



**BERBERICH TRAHAN & CO., P.A.**  
*Certified Public Accountants*

**VALEO BEHAVIORAL HEALTH  
CARE, INC., VALEO CRP, INC. AND  
THE VALEO FOUNDATION**

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**CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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## **INDEPENDENT AUDITORS' REPORT**

The Boards of Directors  
Valeo Behavioral Health Care, Inc., Valeo CRP, Inc. and The Valeo Foundation:

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Valeo Behavioral Health Care, Inc. (Valeo), Valeo CRP, Inc. (CRP) and The Valeo Foundation (the Foundation) (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of CRP and the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2019 and 2018, 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.

## Emphasis of Matter

As described in Note 1 to the consolidated financial statements, the Organization has changed its method of accounting for revenue recognition effective January 1, 2019 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* and FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

## Other Matters

### Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules listed under supplementary information in the accompanying table of contents including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020 on our consideration of Valeo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Valeo's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valeo's internal control over financial reporting and compliance.

BT & Co., P.A.

June 17, 2020  
Topeka, Kansas

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,347,343	\$ 2,785,090
Operating investments	8,989,714	7,517,951
Accounts receivable, net	961,069	908,352
Grants receivable	421,861	565,726
Interest receivable	26,025	28,149
Other receivable	171,798	168,437
Prepaid expenses	216,868	327,467
Total current assets	12,134,678	12,301,172
Cash and cash equivalents, board designated	-	650,312
Operating investments, board designated	620,355	796,598
Property and equipment, net of accumulated depreciation	6,316,411	6,751,976
Total assets	\$ 19,071,444	\$ 20,500,058
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 94,806	\$ 189,088
Accrued payroll	869,271	771,888
Accrued vacation	569,758	551,556
Other accrued expenses	123,871	284,225
Unearned revenue	238,921	361,830
Total current liabilities	1,896,627	2,158,587
Net assets:		
Without donor restrictions:		
Board designated	722,153	1,573,242
Undesignated	16,399,774	16,647,389
With donor restrictions:	52,890	120,840
Total net assets	17,174,817	18,341,471
Total liabilities and net assets	\$ 19,071,444	\$ 20,500,058

See accompanying notes to consolidated financial statements.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2019 and 2018

	2019	2018
Net assets without donor restrictions:		
Revenues and support:		
Patient service revenue	\$ 10,162,008	\$ 11,336,438
State mental health funds	3,586,763	3,149,002
Grants and contracts	2,625,318	2,997,855
AAPS contract	1,186,564	1,247,492
Shawnee County taxes	1,856,258	1,839,155
City of Topeka taxes	282,437	258,430
Interest and investment loss	862,999	(13,169)
Donations	148,764	101,782
Miscellaneous	591,602	485,175
Net assets released from restriction - program support	96,439	130,281
	21,399,152	21,532,441
Total revenues and support		
Expenses:		
Outreach case management	1,865,625	1,655,082
Crisis diversion services	3,358,141	3,342,965
Valeo Recovery Center	1,810,860	1,729,242
Other Mental Health Services	10,052,622	9,390,952
CRP program services	1,238,210	1,035,162
Management and general	3,834,755	3,711,560
Fundraising	337,638	318,597
	22,497,851	21,183,560
Total expenses		
Change in net assets without donor restriction	(1,098,699)	348,881
Net assets with donor restrictions:		
Contributions	28,484	5,492
Net assets released from restriction - program support	(96,439)	(130,281)
	(67,955)	(124,789)
Change in net assets with donor restrictions		
Change in net assets	(1,166,654)	224,092
Net assets, beginning of year	18,341,471	18,117,379
Net assets, end of year	\$ 17,174,817	\$ 18,341,471

See accompanying notes to consolidated financial statements.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Valeo				
	Program Services				Fundraising
	Outreach	Crisis	Valeo Recovery Center	Other Mental Health Services	
Case Management	Diversion Services				
Salaries and fringe benefits	\$ 1,538,394	\$ 2,680,725	\$ 1,536,147	\$ 5,996,687	\$ 204,991
Payments to other organizations	-	-	-	2,761,439	-
Depreciation and amortization	23,521	206,650	24,769	178,594	-
Telephone and utilities	34,981	104,580	11,032	206,795	-
Food and client supplies	119,635	59,151	135,158	53,766	-
Maintenance and repairs	-	74,196	-	188,723	-
Meetings and travel	68,820	30,737	384	45,317	-
Rents	-	-	-	10,200	-
Advertising	2,746	10,263	1,406	10,091	7,405
Printing and postage	787	953	1,027	3,295	-
Professional services	10,425	17,600	9,732	261,158	-
General and professional liability insurance	5,671	7,846	5,715	21,715	-
Seminars	2,050	2,712	1,554	16,029	-
Office supplies	12,028	50,920	13,240	90,659	-
Data processing supplies and support	29,993	52,918	27,649	70,188	-
Client transportation	1,116	16,594	20,224	31,192	-
Medical supplies	766	6,310	11,870	12,785	-
Medical services	-	-	-	-	-
Dues and memberships	4,047	7,116	6,715	13,817	-
Non-capital equipment	5,200	3,984	1,647	1,699	-
Property insurance	-	23,626	-	75,461	-
Books and library materials	300	-	2,041	1,386	-
Miscellaneous	5,145	1,260	550	1,626	62,684
Total expenses	<u>\$ 1,865,625</u>	<u>\$ 3,358,141</u>	<u>\$ 1,810,860</u>	<u>\$ 10,052,622</u>	<u>\$ 275,080</u>

See accompanying notes to consolidated financial statements.

