



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

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

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2018 AND 2017

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

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

Years Ended December 31, 2018 and 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statement of Functional Expenses	5 - 6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 24
Supplementary Information:	
Consolidating Statement of Financial Position - 2018	25
Consolidating Statement of Financial Position - 2017	26
Consolidating Statement of Activities - 2018	27
Consolidating Statement of Activities - 2017	28
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
Schedule of Findings and Questioned Costs	31 - 32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33 - 34
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance	35 - 36



INDEPENDENT AUDITOR'S 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, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, the consolidated statement of functional expenses for the year ended December 31, 2018 and the related notes to the consolidated financial statements, (collectively, the 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.

Auditor's 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 auditor's 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

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, 2018 and 2017, 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 discussed in Note 1 to the financial statements, on January 1, 2018, the Organization adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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, 2019 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.

Berbeich Graham & Co., P.A.

June 17, 2019
Topeka, Kansas

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	2018	2017
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,785,090	\$ 1,879,824
Operating investments	7,517,951	7,580,012
Accounts receivable, net	908,352	1,045,163
Interest receivable	28,149	27,748
Grants receivable	565,726	260,787
Other receivable	168,437	139,864
Prepaid expenses	327,467	275,565
Total current assets	12,301,172	11,208,963
Cash and cash equivalents, board designated	650,312	638,933
Operating investments, board designated	796,598	851,122
Property and equipment, net of accumulated depreciation	6,751,976	7,107,073
Total assets	\$ 20,500,058	\$ 19,806,091
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 189,088	\$ 115,560
Accrued payroll	771,888	694,271
Accrued vacation	551,556	518,278
Other accrued expenses	284,225	230,305
Unearned revenue	361,830	130,298
Total current liabilities	2,158,587	1,688,712
Net assets:		
Without donor restrictions:		
Board designated	1,573,242	1,666,279
Undesignated	16,647,389	16,205,471
With donor restrictions:	120,840	245,629
Total net assets	18,341,471	18,117,379
Total liabilities and net assets	\$ 20,500,058	\$ 19,806,091

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, 2018 and 2017

	2018	2017
Net assets without donor restrictions:		
Revenues and support:		
Net patient fees	\$ 11,336,438	\$ 10,771,008
State mental health funds	3,149,002	2,383,719
Grants and contracts	4,245,347	3,268,259
Shawnee County taxes	1,839,155	1,856,853
City of Topeka taxes	258,430	282,437
Interest and investment loss	(13,169)	290,496
Donations	101,782	117,929
Miscellaneous	485,175	552,373
Net assets released from restriction - program support	130,281	44,232
Total revenues and support	21,532,441	19,567,306
Expenses:		
Salaries and fringe benefits	14,562,222	14,223,581
Payments to other organizations	2,569,284	2,303,795
Depreciation and amortization	607,029	612,256
Telephone and utilities	494,441	531,241
Food and client supplies	374,998	348,231
Maintenance and repairs	361,292	326,648
Meetings and travel	177,892	167,166
Rents	59,198	61,328
Advertising	37,584	45,449
Printing and postage	27,139	25,572
Professional services	915,534	534,084
General and professional liability insurance	85,322	87,064
Seminars	32,921	41,151
Office supplies	73,343	80,897
Data processing supplies and support	344,555	359,057
Interest expense	-	25,522
Client transportation	71,223	53,537
Medical supplies	26,265	38,053
Medical services	9,642	12,893
Dues and memberships	43,779	48,474
Non-capital equipment	24,786	19,450
Property insurance	104,083	102,740
Books and library materials	3,614	5,894
Miscellaneous	177,414	129,157
Total expenses	21,183,560	20,183,240
Change in net assets without donor restriction	348,881	(615,934)
Net assets with donor restrictions:		
Contributions	5,492	262,359
Net assets released from restriction - program support	(130,281)	(44,232)
Change in net assets with donor restrictions	(124,789)	218,127
Change in net assets	224,092	(397,807)
Net assets, beginning of year	18,117,379	18,515,186
Net assets, end of year	\$ 18,341,471	\$ 18,117,379

