	19,844	-	-	19,844
Mutual Funds - Foreign Large Growth	887	-	-	887
Mutual Funds - Large Cap Balanced	604,738	-	-	604,738
Mutual Funds - Large Cap Growth	779,834	-	-	779,834
Mutual Funds - Equity	1,760,528	-	-	1,760,528
Mutual Funds - Large Cap Growth and Income	1,056,354	-	-	1,056,354
Totals:	\$ 4,573,777	\$ -	\$ -	\$ 4,573,777

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(3) Investments (Continued)

Investment income and gains and losses on investments and cash equivalents are as follows:

Investment Return (Loss):

Interest, Dividends and Capital Gains	\$ 311,905
Realized Gain on Investments	167,768
Unrealized Loss on Investments	(1,097,897)
Investment Fees	(8,185)
	<u>\$ (626,409)</u>

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

	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Federal Home Loan Mortgage (Freddie Mac)	\$ -	\$ -	\$ 126	\$ 16
Government National Mortgage (Ginnie Mae)	-	-	660	53
Moody's AAA Federal Mortgage Assn	-	-	291	29
Bond Funds	196,958	(11,176)	-	-
Stocks	2,195	(651)	17,648	4,785
Mutual Funds - Foreign Large Growth	887	(60)	-	-
Mutual Funds - Large Cap Balanced	-	-	604,738	169,272
Mutual Funds - Large Cap Growth	1,321	(48)	778,513	228,361
Mutual Funds - Equity	957,803	(150,130)	941,866	83,011
Mutual Funds - Large Cap Growth and Income	-	-	1,056,353	239,954
Totals:	<u>\$ 1,159,164</u>	<u>\$ (162,065)</u>	<u>\$ 3,400,195</u>	<u>\$ 725,481</u>

The following sets forth the duration of the investments in an unrealized loss position at June 30, 2022:

	<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>
Stocks	\$ 2,195	\$ (651)	\$ -	\$ -
Bond Funds	-	-	282,209	(45,925)
Mutual Funds - Large Cap Growth	1,321	(48)	-	-
Mutual Funds - Equity	887	(60)	872,552	(115,381)
Totals:	<u>\$ 4,403</u>	<u>\$ (759)</u>	<u>\$ 1,154,761</u>	<u>\$ (161,306)</u>

The unrealized gains and losses 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 unrealized gain and loss positions consisted of investments in various market sectors. Based on the evaluation and the Organization's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Organization does not consider those investments to be other than temporarily impaired at June 30, 2022.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(3) Investments (Continued)

The following table sets forth carrying amounts and estimated fair values for financial instruments as of June 30, 2021:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Money Market Funds	\$ 13,003	\$ -	\$ -	\$ 13,003
Federal Home Loan Mortgage (Freddie Mac) (Maturing in 2034)	171	-	-	171
Government National Mortgage (Ginnie Mae) (Maturing in 2028)	883	-	-	883
Moody's AAA Federal Mortgage Assn (Maturing in 2032)	360	-	-	360
Bond Funds	707,766	-	-	707,766
Stocks	20,775	-	-	20,775
Mutual Funds - Foreign Large Growth	1,231	-	-	1,231
Mutual Funds - Large Cap Balanced	660,787	-	-	660,787
Mutual Funds - Large Cap Growth	1,327,934	-	-	1,327,934
Mutual Funds - Equity	2,256,898	-	-	2,256,898
Mutual Funds - Large Cap Growth and Income	1,239,322	-	-	1,239,322
Totals:	\$ 6,229,130	\$ -	\$ -	\$ 6,229,130

Investment income and gains and losses on investments and cash equivalents are as follows:

Investment Return (Loss):	
Interest, Dividends and Capital Gains	\$ 167,323
Realized Gain on Investments	6,952
Unrealized Gain on Investments	1,112,093
Investment Fees	(7,222)
	<u>\$ 1,279,146</u>