CRP				The Foundation			
Management and General	Total Expenses	Program Services	Fundraising	Management and General	Total Expenses	Fundraising	Total Expenses
\$ 2,746,343	\$ 14,703,287	\$ 892,815	\$ -	\$ 118,999	\$ 1,011,814	\$ -	\$ 15,715,101
-	2,761,439	-	-	-	-	-	2,761,439
26,976	460,510	68,672	-	1,482	70,154	-	530,664
60,642	418,030	50,982	-	1,215	52,197	-	470,227
-	367,710	52,416	-	-	52,416	-	420,126
21,221	284,140	60,486	-	-	60,486	-	344,626
25,475	170,733	4,796	-	1,952	6,748	2,232	179,713
-	10,200	-	-	-	-	-	10,200
11,341	43,252	-	-	150	150	-	43,402
19,074	25,136	79	-	49	128	-	25,264
423,163	722,078	62,343	-	2,190	64,533	-	786,611
31,182	72,129	9,320	-	1,152	10,472	-	82,601
18,234	40,579	-	-	352	352	-	40,931
31,770	198,617	668	-	-	668	-	199,285
164,979	345,727	257	-	-	257	-	345,984
-	69,126	18,798	-	-	18,798	-	87,924
-	31,731	56	-	-	56	-	31,787
12,141	12,141	-	-	-	-	-	12,141
13,830	45,525	-	-	260	260	1,958	47,743
28,910	41,440	1,376	-	-	1,376	-	42,816
10,029	109,116	13,857	-	-	13,857	-	122,973
-	3,727	383	-	-	383	-	4,110
51,117	122,382	906	5,095	10,527	16,528	53,273	192,183
<u>\$ 3,696,427</u>	<u>\$ 21,058,755</u>	<u>\$ 1,238,210</u>	<u>\$ 5,095</u>	<u>\$ 138,328</u>	<u>\$ 1,381,633</u>	<u>\$ 57,463</u>	<u>\$ 22,497,851</u>



VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Valeo				
	Program Services				Fundraising
	Outreach	Crisis	Valeo Recovery Center	Other Mental Health Services	
Case Management	Diversion Services				
Salaries and fringe benefits	\$ 1,400,432	\$ 2,582,872	\$ 1,456,904	\$ 5,545,145	\$ 211,734
Payments to other organizations	-	-	-	2,569,284	-
Depreciation and amortization	37,786	213,835	36,789	194,094	-
Telephone and utilities	25,049	118,263	15,165	218,408	-
Food and client supplies	63,483	79,564	116,540	44,597	-
Maintenance and repairs	-	71,945	220	221,875	-
Meetings and travel	63,783	35,088	426	49,219	-
Rents	-	-	348	-	-
Advertising	2,575	4,566	2,836	10,807	4,788
Printing and postage	669	1,013	908	2,876	-
Professional services	5,846	72,434	21,426	287,456	-
General and professional liability insurance	5,499	9,133	6,652	24,594	-
Seminars	1,932	1,870	1,855	17,181	-
Office supplies	6,029	41,103	5,918	-	-
Data processing supplies and support	34,037	60,052	31,223	69,150	-
Client transportation	3,201	15,384	10,802	31,788	-
Medical supplies	98	4,912	10,425	10,754	-
Medical services	-	-	-	-	-
Dues and memberships	4,588	7,596	6,106	12,479	-
Non-capital equipment	-	7,454	1,214	1,749	-
Property insurance	-	13,302	-	66,810	-
Books and library materials	298	-	2,937	-	-
Miscellaneous	(223)	2,579	548	12,686	61,324
Total expenses	<u>\$ 1,655,082</u>	<u>\$ 3,342,965</u>	<u>\$ 1,729,242</u>	<u>\$ 9,390,952</u>	<u>\$ 277,846</u>

See accompanying notes to consolidated financial statements.

CRP				The Foundation			
Management and General	Total Expenses	Program Services	Fundraising	Management and General	Total Expenses	Fundraising	Total Expenses
\$ 2,589,003	\$ 13,786,090	\$ 676,662	\$ -	\$ 99,470	\$ 776,132	\$ -	\$ 14,562,222
-	2,569,284	-	-	-	-	-	2,569,284
56,467	538,971	66,669	-	1,389	68,058	-	607,029
59,165	436,050	57,888	-	503	58,391	-	494,441
-	304,184	70,814	-	-	70,814	-	374,998
67,252	361,292	-	-	-	-	-	361,292
23,824	172,340	3,380	-	1,395	4,775	777	177,892
58,850	59,198	-	-	-	-	-	59,198
8,009	33,581	3,853	-	150	4,003	-	37,584
21,411	26,877	262	-	-	262	-	27,139
448,640	835,802	71,978	-	7,754	79,732	-	915,534
32,434	78,312	6,239	-	771	7,010	-	85,322
9,738	32,576	113	-	232	345	-	32,921
4,736	57,786	15,452	-	105	15,557	-	73,343
120,202	314,664	29,891	-	-	29,891	-	344,555
-	61,175	10,048	-	-	10,048	-	71,223
-	26,189	76	-	-	76	-	26,265
9,642	9,642	-	-	-	-	-	9,642
12,633	43,402	-	-	299	299	78	43,779
10,562	20,979	3,807	-	-	3,807	-	24,786
8,901	89,013	15,070	-	-	15,070	-	104,083
-	3,235	379	-	-	379	-	3,614
52,406	129,320	2,581	6,670	5,617	14,868	33,226	177,414
<u>\$ 3,593,875</u>	<u>\$ 19,989,962</u>	<u>\$ 1,035,162</u>	<u>\$ 6,670</u>	<u>\$ 117,685</u>	<u>\$ 1,159,517</u>	<u>\$ 34,081</u>	<u>\$ 21,183,560</u>