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, 2018

	Valeo				
	Program Services				Fundraising
	Outreach	Crisis		Other Mental Health Services	
Case Management	Diversion Services	Valeo Recovery Center	Valeo Recovery Center		
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, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 224,092	\$ (397,807)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	607,029	612,256
Interest on debt issuance costs	-	15,721
Realized loss (gain) on investments	29,531	(32,362)
Unrealized loss (gain) on investments	215,221	(83,285)
Loss on disposal of property and equipment	39,087	-
Changes in assets and liabilities:		
Accounts receivable	136,811	135,801
Interest receivable	(401)	9,192
Grants receivable	(304,939)	60,135
Other receivable	(28,573)	316,643
Prepaid expenses	(51,902)	(89,519)
Accounts payable	73,528	(21,885)
Accrued payroll	77,617	22,693
Accrued vacation	33,278	(7,956)
Other accrued expenses	53,920	78,472
Unearned revenue	231,532	114,044
Net cash provided by operating activities	1,335,831	732,143
Cash flows from investing activities:		
Purchase of property and equipment	(291,019)	(284,795)
Proceeds from redemption of investments	45,985	40,000
Purchase of investments	(174,152)	(156,653)
Net cash used in investing activities	(419,186)	(401,448)
Cash flows from financing activities:		
Principal payments on certificates	-	(245,000)
Net increase in cash and cash equivalents	916,645	85,695
Cash and cash equivalents, beginning of year	2,518,757	2,433,062
Cash and cash equivalents, end of year	\$ 3,435,402	\$ 2,518,757
Cash and cash equivalents consisted of the following:		
Cash and cash equivalents	\$ 2,785,090	\$ 1,879,824
Cash and cash equivalents, board designated	650,312	638,933
	\$ 3,435,402	\$ 2,518,757
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ -	\$ 9,800

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, 2018 and 2017

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 and 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 substantial portion of the outstanding grants receivable are 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 an estimated allowance for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts based on historical experience, patient financial history, and current economic conditions. 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, 2018 and 2017, the Organization had net assets with donor restrictions of \$ 120,840 and \$ 245,629, respectively, restricted for Valeo and CRP program purposes. As of December 31, 2018 and 2017, the Organization had no net assets required to be maintained in perpetuity.

Net Patient Fees

Net patient fees are reported at the estimated net realizable amounts from patients, third-party payors, and others for service rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

Advertising Costs

Advertising costs are charged to operations incurred. For the years ended December 31, 2018 and 2017, advertising costs totaled \$ 37,584 and \$ 45,449, 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.,
VALEO CRP, INC. AND THE VALEO FOUNDATION

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.

Valeo, CRP and the Foundation's policies are to evaluate uncertain tax positions annually. Management has evaluated Valeo, CRP and the Foundation's tax positions and concluded that Valeo, CRP, and the Foundation had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

The Form 990s filed by Valeo, CRP, and the Foundation are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. The Form 990s filed by Valeo, CRP, and the Foundation are no longer subject to examination for the fiscal years ended December 31, 2014 and prior.

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.

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)

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.

Pending Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition guidance including industry-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2018. Management is currently evaluating the effect that the standard will have on the consolidated financial statements.

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, 2019, including interim periods within those fiscal years. Management is currently evaluating the effect that the standard will have on the consolidated financial statements.

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)

Change in Accounting Principle

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses and liquidity and availability of resources. The standard is effective for not-for-profit organizations for periods beginning after December 15, 2017. The Organization has adopted this ASU for these financial statements, applying the changes retrospectively.

The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about availability and liquidity of resources (see Note 2).
- The statement of functional expense was added to the financial statements.