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

	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Federal Home Loan Mortgage (Freddie Mac)	\$ -	\$ -	\$ 171	\$ 24
Government National Mortgage (Ginnie Mae)	-	-	883	98
Moody's AAA Federal Mortgage Assn	-	-	360	54
Bond Funds	512,722	(5,154)	-	-
Stocks	2,361	(463)	18,414	5,073
Mutual Funds - Foreign Large Growth	-	-	1,231	719,378
Mutual Funds - Large Cap Balanced	-	-	660,787	254,739
Mutual Funds - Large Cap Growth	-	-	1,327,934	346
Mutual Funds - Equity	680,533	(50,074)	1,771,391	186,873
Mutual Funds - Large Cap Growth and Income	-	-	1,239,322	522,582
Totals:	\$ 1,195,616	\$ (55,691)	\$ 5,020,493	\$ 1,689,167

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(3) Investments (Continued)

The following sets forth the duration of the investments in an unrealized loss position at June 30, 2021:

	<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>
Stocks	\$ 2,361	\$ (463)	\$ -	\$ -
Bond Funds	-	-	612,452	(25,424)
Mutual Funds - Equity	-	-	798,581	(29,804)
Totals:	<u>\$ 2,361</u>	<u>\$ (463)</u>	<u>\$ 1,411,033</u>	<u>\$ (55,228)</u>

(4) Long-term Debt

The Organization has available a \$250,000 line of credit. Borrowings under the line-of-credit accrue interest at the prime rate (5.5 percent at June 30, 2022) plus 3.75 percent and are due in full on June 1, 2023. Management anticipates renewing this line of credit annually in the ordinary course of business. There were no borrowings on this line of credit at June 30, 2022 and 2021.

The Organization received a Small Business Administration Payroll Protection Program (PPP) Forgivable Loan during the year ended June 30, 2021. When the Loan was received, any balance not forgiven would have been required to be paid in one balloon payment including interest of 1.00% in April 2022. The Loan balance was forgiven in its entirety in February 2021.

(5) Patient 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 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.

Other

The Organization grants credit without collateral to its patients, most of who are insured under third-party payor agreements. In addition, some patients 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.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

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 balances after the claim is paid by the carrier.

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

	<u>2022</u>	<u>2021</u>
Family Outreach Services	\$ 2,564,687	\$ 2,379,539
Mainstream Services Division	2,839,444	3,331,906
Counseling Services Division	1,845,626	1,932,700
Other Program Services	<u>2,171,249</u>	<u>4,179,027</u>
Total Patient Service Revenue	<u>\$ 9,421,006</u>	<u>\$ 11,823,172</u>

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

	<u>2022</u>		<u>2021</u>	
South Dakota Division of Behavioral Health Contract	\$ 3,814,709	41%	\$ 3,727,522	32%
South Dakota Medicaid (Title XIX)	3,600,214	38%	3,155,033	27%
Private Pay and Private Insurance	987,268	10%	1,080,145	9%
Other	<u>1,018,815</u>	11%	<u>3,860,472</u>	33%
Total Patient Service Revenue	<u>\$ 9,421,006</u>	100%	<u>\$ 11,823,172</u>	100%

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

	<u>2022</u>		<u>2021</u>	
South Dakota Division of Behavioral Health	\$ 260,485	34%	\$ 324,957	46%
South Dakota Medicaid (Title XIX)	252,660	33%	129,614	18%
Private Pay and Private Insurance	204,306	26%	206,470	29%
Other	<u>55,770</u>	7%	<u>50,709</u>	7%
	<u>\$ 773,221</u>	100%	<u>\$ 711,750</u>	100%

(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 has a discretionary match. The Organization's contributions to the plan (net of employee forfeitures) were \$46,112 and \$112,346 during the years ended June 30, 2022 and 2021, respectively.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(7) Commitments - 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, 2023 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, 2022 and 2021 was **\$165,041** and \$161,953, respectively. The cost basis of property and accumulated depreciation being leased at June 30 was as follows:

	<u>2022</u>	<u>2021</u>
Cost Basis	\$ 649,762	\$ 649,762
Less: Accumulated Depreciation	<u>575,164</u>	<u>559,512</u>
	<u>\$ 74,598</u>	<u>\$ 90,250</u>

(8) Contingencies

Self-Insured Health Insurance

During the years ended June 30, 2022 and 2021 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 is 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. The administrative contract between the Organization and the plan administrator is renewable annually, and administrative fees and stop-loss premiums are included in the contractual provision. Stop-loss coverage was in effect for individual claims exceeding \$35,000. The Organization had a liability for incurred but not reported claims of **\$102,195** and \$77,599 as of June 30, 2022 and 2021, respectively.

(9) Emerging Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB Topic 840, *Leases (Topic 840)* and provides principles for the recognition, measurement, presentation, and disclosure of leases. Lessees will be required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months. This standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is evaluating the impact this standard will have on the financial statements.

(10) Small Business Administration Paycheck Protection Program (PPP) Refundable Advance

The Organization received a forgivable loan through the Small Business Administration Paycheck Protection Program (PPP) in April 2020 in the amount of \$1,524,700. The Organization met the eligibility criteria for forgiveness and received formal forgiveness in February 2021. Accordingly, grant revenue was recognized for the loan plus accrued interest in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2021.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2022 and 2021

(11) Coronavirus Grant Funds

Provider Relief Funds

Under the authority of the CARES Act, the U.S. Department of Health and Human Services (HHS) has established various Provider Relief Funds programs to distribute funds to healthcare providers. As of June 30, 2022 and 2021, the Organization received a total of **\$358,834** and \$0, respectively, in Provider Relief Funds. The terms and conditions associated with accepting the funds specifically state they can only be used to prevent, prepare for, and respond to coronavirus healthcare-related expenses or lost revenues that are attributable to the coronavirus. Recipients are required to file reports with HHS regarding the use of these funds for eligible purposes. Any unused funds are required to be returned to HHS. The Organization is required to report the use of these funds to HHS in 2022.

State Funding

During the year ended June 30, 2021, the Organization was awarded and received grant funds from the State of South Dakota's COVID-19 Safety Net Provider Funds for qualifying COVID-19-related lost revenues. The grant award totaled \$1,500,000 and was recorded as grant revenue in the Statements of Activities and Changes in Net Assets. Of the funds received, \$162,146 was expended to improve air quality in the facilities and on computer equipment. The remaining \$1,337,854 was designated by the Board of Directors for staff recruitment and retention. These amounts are recorded in the Memorandum Only 2021 Total. No additional funds were received during the year ended June 30, 2022.

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

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 during the year ended June 30, 2022. These funds are to be used to address direct care workforce challenges and for equipment and supplies. The funds are to be expended by June 30, 2024 and the Organization is required to report how the funds were expended.

Revenue for eligible expenditures of \$213,571 was recognized during the year ended June 30, 2022. The remaining funds of \$1,280,795 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. As a result, there is a possibility that recorded estimates will change by a material amount in the future. However, the Organization anticipates meeting the terms of the agreement and utilizing the entirety of the funds provided.

(12) Coronavirus (COVID-19)

The coronavirus global pandemic of COVID-19 has impacted economies, businesses, and stock markets worldwide. The financial position and activities as of and for the year ended June 30, 2022 have not been adjusted as the Organization has determined this to be a non-adjusting event. The duration and impact of COVID-19 remain unclear at this time and it is not possible to reliably estimate potential consequences the pandemic may have on the Organization or its financial position in future periods.

BEHAVIOR MANAGEMENT SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(13) Subsequent Events

The Organization closed its Transitional program within the Mainstream Services Division effective September 30, 2022 due to an inability to provide 24-hour staffing. No significant financial impact on the Organization is anticipated as a result of this change.

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.

See independent auditor's report.