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (1,166,654)	\$ 224,092
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	530,664	607,029
Realized loss (gain) on investments	(148,528)	29,531
Unrealized loss (gain) on investments	(396,032)	215,221
Loss on disposal of property and equipment	19,291	39,087
Changes in assets and liabilities:		
Accounts receivable	(52,717)	136,811
Interest receivable	2,124	(401)
Grants receivable	143,865	(304,939)
Other receivable	(3,361)	(28,573)
Prepaid expenses	110,599	(51,902)
Accounts payable	(94,282)	73,528
Accrued payroll	97,383	77,617
Accrued vacation	18,202	33,278
Other accrued expenses	(160,354)	53,920
Unearned revenue	(122,909)	231,532
Net cash from operating activities	(1,222,709)	1,335,831
Cash flows from investing activities:		
Purchase of property and equipment	(114,390)	(291,019)
Proceeds from redemption of investments	250,000	45,985
Purchase of investments	(1,000,960)	(174,152)
Net cash from investing activities	(865,350)	(419,186)
Net increase (decrease) in cash and cash equivalents	(2,088,059)	916,645
Cash and cash equivalents, beginning of year	3,435,402	2,518,757
Cash and cash equivalents, end of year	\$ 1,347,343	\$ 3,435,402
Cash and cash equivalents consisted of the following:		
Cash and cash equivalents	\$ 1,347,343	\$ 2,785,090
Cash and cash equivalents, board designated	-	650,312
	\$ 1,347,343	\$ 3,435,402

See accompanying notes to consolidated financial statements.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

1 - Organization and Summary of Significant Accounting Policies

Organization

Valeo Behavioral Health Care, Inc. (Valeo) is a comprehensive mental health center licensed by the State of Kansas with three major program components servicing Shawnee County, Kansas. The first program, Outreach Case Management, assists consumers in identifying, securing, and sustaining resources needed to live in a normal interdependent way in the community. The case manager functions as the primary clinician coordinating all needed services consistent with the needs of the consumers. The second program, Crisis Diversion Services (CDS), provides wrap around services and crisis stabilization to individuals of Shawnee County who suffer from a severe persistent mental illness and are at high risk for a psychiatric hospitalization, incarceration or nursing facility for mental health (NFMH) placement and who have shown the inability to maintain community tenure without the use of higher levels of structure and intensive supports. The CDS program acts as a diversion from these types of placements and supports reintegration while working towards independence and managing an individual's mental health crisis. The third program, Valeo Recovery Center, provides residential and outpatient substance abuse treatment.

Valeo CRP, Inc. (CRP) is a Kansas-based nonprofit organization established in 2001 to provide residential housing and care in Topeka, Kansas for individuals in need of continuing mental health care. Prior to 2001, a community residence program was operated by the Menninger Clinic (Menninger). In 2001, Menninger donated buildings with a fair value of \$ 1,735,000 to Valeo. Valeo established CRP for the purpose of continuing the community residence program. Valeo is the sole member of CRP.

The Valeo Foundation (the Foundation) was organized in 2010 as a nonprofit organization operating exclusively to provide support for mental health and substance abuse programs at Valeo and CRP to enhance the quality of life for families in the community. Valeo is the sole member of the Foundation.

Principles of Consolidation

The consolidated financial statements include the accounts of Valeo, CRP, and the Foundation (collectively, the Organization). CRP and the Foundation are controlled by Valeo since Valeo is the sole member of CRP and the Foundation. All three entities are also under common management. All significant intercompany transactions and accounts have been eliminated.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Consolidated Statement of Cash Flows

For purposes of the consolidated statement of cash flows, cash and cash equivalents include petty cash, checking accounts and money market accounts, which have original maturities of three months or less.

Concentrations of Credit Risk

The Organization manages deposit concentration risk by placing cash, savings, money market and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to the analysis of historical collection rates and because a substantial portion of the outstanding grants receivable is due from governmental agencies.

Operating Investments

Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization invests in mutual funds, corporate and municipal bonds, fixed income funds, federal government securities, and money market mutual funds.

The Organization also invests in certificates of deposit which are recorded at cost as they are not affected by market changes.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consists of amounts due directly from patients or from third-party payors for services rendered. Receivables due directly from patients are carried at the original hourly charge for the service provided less amounts covered by third-party payors and less estimated amounts considered uncollectible. Third-party payor receivables are carried at a net amount determined by the original hourly charge for the service provided, less an estimate for contractual adjustments or discounts provided to third-party payors. Patient receivables are written off to bad debt when deemed uncollectible. After all third-party sources have been billed, individual consumers are given ninety days to pay their balances. When a balance is greater than ninety days old, the Organization determines whether the account should be sent to a collection agency or written off.

Property and Equipment

Property and equipment are carried at cost for purchases greater than \$ 500. Contributed property and equipment is stated at the fair market value at the date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. Maintenance and repairs are charged to expense. Significant renewals and betterments are capitalized. Gains or losses on dispositions of property and equipment are included in revenue and expense.

Accrued Vacation

Personal leave is accrued at varying rates based on years of service. A maximum of thirty days of vacation leave may be accrued by any employee.

Net Assets

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

*Net Assets with Donor Restrictions* – Net assets subject to donor restrictions. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. Donor 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. As of December 31, 2019 and 2018, the Organization had net assets with donor restrictions of \$ 52,890 and \$ 120,840, respectively, restricted for Valeo and CRP program purposes. As of December 31, 2019 and 2018, the Organization had no net assets required to be maintained in perpetuity.