The changes have the following effect on net assets at December 31, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 17,871,750	\$ -
Temporarily restricted net assets	245,629	-
Net assets without donor restrictions	-	17,871,750
Net assets with donor restrictions	-	245,629
	\$ 18,117,379	\$ 18,117,379

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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, 2018 are:

Financial assets:

Cash and cash equivalents, current	\$ 2,785,090
Operating investments, current	7,517,951
Accounts receivable, net	908,352
Interest receivable	28,149
Grants receivable	565,726
Other receivable	<u>168,437</u>

Total financial assets	11,973,705
------------------------	------------

Less financial assets held to meet donor-imposed restrictions:

Donor-restricted funds (see Note 1)	<u>(120,840)</u>
-------------------------------------	------------------

Amount available for general expenditures within one year	<u><u>\$ 11,852,865</u></u>
---	-----------------------------

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3 - Investments

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

	<u>Cost</u>	<u>Fair Value</u>
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	<u>1,443,161</u>	<u>1,443,161</u>
Total operating investments	<u>\$ 8,424,898</u>	<u>\$ 8,314,549</u>

Investments held by the Organization were as follows at December 31, 2017:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	\$ 367,617	\$ 367,617
Equity mutual funds	643,604	763,893
Municipal bonds	1,215,740	1,222,408
Corporate bonds	1,254,296	1,249,380
Fixed income funds	2,183,798	2,166,629
Money market mutual funds	<u>2,661,207</u>	<u>2,661,207</u>
Total operating investments	<u>\$ 8,326,262</u>	<u>\$ 8,431,134</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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; |
| 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, 2018.

Mutual funds, corporate and municipal bonds, fixed income funds, federal government securities, 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

4 - Fair Value Measurement (Continued)

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.

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 growth	61,267	61,267	-	-
Mid-cap blend	48,977	48,977	-	-
Small growth	21,511	21,511	-	-
Small value	107,686	107,686	-	-
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 Bill	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>

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, 2017 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	\$ 49,858	\$ 49,858	\$ -	\$ -
Foreign small/mid growth	54,595	54,595	-	-
Foreign large blend	54,358	54,358	-	-
Large value	82,112	82,112	-	-
Large growth	67,616	67,616	-	-
Large blend	193,733	193,733	-	-
Mid-cap value	38,437	38,437	-	-
Mid-cap growth	38,061	38,061	-	-
Mid-cap blend	81,925	81,925	-	-
Small value	65,886	65,886	-	-
Small growth	11,906	11,906	-	-
Small blend	25,406	25,406	-	-
Municipal bonds:				
NA credit rating	371,717	371,717	-	-
A1 credit rating	164,174	164,174	-	-
A2 credit rating	206,037	206,037	-	-
AA1 credit rating	75,449	75,449	-	-
AA2 credit rating	102,029	102,029	-	-
AA3 credit rating	251,626	251,626	-	-
AAA credit rating	51,376	51,376	-	-
Corporate bonds:				
NA credit rating	397,040	397,040	-	-
A1 credit rating	302,450	302,450	-	-
A2 credit rating	35,383	35,383	-	-
A3 credit rating	105,054	105,054	-	-
AA2 credit rating	154,830	154,830	-	-
AA3 credit rating	103,128	103,128	-	-
BAA1 credit ratings	50,597	50,597	-	-
BAA2 credit rating	100,898	100,898	-	-
Fixed income funds:				
Intermediate term bond	1,462,289	1,462,289	-	-
Short government	704,340	704,340	-	-
Money market mutual funds	2,661,207	2,661,207	-	-
Total	\$ 8,063,517	\$ 8,063,517	\$ -	\$ -

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

4 - Fair Value Measurement (Continued)

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.