Revenue Recognition Policy

Patient Service Revenue

The Organization reports patient service revenue at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and include variable consideration for retroactive adjustments due to settlement of audits and reviews. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. 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 to the patient.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition Policy (Continued)

Patient Service Revenue (Continued)

The Organization determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and/or implicit price concessions. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts expected to collect based on the Organization's collection history with similar class of patients. The Organization analyzes its past history and identifies trends for each of its major payor sources of revenue. Management regularly reviews data about these major payor sources of revenue. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the year ended December 31, 2019 was not significant.

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant price concession related to uninsured patients in the period the services are provided.

Non-Patient Service Revenue

The Organization recognizes revenue from program services when the services are provided. The Organization records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Significant judgements are made in determining the value of the exchange and contribution element of special events.

All services are transferred at a point in time. Payment terms for services are not deemed to include any significant financing component as payment is received at the time, or shortly after, the services are provided. Consideration paid for services is not variable.



VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition Policy (Continued)

Non-Patient Service Revenue (Continued)

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2019, conditional contributions approximating \$ 5,516,304, for which \$ 238,921 had been received in advance and shown as deferred revenue in the statement of financial position, have not been recognized in the accompanying consolidated financial statements.

The Organization's customers consist of federal, state and local government agencies and private customers, primarily located within the state of Kansas. For government grants and contracts, future cash flows depend on the Organization's ability to continue to obtain federal, state and local government contracts, and indirectly on the amount of funding available to these agencies for new and current government projects. Therefore, a portion of the Organization's operations is dependent upon the level and timing of government funding. As it relates to private customers, credit risk is mitigated because payment is received before, shortly after or at the time the goods or services are provided. For those program services provided before payment is received, continuing services will be terminated for non-payment, limiting future credit risk.

Advertising Costs

Advertising costs are charged to operations incurred. For the years ended December 31, 2019 and 2018, advertising costs totaled \$ 43,402 and \$ 37,584, respectively.

Functional Expense Allocation

Costs have been allocated among the programs and supporting services on the basis of benefits received from the associated costs. Other organizations are sub-recipients of federal, state, and local moneys.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Income Tax Matters

Valeo, CRP, and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code, are exempt from federal income taxes pursuant to Section 501(a) of the Code and have not been classified as private foundations under Section 509(a) of the Code.

Concentration

The Organization receives a substantial amount of its support from patient fees and grants and contracts. If a significant reduction in the level of these revenues or delay in the timing of receipts were to occur, the Organization would curtail its programs and activities accordingly.

Risks and Uncertainties

The Organization routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations and various investment grade corporate obligations. Investments in money market funds are not insured or guaranteed by the U.S. government or by the underlying corporation; however, management believes that credit risk related to these investments is minimal.

The Organization maintains a significant portion of its total assets in a combination of bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market fluctuation, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could material affect investments and the amounts reported in the consolidated statement of financial position.

Use of Estimates

The preparation of consolidated 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Pending Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Management is currently evaluating the effect that the standard will have on the financial statements.

Change in Accounting Principles

FASB Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted the presentation in these consolidated financial statements accordingly. The Organization adopted the new standard effective January 1, 2019, the first day of the Organization's current fiscal year using the modified retrospective approach. Any cumulative effect of initially applying the new standard would be recognized as an adjustment directly to the opening balance of net assets at January 1, 2019. The new revenue standard did not have a material impact on the amount and timing of revenue recognized in the Organization's consolidated financial statements.

As part of the adoption of the ASC, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Change in Accounting Principles (Continued)

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

2 - Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018 are:

	2019	2018
Financial assets:		
Cash and cash equivalents, current	\$ 1,347,343	\$ 2,785,090
Operating investments, current	8,989,714	7,517,951
Accounts receivable, net	961,069	908,352
Interest receivable	26,025	28,149
Grants receivable	421,861	565,726
Other receivable	171,798	168,437
Total financial assets	11,917,810	11,973,705
Less financial assets held to meet donor-imposed restrictions:		
Donor-restricted funds (see Note 1)	(52,890)	(120,840)
Amount available for general expenditures within one year	\$ 11,864,920	\$ 11,852,865

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

2 - Availability and Liquidity (Continued)

The Organization has a goal to maintain on hand a minimum of \$ 1,000,000 operating cash, which consists of cash and certificates of deposit. The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term treasury instruments. The Organization also has operating investments that could be utilized in the event of an unanticipated liquidity need.

3 - Investments

Investments held by the Organization were as follows at December 31, 2019:

	Cost	Fair Value
Certificates of deposit	\$ 1,104,754	\$ 1,104,754
Equity mutual funds	1,429,673	1,548,448
Municipal bonds	145,382	144,827
Corporate bonds	102,597	103,584
Fixed income funds	6,038,841	6,205,317
Money market mutual funds	503,139	503,139
Total operating investments	\$ 9,324,386	\$ 9,610,069

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

3 - Investments (Continued)

Investments held by the Organization were as follows at December 31, 2018:

	Cost	Fair Value
Certificates of deposit	\$ 370,424	\$ 370,424
Equity mutual funds	1,302,005	1,221,443
Municipal bonds	1,828,007	1,825,349
Corporate bonds	1,064,115	1,036,760
Fixed income funds	33,280	33,270
Treasury bills	2,383,906	2,384,142
Money market mutual funds	1,443,161	1,443,161
Total operating investments	\$ 8,424,898	\$ 8,314,549

4 - Fair Value Measurement

The disclosure provisions of the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 820) establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1      Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
  
- Level 2      Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

4 - Fair Value Measurement (Continued)

Level 3        Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2019.

*Mutual funds, corporate and municipal bonds, fixed income funds, federal government securities, treasury bills, and money market mutual funds:* Valued at the closing price reported in the active market in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

4 - Fair Value Measurement (Continued)

Fair value of assets measured on a recurring basis at December 31, 2019 is as follows:

Description	Fair Value	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
Equity mutual funds:				
Diversified emerging markets	\$ 96,483	\$ 96,483	\$ -	\$ -
Foreign small/mid growth	97,323	97,323	-	-
Foreign large blend	191,391	191,391	-	-
Large blend	1,163,251	1,163,251	-	-
Municipal bonds:				
NA credit rating	93,781	93,781	-	-
A1 credit rating	51,046	51,046	-	-
Corporate bonds:				
AA2 credit rating	103,584	103,584	-	-
Fixed income funds:				
Foreign large growth	2,624,934	2,624,934	-	-
High yield bond	392,957	392,957	-	-
Intermediate core-plus bond	2,164,614	2,164,614	-	-
Multi sector bond	945,237	945,237	-	-
Short term bond	77,575	77,575	-	-
Money market mutual funds	503,139	503,139	-	-
Total	<u>\$ 8,505,315</u>	<u>\$ 8,505,315</u>	<u>\$ -</u>	<u>\$ -</u>



VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

4 - Fair Value Measurement (Continued)

Fair value of assets measured on a recurring basis at December 31, 2018 is as follows:

Description	Fair Value	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
Equity mutual funds:				
Diversified emerging markets	\$ 88,775	\$ 88,775	\$ -	\$ -
Foreign small/mid growth	76,066	76,066	-	-
Foreign large blend	91,905	91,905	-	-
Large value	146,145	146,145	-	-
Large growth	109,959	109,959	-	-
Large blend	469,152	469,152	-	-
Mid-cap value	-	-	-	-
Mid-cap growth	61,267	61,267	-	-
Mid-cap blend	48,977	48,977	-	-
Small value	107,686	107,686	-	-
Small growth	21,511	21,511	-	-
Municipal bonds:				
NA credit rating	278,413	278,413	-	-
A1 credit rating	161,208	161,208	-	-
A2 credit rating	102,809	102,809	-	-
FNMA rating	906,492	906,492	-	-
AA1 credit rating	75,126	75,126	-	-
AA2 credit rating	100,556	100,556	-	-
AA3 credit rating	150,474	150,474	-	-
AAA credit rating	50,271	50,271	-	-
Corporate bonds:				
NA credit rating	388,211	388,211	-	-
A1 credit rating	294,609	294,609	-	-
A3 credit rating	101,809	101,809	-	-
AA2 credit rating	151,493	151,493	-	-
AA3 credit rating	100,638	100,638	-	-
Fixed income funds:				
Foreign large growth	11,091	11,091	-	-
High yield bond	2,119	2,119	-	-
Intermediate core-plus bond	11,081	11,081	-	-
Multi sector bond	5,494	5,494	-	-
World Bond- USD hedged	3,485	3,485	-	-
Treasury bills	2,384,142	2,384,142	-	-
Money market mutual funds	1,443,161	1,443,161	-	-
Total	<u>\$ 7,944,125</u>	<u>\$ 7,944,125</u>	<u>\$ -</u>	<u>\$ -</u>

There were no transfers between the levels during the year. The Organization's policy is to only recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the fair value inputs are not recognized.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2019	2018
Land	\$ 799,003	\$ 799,003
Buildings	11,789,200	11,741,190
Real estate leasehold	123,676	123,676
Leasehold improvements	247,984	247,984
Office equipment	3,884,565	3,837,463
Motor vehicles	563,387	583,837
Total property and equipment	17,407,815	17,333,153
Less accumulated depreciation	(11,091,404)	(10,581,177)
Total property and equipment, net of accumulated depreciation	\$ 6,316,411	\$ 6,751,976

Depreciation expense for the Organization for the years ended December 31, 2019 and 2018 was \$ 530,664 and \$ 607,029, respectively.

6 - Operating Leases

The Organization leases certain office facilities and equipment under operating lease agreements. Under the terms of these leases, the facilities and the equipment remain the property of the lessor and, accordingly, are recorded as an asset. Rental expense incurred under these leases was \$ 100,992 and \$ 68,931, respectively, during the years ending December 31, 2019 and 2018. Future annual minimum rental payments are as follows:

2020	\$ 80,508
2021	80,508
2022	74,558
2023	64,449
	\$ 300,023

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

7 - Board Designated Net Assets

Valeo has designated a portion of net assets to provide for the repayment of principal and interest on the Certificates of Participation, which were paid in full in 2017, and for the accrued health insurance liability. Funds designated by the Board of Directors for CRP are equal to approximately seven months of operating expenses.

The amounts designated at December 31 are as follows:

	2019	2018
Bond payments - principal and interest	\$ 18,821	\$ 675,832
Health insurance liability	82,011	98,363
Board designated investments, including accrued interest	621,321	799,047
Total board designated net assets	\$ 722,153	\$ 1,573,242

8 - Pension Plan

The Organization has a 401(k) Plan (the Plan) to provide retirement benefits for its employees. The Plan covers regular part-time and full-time employees with one year of service. Employees may contribute from their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. Valeo contributes 50% of up to the first 4% of gross compensation that an employee contributes to the Plan. All matching contributions vest on years of continuous service. An employee is 100% vested after six years of credited service. In addition, the Plan provides for discretionary profit-sharing contributions as determined by the Board of Directors. Such contributions to the Plan are allocated among eligible participants in the proportion of their salaries to the total salaries of all participants.