5 - Accounts Receivable

Net accounts receivable consisted of the following at December 31:

	2018	2017
Gross accounts receivable	\$ 1,086,332	\$ 1,249,930
Allowance for doubtful accounts	(109,215)	(129,613)
Allowance for contractual adjustments	(68,765)	(75,154)
	<u>\$ 908,352</u>	<u>\$ 1,045,163</u>
Total accounts receivable, net	<u>\$ 908,352</u>	<u>\$ 1,045,163</u>

6 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2018	2017
Land	\$ 799,003	\$ 799,003
Buildings	11,741,190	11,695,424
Real estate leasehold	123,676	123,676
Leasehold improvements	247,984	247,984
Office equipment	3,837,463	3,675,260
Motor vehicles	583,837	559,359
	<u>17,333,153</u>	<u>17,100,706</u>
Total property and equipment	<u>17,333,153</u>	<u>17,100,706</u>
Less accumulated depreciation	(10,581,177)	(9,993,633)
	<u>\$ 6,751,976</u>	<u>\$ 7,107,073</u>
Total property and equipment, net of accumulated depreciation	<u>\$ 6,751,976</u>	<u>\$ 7,107,073</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

6 - Property and Equipment (Continued)

Depreciation expense for the Organization for the years ended December 31, 2018 and 2017 was \$ 607,029 and \$ 612,256, respectively.

7 - 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 \$ 68,931 and \$ 79,139, respectively, during the years ending December 31, 2018 and 2017. Future annual minimum rental payments are as follows:

2019	\$	84,842
2020		70,308
2021		70,308
2022		70,308
Thereafter		64,449
		<hr/>
	\$	360,215
		<hr/> <hr/>

8 - Long-Term Debt

In 1991, the construction of a facility and the purchase of land and a building for Valeo Recovery Center were financed through Certificates of Participation issued by Shawnee County, Kansas (the County). Valeo was the sub-lessee and the County was the lessee in the transaction which is, in substance, a capital lease. In June 1994, the County issued \$ 1,215,000 in Certificates of Participation for the purpose of advance refunding the remaining principal of the Series 1991 issue.

In February 1999, the County issued \$ 3,375,000 in Certificates of Participation Series 1999A, at a discount of \$ 69,945, for the purpose of refunding the 1994 Certificates of Participation and to finance the cost of the expansion of certain facilities. The 1999A Certificates of Participation require annual principal payments and were set to expire in 2019.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

In August 2005, the County issued Certificates of Participation Series 2005, at a discount of \$ 33,742, for the purpose of refunding the 1999A Certificates of Participation. The 2005 Certificates of Participation required annual principal payments and were paid in full in 2017. They bore an interest rate from 3.9% to 4.0%. The discount of the 2005 bonds was also amortized over the life of the bonds. Amortization of the discount charged to interest expense was \$ 2,919 in 2017. Financing costs were amortized over the term of the loan using the straight-line method which approximates the effective yield method and is recorded as interest expense.

9 - 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:

	2018	2017
Bond payments - principal and interest	\$ 675,832	\$ 664,596
Health insurance liability	98,363	148,641
Board designated investments, including accrued interest	799,047	853,042
Total board designated net assets	\$ 1,573,242	\$ 1,666,279

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

10 - 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 \$ 320,460 and \$ 176,895 and profit-sharing was \$ 170,444 and \$ 41,399 for the years ended December 31, 2018 and 2017, respectively.

11 - Payments to Other Organizations

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

	<u>2018</u>	<u>2017</u>
Breakthrough House	\$ 336,021	\$ 397,108
Family Service and Guidance Center	2,233,263	1,839,581
Kanza Mental Health Center	-	17,489
Pawnee Mental Health Center	-	49,617
	<u> </u>	<u> </u>
Total payments to other organizations	<u>\$ 2,569,284</u>	<u>\$ 2,303,795</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

12 - 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 \$ 75,000 per plan year with an aggregate plan maximum liability of approximately \$ 1,794,572.

The Organization made claim payments of \$ 1,470,743 and \$ 1,749,628, respectively, during the years ended December 31, 2018 and 2017. At December 31, 2018 and 2017, the Organization had recorded a combined liability of \$ 100,759 and \$ 171,032, respectively, for estimated self-insured liability claims which are included in other accrued expenses on the consolidated statement of financial position.

13 - Subsequent Events

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

SUPPLEMENTARY INFORMATION

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	Combined 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
Interest receivable	25,590	2,449	110	-	28,149
Grants receivable	565,726	-	-	-	565,726
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 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

See accompanying independent auditor's report.

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2017

	Valeo	CRP	The Foundation	Eliminations	Combined Total
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 1,480,884	\$ 138,972	\$ 259,968	\$ -	\$ 1,879,824
Operating investments	7,470,796	-	109,216	-	7,580,012
Accounts receivable, net	934,253	91,166	19,744	-	1,045,163
Interest receivable	25,716	1,920	112	-	27,748
Grants receivable	260,787	-	-	-	260,787
Other receivable	128,126	11,738	-	-	139,864
Prepaid expenses	259,676	15,889	-	-	275,565
Due from affiliates	30,927	5,097	-	(36,024)	-
Total current assets	10,591,165	264,782	389,040	(36,024)	11,208,963
Cash and cash equivalents, board designated	638,933	-	-	-	638,933
Operating investments, board designated	-	851,122	-	-	851,122
Property and equipment, net of accumulated depreciation	6,584,179	522,894	-	-	7,107,073
Total assets	\$ 17,814,277	\$ 1,638,798	\$ 389,040	\$ (36,024)	\$ 19,806,091
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	\$ 104,726	\$ 10,710	\$ 124	\$ -	\$ 115,560
Accrued payroll	656,340	37,931	-	-	694,271
Accrued vacation	504,288	13,990	-	-	518,278
Other accrued expenses	204,143	26,162	-	-	230,305
Unearned revenue	130,298	-	-	-	130,298
Due to affiliates	-	-	36,024	(36,024)	-
Total current liabilities	1,599,795	88,793	36,148	(36,024)	1,688,712
Net assets:					
Without donor restrictions:					
Board designated	813,237	853,042	-	-	1,666,279
Undesignated	15,161,037	691,542	352,892	-	16,205,471
With donor restrictions:	240,208	5,421	-	-	245,629
Total net assets	16,214,482	1,550,005	352,892	-	18,117,379
Total liabilities and net assets	\$ 17,814,277	\$ 1,638,798	\$ 389,040	\$ (36,024)	\$ 19,806,091

See accompanying independent auditor's report.

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	Combined Total
Net assets without donor restrictions:					
Revenues and support:					
Net patient fees	\$ 10,088,156	\$ 1,248,282	\$ -	\$ -	\$ 11,336,438
State mental health funds	3,149,002	-	-	-	3,149,002
Grants and contracts	4,245,347	-	-	-	4,245,347
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 loss	(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>

See accompanying independent auditor's report.