The Organization's matching contributions to the Plan were \$ 151,770 and \$ 320,460 and profit-sharing was \$ 0 and \$ 170,444 for the years ended December 31, 2019 and 2018, respectively.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

9 - Payments to Other Organizations

The Organization's payments to other organizations for the year ended December 31 consist of the following:

	2019	2018
Breakthrough House	\$ 359,408	\$ 336,021
Family Service and Guidance Center	2,402,031	2,233,263
Total payments to other organizations	\$ 2,761,439	\$ 2,569,284

10 - Risk Management

The Organization participates in a partially self-funded health insurance program administered by Blue Cross Blue Shield. A monthly premium is paid for stop-loss coverage and includes an amount for administrative costs. The maximum liability for the Organization for each individual covered is \$ 100,000 per plan year with an aggregate plan maximum liability of approximately \$ 2,226,126.

The Organization made claim payments of \$ 1,847,583 and \$ 1,470,743, respectively, during the years ended December 31, 2019 and 2018. At December 31, 2019 and 2018, the Organization had recorded a combined liability of \$ 107,614 and \$ 100,759, respectively, for estimated self-insured liability claims which are included in other accrued expenses on the consolidated statement of financial position.

11 - Subsequent Events

Subsequent events have been evaluated by management of the Organization through the date of the independent auditors' report, which is the date that the consolidated financial statements are available to be issued.

In January 2020, Valeo CRP transferred the Frazier property, equipment and vehicles with a book value of \$ 225,392 to Valeo for \$ 1.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

11 - Subsequent Events (Continued)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the pandemic.

In April 2020, the Organization applied for and received \$ 2,770,200 from the Paycheck Protection Program, made available through the CARES Act. There is a potential for a portion of this funding to be unforgiven and, therefore, converted to a 5-year loan with an annual interest rate of 1%.

It is unknown how long the adverse conditions associated with the pandemic will last and what the complete financial effect will be to the Organization. As of the date of the auditors' report, the Organization is experiencing a decrease in patient service revenue due to decreased service demand, temporary reductions in programs provided and changes in service structure from in-person to telehealth. The Organization expects a decrease in available government funding in future periods.

SUPPLEMENTARY INFORMATION

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2019

	Valeo	CRP	The Foundation	Eliminations	Consolidated Total
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 1,101,595	\$ 53,135	\$ 192,613	\$ -	\$ 1,347,343
Operating investments	8,617,959	-	371,755	-	8,989,714
Accounts receivable, net	865,266	75,465	20,338	-	961,069
Grants receivable	421,861	-	-	-	421,861
Interest receivable	23,019	966	2,040	-	26,025
Other receivable	160,061	11,737	-	-	171,798
Prepaid expenses	206,954	9,914	-	-	216,868
Due from affiliates	78,579	-	-	(78,579)	-
Total current assets	11,475,294	151,217	586,746	(78,579)	12,134,678
Operating investments, board designated	-	620,355	-	-	620,355
Property and equipment, net of accumulated depreciation	5,876,128	440,283	-	-	6,316,411
Total assets	\$ 17,351,422	\$ 1,211,855	\$ 586,746	\$ (78,579)	\$ 19,071,444
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	\$ 83,708	\$ 11,098	\$ -	\$ -	\$ 94,806
Accrued payroll	825,190	44,081	-	-	869,271
Accrued vacation	557,123	12,635	-	-	569,758
Other accrued expenses	97,007	26,864	-	-	123,871
Unearned revenue	238,921	-	-	-	238,921
Due to affiliates	-	12,693	65,886	(78,579)	-
Total current liabilities	1,801,949	107,371	65,886	(78,579)	1,896,627
Net assets:					
Without restrictions:					
Board designated	100,832	621,321	-	-	722,153
Undesignated	15,402,816	476,098	520,860	-	16,399,774
With donor restrictions	45,825	7,065	-	-	52,890
Total net assets	15,549,473	1,104,484	520,860	-	17,174,817
Total liabilities and net assets	\$ 17,351,422	\$ 1,211,855	\$ 586,746	\$ (78,579)	\$ 19,071,444

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2018

	Valeo	CRP	The Foundation	Eliminations	Consolidated Total
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 2,308,022	\$ 150,192	\$ 326,876	\$ -	\$ 2,785,090
Operating investments	7,401,390	-	116,561	-	7,517,951
Accounts receivable, net	808,882	80,148	19,322	-	908,352
Grants receivable	565,726	-	-	-	565,726
Interest receivable	25,590	2,449	110	-	28,149
Other receivable	156,700	11,737	-	-	168,437
Prepaid expenses	312,611	14,856	-	-	327,467
Due from affiliates	41,580	811	-	(42,391)	-
Total current assets	11,620,501	260,193	462,869	(42,391)	12,301,172
Cash and cash equivalents, board designated	650,312	-	-	-	650,312
Operating investments, board designated	-	796,598	-	-	796,598
Property and equipment, net of accumulated depreciation	6,241,524	510,452	-	-	6,751,976
Total assets	\$ 18,512,337	\$ 1,567,243	\$ 462,869	\$ (42,391)	\$ 20,500,058
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	\$ 178,791	\$ 10,297	\$ -	\$ -	\$ 189,088
Accrued payroll	726,830	45,058	-	-	771,888
Accrued vacation	532,657	18,899	-	-	551,556
Other accrued expenses	274,470	9,755	-	-	284,225
Unearned revenue	361,830	-	-	-	361,830
Due to affiliates	-	-	42,391	(42,391)	-
Total current liabilities	2,074,578	84,009	42,391	(42,391)	2,158,587
Net assets:					
Without donor restrictions:	-	-	-	-	-
Board designated	774,195	799,047	-	-	1,573,242
Undesignated	15,549,784	677,127	420,478	-	16,647,389
With donor restrictions:	113,780	7,060	-	-	120,840
Total net assets	16,437,759	1,483,234	420,478	-	18,341,471
Total liabilities and net assets	\$ 18,512,337	\$ 1,567,243	\$ 462,869	\$ (42,391)	\$ 20,500,058



VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Valeo	CRP	The Foundation	Eliminations	Consolidated Total
Net assets without donor restrictions:					
Revenues and support:					
Patient service revenue	\$ 9,140,392	\$ 1,021,616	\$ -	\$ -	\$ 10,162,008
State mental health funds	3,586,763	-	-	-	3,586,763
Grants and contracts	2,625,318	-	-	-	2,625,318
AAPS contract	1,186,564	-	-	-	1,186,564
Shawnee County taxes	1,856,258	-	-	-	1,856,258
City of Topeka taxes	282,437	-	-	-	282,437
Management fees	163,939	-	-	(163,939)	-
Interest and investment loss	778,647	75,271	9,081	-	862,999
Donations	-	-	148,764	-	148,764
Miscellaneous	521,667	69,935	-	-	591,602
Net assets released from restriction - program support	96,439	-	-	-	96,439
Total revenues and support	<u>20,238,424</u>	<u>1,166,822</u>	<u>157,845</u>	<u>(163,939)</u>	<u>21,399,152</u>
Expenses:					
Salaries and fringe benefits	14,703,287	1,175,753	-	(163,939)	15,715,101
Payments to other organizations	2,761,439	-	-	-	2,761,439
Depreciation and amortization	460,510	70,154	-	-	530,664
Telephone and utilities	418,030	52,197	-	-	470,227
Food and client supplies	367,710	52,416	-	-	420,126
Maintenance and repairs	284,140	60,486	-	-	344,626
Meetings and travel	170,733	6,748	2,232	-	179,713
Rents	10,200	-	-	-	10,200
Advertising	43,252	150	-	-	43,402
Printing and postage	25,136	128	-	-	25,264
Professional services	722,078	64,533	-	-	786,611
General and professional liability insurance	72,129	10,472	-	-	82,601
Seminars	40,579	352	-	-	40,931
Office supplies	198,617	668	-	-	199,285
Data processing supplies and support	345,727	257	-	-	345,984
Client transportation	69,126	18,798	-	-	87,924
Medical supplies	31,731	56	-	-	31,787
Medical services	12,141	-	-	-	12,141
Dues and memberships	45,525	260	1,958	-	47,743
Non-capital equipment	41,440	1,376	-	-	42,816
Property insurance	109,116	13,857	-	-	122,973
Books and library materials	3,727	383	-	-	4,110
Miscellaneous	122,382	16,528	53,273	-	192,183
Total expenses	<u>21,058,755</u>	<u>1,545,572</u>	<u>57,463</u>	<u>(163,939)</u>	<u>22,497,851</u>
Change in net assets without donor restriction	<u>(820,331)</u>	<u>(378,750)</u>	<u>100,382</u>	<u>-</u>	<u>(1,098,699)</u>
Net assets with donor restrictions:					
Contributions	28,484	-	-	-	28,484
Net assets released from restriction - program support	(96,439)	-	-	-	(96,439)
Change in net assets with donor restrictions	<u>(67,955)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,955)</u>
Change in net assets	<u>(888,286)</u>	<u>(378,750)</u>	<u>100,382</u>	<u>-</u>	<u>(1,166,654)</u>
Net assets, beginning of year	16,437,759	1,483,234	420,478	-	18,341,471
Net assets, end of year	<u>\$ 15,549,473</u>	<u>\$ 1,104,484</u>	<u>\$ 520,860</u>	<u>\$ -</u>	<u>\$ 17,174,817</u>