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

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

	Valeo	CRP	The Foundation	Eliminations	Combined Total
Net assets without donor restrictions:					
Revenues and support:					
Net patient fees	\$ 9,511,201	\$ 1,259,807	\$ -	\$ -	\$ 10,771,008
State mental health funds	2,383,719	-	-	-	2,383,719
Grants and contracts	3,268,259	-	-	-	3,268,259
Shawnee County taxes	1,856,853	-	-	-	1,856,853
City of Topeka taxes	282,437	-	-	-	282,437
Management fees	188,971	-	-	(188,971)	-
Interest and investment income	260,834	28,608	1,054	-	290,496
Donations	5,000	-	112,929	-	117,929
Miscellaneous	516,466	35,907	-	-	552,373
Net assets released from restriction - program support	44,232	-	-	-	44,232
Total revenues and support	<u>18,317,972</u>	<u>1,324,322</u>	<u>113,983</u>	<u>(188,971)</u>	<u>19,567,306</u>
Expenses:					
Salaries and fringe benefits	13,295,527	1,117,025	-	(188,971)	14,223,581
Payments to other organizations	2,303,795	-	-	-	2,303,795
Depreciation and amortization	547,915	64,341	-	-	612,256
Telephone and utilities	471,560	59,681	-	-	531,241
Food and client supplies	284,539	63,692	-	-	348,231
Maintenance and repairs	326,648	-	-	-	326,648
Meetings and travel	161,048	4,763	1,355	-	167,166
Rents	61,328	-	-	-	61,328
Advertising	40,333	5,116	-	-	45,449
Printing and postage	25,101	371	100	-	25,572
Professional services	463,941	70,143	-	-	534,084
General and professional liability insurance	80,106	6,958	-	-	87,064
Seminars	41,051	100	-	-	41,151
Office supplies	62,614	18,283	-	-	80,897
Data processing supplies and support	283,537	75,520	-	-	359,057
Interest expense	25,522	-	-	-	25,522
Client transportation	45,990	7,547	-	-	53,537
Medical supplies	37,701	352	-	-	38,053
Medical services	12,893	-	-	-	12,893
Dues and memberships	47,979	455	40	-	48,474
Non-capital equipment	17,229	2,221	-	-	19,450
Property insurance	85,866	16,874	-	-	102,740
Books and library materials	5,550	344	-	-	5,894
Miscellaneous	90,032	12,696	26,429	-	129,157
Total expenses	<u>18,817,805</u>	<u>1,526,482</u>	<u>27,924</u>	<u>(188,971)</u>	<u>20,183,240</u>
Change in net assets without donor restriction	<u>(499,833)</u>	<u>(202,160)</u>	<u>86,059</u>	<u>-</u>	<u>(615,934)</u>
Net assets with donor restrictions:					
Contributions	262,314	45	-	-	262,359
Net assets released from restriction - program support	(44,232)	-	-	-	(44,232)
Change in net assets with donor restrictions	<u>218,082</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>218,127</u>
Change in net assets	<u>(281,751)</u>	<u>(202,115)</u>	<u>86,059</u>	<u>-</u>	<u>(397,807)</u>
Net assets, beginning of year	16,496,233	1,752,120	266,833	-	18,515,186
Net assets, end of year	<u>\$ 16,214,482</u>	<u>\$ 1,550,005</u>	<u>\$ 352,892</u>	<u>\$ -</u>	<u>\$ 18,117,379</u>

See accompanying independent auditor's report.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2018

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	\$ 7,308	\$ -
U.S. Department of Housing and Urban Development:				
Passed through Community Action, Inc.:				
Supportive Housing Project	14.235	FY18	58,528	-
Supportive Housing Project	14.235	FY19	5,353	-
Total U. S. Department of Housing and Urban Development			63,881	-
U.S. Department of Health and Human Services:				
Passed through Kansas Department for Aging and Disability Services:				
PATH Block Grant	93.150	PATH 18-023	38,942	-
PATH Block Grant	93.150	PATH 19-023	38,942	-
CABHI - Kansas Project	93.243	T1026045	254,157	-
Community Mental Health Services Block Grant	93.959	ADT 05-05-04	781,803	-
Community Mental Health Services Block Grant	93.958	MHCC 18-023	204,112	168,011
Community Mental Health Services Block Grant	93.958	MHCC 19-023	204,112	168,011
Block Grants for Prevention and Treatment of Substance Abuse	93.958	3B09SM010020	111,072	-
Total U.S. Department of Health and Human Services			1,633,140	336,022
Total expenditures of federal awards			\$ 1,704,329	\$ 336,022

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, 2018

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, 2018. 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, 2018

Section I. Summary of Independent Auditor's Results

Consolidated Financial Statements

Type of auditor's 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 auditor's 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 Auditor's 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.



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

3630 SW Burlingame Road Topeka, Kansas 66611 | t: 785.234.3427 | toll-free: 800.530.5526 | f: 785.233.1768 | w: btandccpa.com

INDEPENDENT AUDITOR’S 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, 2018, 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, 2019. 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.

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.

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.

Berbeuch Graham & Co., P.A.

June 17, 2019
Topeka, Kansas



**INDEPENDENT AUDITOR’S 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 programs for the year ended December 31, 2018. Valeo’s major federal program is identified in the summary of auditor’s 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, 2018. 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.

Auditor’s 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.

An Independently Owned Member, RSM US Alliance

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, 2018.

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.

Berbeich Graham & Co., P.A.

June 17, 2019
Topeka, Kansas