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	Valeo	CRP	The Foundation	Eliminations	Consolidated Total
Net assets without donor restrictions:					
Revenues and support:					
Patient service revenue	\$ 10,088,156	\$ 1,248,282	\$ -	\$ -	\$ 11,336,438
State mental health funds	3,149,002	-	-	-	3,149,002
Grants and contracts	2,997,855	-	-	-	2,997,855
AAPS contract	1,247,492	-	-	-	1,247,492
Shawnee County taxes	1,839,155	-	-	-	1,839,155
City of Topeka taxes	258,430	-	-	-	258,430
Management fees	193,463	-	-	(193,463)	-
Interest and investment income	(7,875)	(5,179)	(115)	-	(13,169)
Donations	-	-	101,782	-	101,782
Miscellaneous	443,708	41,467	-	-	485,175
Net assets released from restriction - program support	130,281	-	-	-	130,281
Total revenues and support	<u>20,339,667</u>	<u>1,284,570</u>	<u>101,667</u>	<u>(193,463)</u>	<u>21,532,441</u>
Expenses:					
Salaries and fringe benefits	13,786,090	969,595	-	(193,463)	14,562,222
Payments to other organizations	2,569,284	-	-	-	2,569,284
Depreciation and amortization	538,971	68,058	-	-	607,029
Telephone and utilities	436,050	58,391	-	-	494,441
Food and client supplies	304,184	70,814	-	-	374,998
Maintenance and repairs	361,292	-	-	-	361,292
Meetings and travel	172,340	4,775	777	-	177,892
Rents	59,198	-	-	-	59,198
Advertising	33,581	4,003	-	-	37,584
Printing and postage	26,877	262	-	-	27,139
Professional services	835,802	79,732	-	-	915,534
General and professional liability insurance	78,312	7,010	-	-	85,322
Seminars	32,576	345	-	-	32,921
Office supplies	57,786	15,557	-	-	73,343
Data processing supplies and support	314,664	29,891	-	-	344,555
Client transportation	61,175	10,048	-	-	71,223
Medical supplies	26,189	76	-	-	26,265
Medical services	9,642	-	-	-	9,642
Dues and memberships	43,402	299	78	-	43,779
Non-capital equipment	20,979	3,807	-	-	24,786
Property insurance	89,013	15,070	-	-	104,083
Books and library materials	3,235	379	-	-	3,614
Miscellaneous	129,320	14,868	33,226	-	177,414
Total expenses	<u>19,989,962</u>	<u>1,352,980</u>	<u>34,081</u>	<u>(193,463)</u>	<u>21,183,560</u>
Change in net assets without donor restriction	<u>349,705</u>	<u>(68,410)</u>	<u>67,586</u>	<u>-</u>	<u>348,881</u>
Net assets with donor restrictions:					
Contributions	3,853	1,639	-	-	5,492
Net assets released from restriction - program support	(130,281)	-	-	-	(130,281)
Change in net assets with donor restrictions	<u>(126,428)</u>	<u>1,639</u>	<u>-</u>	<u>-</u>	<u>(124,789)</u>
Change in net assets	<u>223,277</u>	<u>(66,771)</u>	<u>67,586</u>	<u>-</u>	<u>224,092</u>
Net assets, beginning of year	16,214,482	1,550,005	352,892	-	18,117,379
Net assets, end of year	<u>\$ 16,437,759</u>	<u>\$ 1,483,234</u>	<u>\$ 420,478</u>	<u>\$ -</u>	<u>\$ 18,341,471</u>

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2019

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	Amounts Passed on to Subrecipients
U.S. Department of Agriculture:				
Passed through Kansas Department of Education:				
Child & Adult Care Food Program	10.558	PO705	\$ 5,172	\$ -
U.S. Department of Housing and Urban Development:				
Passed through Community Action, Inc.:				
Supportive Housing Project - FY19	14.235		58,827	-
Supportive Housing Project - FY20	14.235		5,294	-
Total U. S. Department of Housing and Urban Development			64,121	-
U.S. Department of Health and Human Services:				
Passed through Kansas Department for Aging and Disability Services:				
PATH Block Grant - FY19	93.150	PATH Grant	50,109	-
PATH Block Grant - FY20	93.150	PATH Grant	50,109	-
Community Mental Health Services Block Grant	93.958	MHCC 19-203	218,327	179,704
Community Mental Health Services Block Grant	93.958	MHCC 20-023	218,327	179,704
Coordinated Specialty Care Initiative	93.958	3B09SM010020	105,730	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	ADT 05-05-04	664,476	-
Total U.S. Department of Health and Human Services			1,307,078	359,408
Total expenditures of federal awards			\$ 1,376,371	\$ 359,408

See accompanying notes to schedule of expenditures  
of federal awards.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2019

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Valeo under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Valeo, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Valeo.

2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Valeo has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3 - Difference in Presentation of Property and Equipment

The accompanying schedule of expenditures of federal awards presents property and equipment acquisitions as expenditures under the definition of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Regulations, Cost Principles, and Audit Requirement for Federal Awards*. The consolidated financial statements present property and equipment acquisitions as assets in accordance with accounting principles generally accepted in the United States of America.

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2019

**Section I. Summary of Independent Auditors' Results**

Consolidated Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to consolidated financial statements noted	None

Federal Awards

Type of auditors' report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	No

Identification of major programs:

<u>C DFA Number</u>	<u>Name of Federal Program</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

VALEO BEHAVIORAL HEALTH CARE, INC.,  
VALEO CRP, INC. AND THE VALEO FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section I. Summary of Independent Auditors' Results (Continued)**

Dollar threshold used to distinguish between  
type A and type B programs \$ 750,000

Auditee qualified as a low-risk auditee Yes

**Section II. Financial Statement Findings**

None.

**Section III. Findings and Questioned Costs for Federal Awards**

None.



Certified Public Accountants

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

Boards of Directors

Valeo Behavioral Health Care, Inc., Valeo CRP, Inc. and The Valeo Foundation  
Topeka, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Valeo Behavioral Health Care, Inc. (Valeo), Valeo CRP, Inc. (CRP) and The Valeo Foundation (the Foundation) (collectively, the Organization) which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 17, 2020. The financial statements of CRP and the Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

BT & Co., P.A.

June 17, 2020  
Topeka, Kansas





Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE**

Boards of Directors

Valeo Behavioral Health Care, Inc., Valeo CRP, Inc. and The Valeo Foundation:

**Report on Compliance for the Major Federal Program**

We have audited Valeo Behavioral Health Care, Inc.'s (Valeo's), Valeo CRP, Inc.'s (CRP's) and The Valeo Foundation's (the Foundation's) (collectively, the Organization's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Valeo's major federal program for the year ended December 31, 2019. Valeo's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Organization's basic financial statements include the operations of CRP and the Foundation, related parties for Valeo, both of which did not receive federal awards and are not included in the Organization's schedule of expenditures of federal awards during the year ended December 31, 2019. Our audit, described below, did not include the operations of CRP and the Foundation because these entities did not expend federal awards.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for Valeo's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Valeo's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Valeo's compliance.

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## Opinion on the Major Federal Program

In our opinion, Valeo complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

## Report on Internal Control Over Compliance

Management of Valeo is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Valeo's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Valeo's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BT & Co., P.A.

June 17, 2020  
Topeka, Kansas